Barclays Global Financial Services Conference

Company Participants

- Beth Costello, Chief Financial Officer
- Doug Elliot, President

Other Participants

- Tracy Benguigui

Presentation

Tracy Benguigui {BIO 21808177 <GO>}

Good morning. I'm Tracy Benguigui, insurance analyst at Barclays, and I'm pleased this morning to have a fireside chat with Doug Elliot, President; and Beth Costello, EVP and CFO from the Hartford. Good morning to Doug and Beth.

Doug Elliot {BIO 3700927 <GO>}

Good morning, Tracy.

Beth Costello {BIO 15349374 <GO>}

Good morning.

Tracy Benguigui {BIO 21808177 <GO>}

Just a quick housekeeping items and then I do want to get some big picture thoughts from Beth and Doug. Just a reminder than the left side of your screen, you could submit questions through the Q&A box. We also have our audience response system, which is our polling questions and I will strive to read those results in real time, if you could kindly submit your answers.

With that, maybe I'll turn first to Beth, who will then turn it over to Doug with some big picture thoughts on the current macro environment for Hartford.

Beth Costello {BIO 15349374 <GO>}

Great. Thank you, Tracy. I'm very happy to be here this morning. It's probably an understatement to say that 2020 has definitely been a unique year. And when we talk about it internally, we bucket things into sort of pre-COVID and post-COVID. And if we go back to the beginning and the start of the year, we were very pleased and continue to be pleased with the progress that we were making on the performance of our underlying businesses, including the integration of Navigators and all that was going on there, and I know Doug is going to talk a little bit about that in a few moments as to what we're continuing to see in the marketplace and the momentum that we have there.

We also started the year planning to really take a hard look at our overall efficiency of the company. And as you know, it positioned us to be able to announce in July the program that we call Hartford Next, which is really focused on improving our overall efficiency ratios as measured by expense ratios in our P&C and group benefits business.

This is a company-wide program, it consists of over 600 discrete projects that we have very detailed plans and milestones that we're executing to and positions as well to achieve our objectives by 2022. And I think our disclosures around this program as part of our earnings release in Q2 provide a really good road map for investors as to what we expect.

As it relates to COVID impacts, obviously, we saw a lot of activity there in Q2. And again, I think we laid out very clearly in our disclosures where we took action and the reviews that we did relative to our book, and I know later on, we'll probably talk a little bit more about COVID impacts and what we might be seeing in Q3.

And then lastly, as it relates to investment returns, obviously an area of focus, given the low interest rate environment that we see ourselves in. As we have mentioned, we are holding a little bit more liquidity than we normally do and obviously that has put a little bit of pressure on our investment returns. But on a positive note, in the second quarter earnings call, I had commented that our limited partnership portfolio, we were expecting to potentially see some additional losses there in Q3, not to the same level of what we saw in Q2, but just given sort of the continued economic strain, thought that, that would still lead through some of our valuations, and really pleased to see that as we've been getting statements in, not only are we not seeing losses, but we're probably going to see returns pretty consistent with what we saw last third quarter, which on an annualized basis was about 15.3%.

So significant improvement there for a variety of reasons that we're obviously very pleased to see as we think about how that portfolio performs. And I think on that positive note, I'm going to turn it over to Doug to give a few comments and just underlying business performance.

Doug Elliot {BIO 3700927 <GO>}

Thanks, Beth. And maybe just start with six months into COVID. We feel very good about how we're operating in the environment from both employer, employee broker perspective, so I think we're firing on all cylinders.

I continue to be encouraged with the financial progress we're making global -- especially post the Navigators acquisition and also our improvement in Middle & Large Commercial. Very encouraged by a continued strong pricing in those segments which I'm sure we'll talk more about this morning, excellent margins continue and group benefit in small commercial. And in closing couple of comments, one is, we feel like we've got the products in-house today post all the building we've gone through the last five years to compete successfully over the next three to five years. And I'm really encouraged. I look at our talent across the board, I feel like we are -- have never been in a stronger position. So I'm bullish on our future, I'll look forward to engaging in the Q&A, but thanks Tracy for setting this up.

