Annual General Meeting

Company Participants

- Christopher Jerome Swift, Chairman
- David C. Robinson, EVP
- Donald C. Hunt, VP
- Trevor Fetter, Lead Independent Director

Presentation

Operator

Good afternoon. And welcome to the 2021 Annual Meeting of Shareholders for The Hartford. I would now like to introduce Chairman and CEO, Christopher Swift.

Christopher Jerome Swift {BIO 3683719 <GO>}

Good afternoon, fellow shareholders. I am Chris Swift, Chairman and CEO. On behalf of the Board, executive leadership team, the employees of The Hartford, welcome to our 2021 Annual Meeting of Shareholders. Don Hunt, the company's Corporate Secretary, is the Secretary of today's meeting. Louis Larsen, a representative of Broadridge, is the Inspector of the Election. He has already taken his oath and reported that we have a quorum for the meeting. The Annual Meeting of the Shareholders of The Hartford is now convened. Each of the director nominees, members of The Hartford's executive leadership team and representatives of Deloitte & Touché, the company's independent auditor, are on the line with me today. At this time, I'll ask David Robinson, The Hartford's General Counsel, to preside over the business portion of this meeting. Following that, I have some brief remarks highlighting the past year and the exciting future of The Hartford. David?

David C. Robinson {BIO 17598322 <GO>}

Thank you, Chris. Today shareholders are asked to vote on three proposals, the details of which were included in the proxy statement. We have not received advanced notice of any director nominations other than those included in the proxy statement nor any additional proposals for consideration at this meeting as required by our bylaws, Therefore, director nominations are closed and no other proposals can be presented today. I now declare the polls open for voting. If you have already voted your proxy, please do not vote again unless you would like to change your vote. If you want to vote now, click the voting button at the bottom right corner of your screen. The polls will remain open while I list the 3 items for your consideration.

The first item to be acted upon is to vote on each of the 12 director candidates. The second item is the ratification of the appointment of Deloitte & Touché as the company's independent registered public accounting firm for 2021. The third and final item is the management proposal to approve on a nonbinding advisory basis, the compensation of the named executive officers as disclosed in the proxy statement.

(Voting)

As all shareholders have been given an opportunity to vote, I now declare the polls closed and ask the Corporate Secretary to read off the results of the voting.

Donald C. Hunt {BIO 18043261 <GO>}

I've received the preliminary tabulation report from Broadridge, and based on that report, I declare as follows: first, each director nominee received more for votes than against votes, therefore, all nominees were elected directors of the company; second, the ratification of the appointment of Deloitte & Touché as the company's independent registered public accounting firm for 2021, received a majority of votes cast; and finally, shareholders approved on an advisory basis, the 2020 compensation of the company's named executive officers. Please note the final voting results of today's meeting will be reported on a Form 8-K that we intend to file within 4 business days of this meeting.

David C. Robinson {BIO 17598322 <GO>}

Thank you, Don. That concludes the business portion of the meeting. Just a few comments before turning the floor back to Chris. Please note the information on the slide now being presented. Chris will be making some statements that should be considered forward-looking. Our actual results could differ materially for a number of reasons, including the risks and uncertainties described in our 2020 annual report on Form 10-K and other filings we make with the Securities and Exchange Commission. I'll now turn the meeting back to Chris.

Christopher Jerome Swift {BIO 3683719 <GO>}

Thank you, David. I have never been more excited about the future strategic direction of The Hartford. Today's macroeconomic environment and industry outlook favors The Hartford. I believe these market factors, combined with the strength and resilience of our businesses, position us to deliver accelerated growth and attractive returns for our shareholders.

I will provide more detail on our outlook in a moment, but let me start by taking a step back and briefly reviewing some of the key decisions made and work we've done to position the company for success going forward. Almost a decade ago, we initiated a strategic plan, which focused on 2 key goals: first, to divest low ROE, market-sensitive and capital-intensive individual life insurance and variable annuity businesses; and second, to focus on businesses where our market leadership position in long-term, sustainable, competitive advantages would generate profitable growth and superior returns.

Fast forward to today The Hartford is an industry leader with a diverse platform of complementary businesses, producing industry-leading results. In short, over the last decade, we have repositioned our company to become a leader in the segments where we compete. Our small commercial franchise is the envy of the marketplace. We are the second largest writer of workers' compensation, the second largest writer of group benefits, in the top 10 of commercial P&C carriers, and the fifth largest direct insurer of personal lines P&C coverage.