Questions And Answers

Q - Tracy Benguigui {BIO 21808177 <GO>}

(Question And Answer)

Excellent. I think you -- both of you actually gave a good preview of what's to come in this morning's discussion. Maybe just to quickly hit on COVID-19, there's been a wide range of industry losses ranging, I guess, as low as $30 billion to $100 billion. And given a longer tail nature of a pandemic than a natural catastrophe, the numbers are not coming in as fast and furious. So unsurprisingly, if you look at company reporting, the math does not add up. Do you think insurers are adequately putting up IBNR at this point? Are their hands tied to the difficulty estimating loss probability with any certainty?

A - Beth Costello {BIO 15349374 <GO>}

Yes, great, great question. And I know an area that has garnered a lot of attention and trying to do that reconciliation. And obviously, it's hard for us to comment on what others are doing. But if I look at the way we've approached it. In the second quarter, we did a very thorough review of all of our contracts where we saw the potential for exposure. And then we looked very closely at things like our workers' comp book, where the activity could be a little different than what you might normally see based on some of the actions at various states we're doing.

And so as we put our estimates together, we took all that sort of uncertainty into consideration as we established our loss picks for the quarter. And as I had commented on when we disclosed our results in the -- for the second quarter, we did book a higher percentage of IBNR reserves than we typically would have trying to take that into consideration.

And we also looked at things that weren't just loss reserves. We made adjustments on our audit premium receivables, we made adjustments on bad debt. And as we sit here today and we look at the picks that we made, we feel very good on all fronts. I think the thing that is a little different about this, as you commented on as it relates to just sort of normal catastrophes that folks think about, is there is an ongoing exposures that are going to continue to be impacted.

So for example, in our book of business, we would still expect to see in Q3 reserves needed for workers comp and in our disability book. Because again, you can't book reserves in Q2 for incidents that are going to happen in future periods, and so I think that,

that is maybe at first caused a little bit of confusion, but I think people have been able to get their head around that.

Other areas like our property book, I would not expect to see, anything material in that regard because, again, those exposures have already happened and we booked those in the quarter. And then from some of the other areas that we had impacts in like audit premium, like bad debt, we've been very pleased with what we've been seeing through Q3 relative to those decisions that we made and would not expect to see significant movements in some of those exposures. I don't know, Doug, if there's anything you'd comment on and maybe I missed.

A - Doug Elliot {BIO 3700927 <GO>}

I would just say that, that we initiated a very exhaustive process of that, because I think, for the last two months of the quarter, we met weekly, we're doing this quarter. Tracy, it is an evolving topic, I think about right now as we sit here today and the fact that the New Jersey presumption language now goes into law, we have been working on New Jersey, we understand the language in that contract and now we're looking at our books of business to see if there are any adjustments that need to be made as we move into Q3. So this is certainly evolving. All we know is really -- our own book of business which would be (inaudible) down through the details.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. Maybe a good time to turn over to our audience response system. The first polling question is, on the top line perspective, will a drop in insurable exposures from an economic shutdown outweigh hardening pricing for Hartford, not likely equilibrium or likely. And their results are not likely at 50% followed by 25% equilibrium, 25% likely. I guess that's not too dissimilar, I asked the same question this morning to Alan Schnitzer. Maybe I'll just get your responses to that these opposing forces where you have some hardening on the pricing side, but you have to kind of level that off on the recessionary pressures, net-net what is your view of that play-off? Maybe I'll turn that over to Doug.

A - Doug Elliot {BIO 3700927 <GO>}

Absolutely. Absolutely two opposing forces here. One I commented on my opening statement that we're very encouraged by what we're seeing on the pricing side. On the other note, there's no question the healthy economy is good for our business, and a healthy small business economy is very healthy for what we consider a top of market small commercial franchise. So I'd like to see both, if I could have it both ways. We see encouragement as the economy reopens. So I'm more optimistic than I probably was 60 days ago about what we're seeing in July and August relative to production. But as we all know, we're not back to full health yet and we look forward to good days in the coming weeks and quarters ahead.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. Maybe just staying on pricing, get your crystal ball the length and the size of this hard market cycle. And I know that's a very loaded question, but maybe if you even want to break it down by business line?

A - Doug Elliot {BIO 3700927 <GO>}

Yes. Let's start with July and August. So we're encouraged with a continuing trend of firm pricing. So if we look through our book of business over the last two effective months equally encouraged as we were in the second quarter. I think, Chris Swift, our CEO and I've commented publicly that we expect this firming price cycle to have legs, and if we just go back and think about the yield curve which has been a growing dynamic with all of us to face, clearly across our duration lines that will cause the extended need for price. So as we think about loss trend, we think about where the balance sheet is across the industry and the growing -- the need over the last couple of years for pricing, we think this market has (inaudible) clearly into '21 and then we'll have that discussion further with you next year.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Just because a lot of the dialogue on pricing has to do with this perception of loss cost trends, I guess in prior cycles, it was really -- the impetus was replenishment of capital. So staying on that theme, if we're in a race track, who is ahead, pricing or lost trend? And I'm thinking about social inflation in COVID in particular?

A - Doug Elliot {BIO 3700927 <GO>}

Well, we're very bullish about what we've been able to achieve on the pricing with our casualty lines. I start with our Global Specialty segment with our excess, umbrella and other casualties lines. I clearly believe that we are on top of lost trend. Our pricing is exceeding the lost trend by several 100 basis points, it's a long duration line. So we will watch experience over a period of time, but I'm very confident today that we're in good spot on pricing and we are now on the positive side of improving our performance.

As you move down to the primary casualty lines. I think that is an area that continues to need rate. As I mentioned on the second quarter call, we're encouraged by the achievement of Middle & Large Commercial of improved higher single-digit pricing in casualty. So I still think that's on top of trend, but I'd like to see that continue for a series of quarters and that's in our objectives as we've kind of Marched through the latter half of 2020.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. So in other words, are you optimistic that you will see underwriting margins expand?

A - Doug Elliot {BIO 3700927 <GO>}

I think across the board, I would say to you, that our pricing is on top of our loss trend and we feel very encouraged by that, because it's been a while since I could say that across the casualty line and obviously, drivers on the property side are more involved with weather and other events, but across casualty, I think, we as a company are making a good stride across those lines of business.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. And I guess just talking about pricing is to one-dimensional, what about terms and conditions, any comments there on the strength of that?

A - Doug Elliot {BIO 3700927 <GO>}

Yes, equally important to our journey, particularly with our global specialty book, I've talked about. What we're doing with our limit profiles, clearly constraining limits and looking carefully at attachment points across our book of business, across lines, financial lines, D&O, across our excess casualty books of business. So it's a more difficult improvement item to predict, but one that we based on all the signals we watch, headed in a good direction, we're getting more price per pound of product we're putting on the street, and that would lead to better outcomes in the financial results over time.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. And you mentioned some of your earlier comments about general liability. Just tying this into limits or terms and conditions, it seems like the $1 million/$2 million limit profile hasn't changed since the mid-80s, there may even be some risk appetite, somewhere we saw a commercial auto to take that limit profile up, given it's really hard to place that risk to get that working layer. Would you have any appetite to expand that limit profile?

A - Doug Elliot {BIO 3700927 <GO>}

Yes, I guess, I would suggest that when I think about your question, I'm thinking more in terms of specialty, I would remind you that we also have a big book of core main street middle market that we write the casualty, we underwrite aggressively the casualty and we've seen an improvement in pricing in terms -- in that core casualty middle market segment. Not as robust pricing as we've seen in the upper end of global specialty, but clearly strong single digits, so pleased about our progress there. And then obviously in the Specialty segment, which is where, you're driving a significant advancement in price, a very different marketplace both on the underlying piece, and also in the excess layer towers.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. So let's see how that all plays into the audience's view of your underwriting performance. So the next polling question is, my expectation for Hartford's underlying combined ratio, excluding catastrophe losses and prior reserve development, which was 95.1% in the first half of the year for two -- for our 2021 is and there's the -- I guess the choices are -- modest improvement, significant improvement, no change, modest deterioration or significant deterioration. So the leading I guess response is there's some optimism significant improvement followed by modest improvements. Maybe I'll get your reaction there on the polling results and kind of tying into your earlier comments about underwriting expansion.