We have built this incredible franchise by taking a comprehensive approach through organic growth and executing on inorganic growth opportunities, which we funded with divestitures, all while maintaining a disciplined capital management approach for shareholders through dividends and share repurchases, in addition to reducing leverage and interest expense. 2020 was significant in the context of the global pandemic and with respect to what The Hartford was able to achieve while facing unprecedented challenges. We concluded 2020 with more than $2 billion of core earnings. This performance reflects the strength of our businesses and our focus on executing strategic priority, and it builds a solid foundation for sustainable outperformance.

In 2020, small commercial results were excellent as we continued to strengthen our competitive advantages and market leadership position. We launched our new business owners policy, and raised the bar for customer experience when it comes to buying and managing coverage. Going forward, we have a robust strategy to grow through product innovation, while continuing investing to maintain our industry-leading digital experience. In middle of large commercial, we completed the first year of a 3-year plan to transform the underwriting process and provide a differentiated customer experience. Future growth will benefit from continued firming in pricing and cross-selling from an expanded product set.

The performance of our Global Specialty business has exceeded our expectations with significant contributions from the Navigators' book, now two years post-acquisition. With the continued benefits of our disciplined underwriting efforts as well as a strong pricing environment, we are poised to grow and improve profit margins in the coming year.

In Personal Lines, we extended our AARP relationship with a new contract through 2032 that solidifies our unique value proposition for the 15 over demographic. In addition, we launched a new cloud-based technology platform with updated auto and home products. In Group Benefits, we continued to drive underlying performance as illustrated by our core earnings margin, excluding the impacts of COVID-19. As we look ahead, we anticipate growth driven by strong new sales, higher employment levels growth in our voluntary and A&H products and abating mortality trends associated with vaccine deployment. As an enterprise, we have built a complete and robust product set, invested in digital capabilities and expanded our distribution, making The Hartford both a broader and deeper risk player, all while producing top-quartile returns and double-digit return on equity that consistently outperformed our peers.

As we emerge from the pandemic, we are confident that several macroeconomic factors will provide meaningful tailwinds positioning our business to accelerate growth and improved returns. First, we expect to see reduced excess mortality in the Group Life business and reduced workers' compensation losses in Commercial Lines. Second, rapidly improving expectations for unemployment, which could be below 5% by the end of this year and GDP growth in the mid- to high single digits are expected to increase the top line of our employment-centric Workers' Compensation and Group Benefits businesses. An improving economy will become an additional catalyst for growth across Small Commercial segment.

Third, as the underwriting environment remains constructive, P&C commercial renewal pricing is expected to remain strong, resulting in expanding margins. And finally, rising interest rates are anticipated to provide an incremental benefit to investment portfolio yields. With expectations for strong financial performance and capital generation, we have increased our share repurchase authorization by $1 billion to $2.5 billion. We expect to repurchase $1.5 billion worth of our stock in 2021, with the remaining balance to be used in 2022.

In addition, we are targeting a core earnings ROE of approximately 13% to 14% in 2022 and into 2023. We are focused on financial excellence and superior shareholder returns. At the same time, The Hartford's deep commitment to sustainability is rooted in our proud legacy and lives at the core of our long-term business strategy.

Our environmental, social and governance, or ESG framework informs our investment decisions, guides product development and enables us to attract and retain top employee talent. The Hartford remains committed to mitigating climate change and building community resilience to its impacts, fostering a diverse and equitable and inclusive workplace, supporting the neighborhoods where we live and work, and operating with the highest ethical standards. We are continuing to enhance our ESG disclosures. I am proud to announce that earlier this month, we released our first SASB report so that all stakeholders can assess our impact in this area.

We also are doing our part to build a more diverse workforce and nurture an inclusive culture inside our company and across our industry. I am personally engaged in advancing change and was an early signatory to the CEO Action for Diversity & Inclusion. Through community partnerships and programs and the generosity of our employees, The Hartford is on track to positively impact 10 million lives by year-end 2022, actively supporting the small businesses we insure in the communities where we live and work. As I look towards the next 10 years, I am extremely confident in The Hartford and the outstanding team of employees that I work with every day. After more than 200 successful years in business, our best days are still ahead. At this time, I'd be happy to take your questions, which shareholders or their proxies can provide in writing. Don, can you read the questions that we've received?