A - Doug Elliot {BIO 3700927 <GO>}

I guess, I'd start with the fact that we feel -- we've made significant strides in our overall profitability over the last five years. So I think we start from an excellent spot and I put our margins up against others in the top quartile. Secondly, I appreciate the optimism, we're equally optimistic about our book of business, and we feel good leading into the second half of the year. As I mentioned, pricing momentum continues. We're working hard on the underwriting side. So I'm bullish too, this also is a different world, right? We're operating in a COVID-19 economy that we haven't seen in a long time. So yes, I'm thoughtful, I'm optimistic, but I'm also careful as the world is presenting challenges daily and we need to make sure we're thoughtful about.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay.

A - Doug Elliot {BIO 3700927 <GO>}

Beth, do you want to talk on anything?

A - Beth Costello {BIO 15349374 <GO>}

No, I think you captured it really well.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. We'll have to talk about CATs. I mean third quarter has always been a very active quarter for CATs, but what's interesting is this quarter seems to be active -- more active than usual, both on a number wise and dollar wise. Do you have any early insights of your CAT experience so far?

A - Beth Costello {BIO 15349374 <GO>}

Yeah. So obviously, Q3 has been a little bit busy and when we look at July and August combined and what -- we were impacted by various events. And we look at what we posted last Q3 for CATs, which was about a $106 million pretax kind of for the whole quarter. We're probably running through August just a bit above that. So you think we still have September to go and obviously, there's been some activity. We're watching the fire activity, obviously out west very closely and would expect to have some exposure there right now, not near the levels that we saw in some of the wildfires in '17 and '18, but as you know, those things can change and then obviously watching what's happening in the Gulf and all of those impacts. So yes, definitely a busy Q3 based on where we stand today.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. Doug, I've heard earlier commentary from you that you're a little bit skeptical on workers' comp reaching a pricing tipping point since there's some downward pressure by states. But I guess what's encouraging is the latest CIAB data showing that rates have flipped and now slightly positive. So -- even so I'm curious if workers' comp pricing rationalization is less orderly and we will ultimately see a meaningful catch-up period. And I guess my reference for a catch-up period because it seems like the NCCI had a moratorium out on July 16th, which would limit, I guess company's ability to really consider COVID-19 within their rate filings. So how do you kind of tie that all up together? And do you have an updated view of where we are on workers comp in the pricing cycle?

A - Doug Elliot {BIO 3700927 <GO>}

I do. So let me start by saying, we also agree that we're going to see some bottoming in our pricing environment and workers comp. I would call it in the early part of '21 less negative. I think, I've looked at about 25 NCCI or bureau filings that are out there for '21 as of -- I looked at it a couple of days ago, and they're certainly a lot less negative than they were a year ago at this point in time. So that's a good thing.

But largely, they're still negative, in the small single digits. So I think that's an environment where we'll see as we start our way into 2021, a footnote for you, when I think about CIB and I think about the number of others. Again, when we look at how companies deal with the loss cost environment. I also think there's a product difference, right?

So in the smaller commercial product arena, it's more slot-rated, there is less experience rated per client. I think the CIAB has a little bit more influence from the middle market larger segment, where experience per account is a big driver of what happens. So there's a base rate, but then there's an experience driver over the top. So I think you have to separate the two. But in general terms, I look out, I see an improving workers' comp pricing environment. And I think as we move through '21, that improvement will also improve as we move into '22.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. Maybe, Beth, a question for you and you talked about in your opening remarks. Can you maybe talk a little bit more about your $500 million expense savings initiative, Hartford Next? To what extent are these investments targeting legacy systems versus investments that will provide you a competitive edge?

A - Beth Costello {BIO 15349374 <GO>}

Yes, great question. As I said in my remarks, this program really is looking at all aspects of our company through all areas. So really both of the items you mentioned are in focus. This isn't just about cutting costs, we try really hard as we look at these things to make sure that we're always putting the customer at the center of what we're doing and so some of the activities that are included in here are things like improving digital experience and things like that, that will impact our customers and make it easier both for them to do business with us.

But for us to respond timely, looking at our underwriting processes and things we can do to become more efficient that will allow us to get back to customers and back to agents with quicker response times and so forth, which we do think will be a competitive advantage for us over time. And then, yes, looking at our legacy systems, we've done a lot to upgrade our systems and capabilities over the last several years. We've talked extensively about additional investments that we've made in those areas and things that, that's allowed us to do, like the next-gen Spectrum product that we released in small commercial.

And so we're looking hard at how do we turn off some of those legacy systems to improve the overall efficiency. So it really is across the board, it's internal spend, it's external spend. As I said earlier, we have very detailed plans that Chris, Doug and I and the extended leadership team are looking at every week, we're getting dashboards on where are we relative to the milestones that we set out, so that we can measure our progress and really look forward to sharing that progress with investors as it starts to show up in our reported results.

A - Doug Elliot {BIO 3700927 <GO>}

Tracy, I would just add a couple of things that the new platforms have allowed us to do in this COVID period of time. So I think back to early March, we had replatformed if you will our claim system over the prior two to three years. And in the first 10 days, two weeks of COVID, we set up a digital front-end that allowed customers to come at us directly, quickly on a digital interface. That really was enabled by the platform we have put in place in the prior couple of years. We would not have been able to do that digital interface with our legacy platform that was probably 20 plus years old.

Second thing I would share is that as we have rolled out advancements across our small commercial platform, we made adjustments to our underwriting profile, underwriter referral, who we wanted to have on which touch points, which classes, which geographies, et cetera. So we are making a series of adjustments in our small commercial underwriting approach over the last couple of quarters, all because and enabled by a platform we had spent years getting ready for the market, which we think is, again, as good as anything in the marketplace today and getting better by the day.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. So I think a good lead in by talking about expense savings is kind of team that up on an ROE perspective. So I'm going to turn to the next audience response question, which is my expectation for Hartford's operating ROE, which was 13% in the first half of 2020. But in 2021, is the choices are 8% to 10%, 10% to 12%, 12% to 14%, above 14%? And it seems like the 12% to 14% is the overall, I guess preference followed by 10% to 12% or 8% to 10%, which would I guess, imply that even though everything we were talking about with pricing, expense savings, in the end of the day, it kind of -- you're still at that 10% to 12% level according to the audience expectation. I don't know if you had any initial thoughts on that?

A - Beth Costello {BIO 15349374 <GO>}

Well, I'll start with how far we've come, because this question in prior years was always did The Hartford get to a 10% ROE. So I'm glad that we've expanded and the optimism that we see. And I think as evidenced by the results that we've been producing. And listen, given the interest rate environment that we're in and the impact that, that has, I mean, obviously all the things that Doug talked about are positives. But it's hard to ignore that with investment yields where they're at, that, that is going to be a bit of a headwind. So from my perspective, companies that can produce sort of low double-digit ROEs in the ranges that the polling question asked for I think are really outstanding performance given the environment that we're in and we try to manage all of those forces.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Got it. And we will circle back to low interest rates. But I guess another part of that question could be in the denominator. So let's talk about share buybacks. Beth, what are some of your guidepost in resuming share buyback activity?

A - Beth Costello {BIO 15349374 <GO>}

Yes. I mean, obviously, we get this question a lot and I know that some are looking for very definitive sort of markers that would say, if X and Y and Z happen, then we would resume share repurchases. And I think we've been pretty consistent in saying that given some of the uncertainties that are still out there in the environment, we believe that having a strong balance sheet in these types of events is really important. And so obviously, we want to get through and see what happens with third quarter catastrophes and as we go through the fourth quarter and look at the appropriate time to resume share repurchases.

We've said in the past as we think about capital allocation, we obviously -- if we thought that there were appropriate places to invest in our business, that's obviously our preference as I think would be most companies. But we see returning capital to shareholders as a very effective way to manage our capital base. And would expect at some point to resume that, but I think it's a little early for us to be definitive in saying this type of environment would result in that, there's just so many things that are going on right now as we look at what's happening across our country and the impacts of COVID and as we think about what might happen as we go towards the end of the year.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. And just a reminder to folks that you could submit questions on the left side of your screen. But I did leave that indicator that we should talk about low interest rates. So let's kind of turn to the investment side. Because of the strategic positioning over the years, I would characterize the duration of your liabilities to be shorter than it once was. But the other hand, your five-year asset duration really has not changed and I understand today's rate environment, it's tougher to play at the shorter end of the yield curve. How do you think about durational mismatch? And could we see more or less of it from Hartford?

A - Beth Costello {BIO 15349374 <GO>}

Yes. So obviously, it's a key area of focus that we work really closely with our investment team on. And overall, I would say that, if you exclude cash we have at the holding company, which obviously isn't necessarily matched to liabilities. And when you look at our matching of our duration, our assets and liabilities, we feel very good about that and do not see a mismatch and we continue to evaluate that very, very closely.

And I think our investment team and the capabilities that they have, have positioned us very well, leading up into this environment. So even pre-COVID, I think our view was that there was some potential for economic slowdown and so forth and took that into consideration as we're managing the portfolio.

So we can continue to do that. But I don't look at our P&C and group benefit portfolios and see a mismatch in that duration. And again we work really closely with our investment team to make sure that we keep that aligned. And as Doug said though, I mean, the reality is that with lower interest rates, that's something we have to think about as we think about the overall profitability of our book of business, and what that means for rate that we need to charge for our products, especially on some of those longer tailed lines where investment income obviously is a component of how we measure the overall profitability that we need.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Maybe I guess you answered the durational mismatch part of the question, but any shifts in your investment portfolio asset allocations when thinking about current opportunities?

A - Beth Costello {BIO 15349374 <GO>}

No significant changes. The way we look at our investment portfolio across the various asset classes that we have, is we have ranges around each of those that we feel are appropriate. We often refer to as our long-term model portfolio and we give our investment organization room and latitude to move within that. And it's something we constantly reevaluate, but sitting here today, not looking at making any significant changes in the portfolio.

Obviously, we want to be very careful about maintaining the overall credit quality of the portfolio and not reaching free yield by taking unnecessary exposure on the credit side. So that's obviously something that we balance as well and we've been very pleased with the overall credit performance of our fixed maturity portfolio.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Great. And just maybe tying in some of your earlier comments about pricing and opportunities, you've mentioned the Navigators side. So how are you feeling about the Navigators piece of your business here today?

A - Doug Elliot {BIO 3700927 <GO>}

Very good. I feel like we're right on stride with where we expected to be, the milestones that we built in and shared with you early on in that journey. We shared that it was going to be a multi-year journey, which absolutely will be the case, but we're making strides both internationally with our Lloyd's syndicate and also domestically, again on the underwriting side, on the pricing side.

And lastly, we don't talk about it enough, and maybe I should spend more time on third quarter call. But we are continuing to get market opportunities because of the interconnection between Global Specialty and our Middle & Large Commercial. This company has tremendous distribution opportunity and we're seeing a lot of that (inaudible) for the Global Specialty segment where we write the core package, property liability, workers comp and now there's a specialty element to it. Yesterday, we had a product review and we were talking about environmental. Environmental was a product that three years ago, we didn't talk about here as a company that didn't have that product. We are offering tremendous opportunity to that one niche inside Global

Specialty, we will continue to find ways to work together as a firm, but it is a one Hartford approach and I'm feeling really good about what we've been able to achieve.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. I think you've mentioned going forward, you have distributional capabilities as well as product capabilities through that platform, that's very much like a forward looking view, but maybe on a backwards view, do you recognize you have an ADC in place. I think two-thirds of that limit has been triggered. How confident are you that you'll still have limit available for some of those prior accident years?

A - Beth Costello {BIO 15349374 <GO>}

Yes, so when we did the acquisition, we put the ADC in place because we did have concerns on the overall level of reserves and the potential for adverse development. So from our perspective, seeing where we are today and the fact that we have eaten into that layer was not unexpected. We've got about $110 million left of exposure on that. And when we look at the overall reserves and the way that we've been evaluating them, we feel very good about the remaining protection that we have under the ADC.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay, great. And then just kind of teeing up some of the benefits that you spoke a little bit earlier about Navigators and what that does to Global Specialty. Could we see more bolt-on acquisitions within that segment?

A - Beth Costello {BIO 15349374 <GO>}

Yes. So again, as we think about our overall capabilities that we have and as you mentioned, and we look at the product suite that we have, we feel we have what we you need to compete. If there were opportunities where we could sort of expand what we have at very attractive financial returns, we talked a lot about the fact that after the Navigators' acquisition and we think about hurdle rates for acquisitions, that the financial hurdle rate would need to be higher than what it was and when we did Navigators, because we saw that it's just such a key strategic play for us as we think about positioning the Hartford for the long-term, because we did have a void in certain product suites that we wanted to participate in the marketplace on. As we sit here today, we don't see that same void. And so any acquisitions that we would do would need to make those financial hurdles. And Doug, I don't know if you'd make any further comments on that?

A - Doug Elliot {BIO 3700927 <GO>}

Tracy, what I would add is that, the hidden part of the story was Navigators and our original intention was to bring the horsepower and analytics capability, data science capabilities of the Hartford to a well-seasoned terrific group of underwriters, but maybe without all the horsepower behind them. And so we've been working month-by-month over these last 16 months, best team, actuarial, data science within (inaudible) sales group.

And I feel like we've made good strides, but there are still lots of things on our drawing board that we know we can execute to, that will help us build a more profitable, more robust positive organization in the specialty space. So our ambition is barely scratching the surface. But again, we are trying to bring the horsepower of what we've been working on here for a decade to them. And I feel like we've taken really solid initial strides, but more work to be done.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Got it. Maybe just shifting gears, Beth, the strategic fit of your mutual fund business, what's your view at this point in the cycle?

A - Beth Costello {BIO 15349374 <GO>}

Yes. So we do get this question a lot on mutual funds. And again -- and it is not part of sort of the core businesses of The Hartford. It's not -- there's no linkage between mutual funds and our P&C and group benefits business. It really is standalone and we've always looked at it that way. We've been very pleased with our overall performance and what they've been able to do and the suite of products that they have. And it provides a nice dividend to the holding company that is pretty steady and we think that it continues to increase in its value. And we've oftentimes said that if you thought about it like some of our limited partnership investments that we do, it's very similar and is producing very strong returns for us, so very pleased with the overall performance.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Sounds pretty consistent. I appreciate that. I think we only have a few minutes left. I don't know if either of you have any type of bold predictions looking into 2021, either for Hartford or something more broadly might be a fun way to conclude today's discussion.

A - Doug Elliot {BIO 3700927 <GO>}

Bold predictions, that's a hard one, Tracy, right? We can control what we control, but within that realm, we feel like we're operating effectively. I think we've been a terrific partner for brokers and agents and customers over the last six months. I know Chris would say, we're very, very appreciative that we've done some of the underlying work to get our systems and infrastructure ready to go. So we're bullish with all that said, we know we're in a complicated environment. And so we're prepared for that. We're competing in that environment and we see bright days in front of us. We also want to do our part and do everything we can to encourage to help the economy, which will be good for the industry and The Hartford at large.

A - Beth Costello {BIO 15349374 <GO>}

And as very well said, I mean, again, I think the momentum that we entered the year with, we've been continuing with that. Doug touched on earlier, our ability to work in the environment that we have been -- has really been quite outstanding. And I think a lot of us are anxious to kind of get back to whatever the new normal is going to be. And I think all the things that we've been doing and all the investments that we've been making in the company as we've been going through this journey, we can really start to see how they will pay-off for us and position us well to compete in a marketplace albeit given the backdrop of a lot of uncertainty relative to all the things that are impacting us right now.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Excellent. Yes, I think that cautious optimism has been a resounding theme throughout this conference. So I really enjoyed chatting with both of you today, and thank you so much for participating in today's session.

A - Doug Elliot {BIO 3700927 <GO>}

Thank you, Tracy.

A - Beth Costello {BIO 15349374 <GO>}

Thanks.

Q - Tracy Benguigui {BIO 21808177 <GO>}

Okay. Take care.

A - Doug Elliot {BIO 3700927 <GO>}

Bye, bye.