Questions And Answers

A - Donald C. Hunt {BIO 18043261 <GO>}

Thank you, Chris. We're going to take a moment and compile the questions. Then we will -- which could be submitted both in advance and during the meeting. Then I will begin reading them to Chris for responses. Thank you. Thank you for your patience.

So Chris, now, I'll start with a question submitted by Marc Okun, who's Council Representative for the North Atlantic States Regional Council of Carpenters. Marc asks or states and asks, as long-term investors, we strongly believe that the company's executive compensation plan should be designed primarily to drive the successful execution of the Board's long-term strategic plan. Today's public company executive compensation plans are largely formulaic, peer-related plans with simplistic annual say-on-pay voting reinforcing plan homogeneity. Would you or the Chair of the Compensation Committee, please speak to whether The Hartford might be better served by an executive compensation plan tailored specifically to the company's particular circumstances and its unique long-term strategic business plan?

A - Christopher Jerome Swift {BIO 3683719 <GO>}

Thank you for the question. I would say I believe our executive compensation programs are unique and tailored to The Hartford and our strategic priorities and the direction that we're trying to take the firm and as demonstrated by that alignment, I think we've created value for our shareholders. I think additionally, the majority of our compensation for executives is variable, meaning that it's linked to individual and overall company performance. And finally, last 2 points, the annual incentive plan that is tied to core earnings is something that we review with the Board annually. It aligns with the guidance that we provide to our shareholders for the outlooks for the coming year.

Then our long-term plans are ultimately tied to return on equity, the capital utilization and generating high returns on that equity, and then TSR on a relative basis, how we did compared to our peer group. So I like the plans. I think they're aligned with what we're trying to do as a company, and they are aligned to the long term.

A - Donald C. Hunt {BIO 18043261 <GO>}

Thank you, Chris. The next question. Mr. Chairman, the topic of stakeholder capitalism as an alternative to shareholder capitalism has received considerable attention recently. As long-term pension fund investors, the Carpenter Funds appreciate the sentiments embodied in the stakeholder capitalism perspective, but feel that execution could be complicated. Could you discuss the Board's perspective on the concept of stakeholder capitalism and what principles the Board will use to balance the interest of varied stakeholders as it develops and implements the company's long-term business plan?

A - Christopher Jerome Swift {BIO 3683719 <GO>}

Yes. Thank you for that question. I would say we have acted in the best interest of all stakeholders for more than 211 years and that's central to our corporate purpose of underwriting human achievement. The Hartford has its vision focused on not only financial performance and customer value, but also on the strength of our character. We are committed to delivering value for the benefit of all our stakeholders, and I think we have a history of doing that, whether it be shareholders, customers, employees, distribution partners and the communities where we live and work. And we don't see a fundamental conflict between shareholder capitalism and stakeholder capitalism.

I think you got to balance, you got to focus on all of it, but I believe they're both critical for the long-term sustainability and success of any company. I would also note that our Board of Directors does have oversight for sustainability and the full Board does take that responsibility seriously and they monitor, obviously our progress. So that's what I would say.

A - Donald C. Hunt {BIO 18043261 <GO>}

Thank you, Chris. The next question was submitted by Ann Pratt, who is attending today's meeting on behalf of the Connecticut Citizen Action Group, and it reads, The Hartford has pledged its support for the Paris Agreement, which sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2 degrees Celsius and pursuing efforts to limit it to 1.5 degrees Celsius.

However The Hartford's current policy is restricting underwriting and investing in coal and oil sands projects and companies are far from limiting global temperature rise to 1.5 degree Celsius or even 2 degrees. Data from the California Department of Insurance and the Insure Our Future campaign has found that The Hartford has billions of dollars invested in fossil fuel companies and is a top oil and gas underwriting globally.

Building any new fossil fuel infrastructure is fundamentally incompatible with the goals of the Paris Agreement as the emissions from coal, oil and gas reserves already in production would take the world well beyond 2 degrees Celsius. Despite this clear science, The Hartford is continuing to support the expansion of fossil fuels here in the U.S. and globally. How does The Hartford plan to take action this year in line with the Paris Agreement to restrict its support for fossil fuel expansion?

A - Christopher Jerome Swift {BIO 3683719 <GO>}

Thank you for the question. I would share, we were one of the early supporters of the Paris Agreement as a signing signatory. We're proud of our history of uncompromising commitment to sustainability and delivering on our broad-based ESG strategies built around goals, objectives and measurements to create that long-term alignment. We have long understood that we have a special role to play in the climate change dynamic as extreme weather conditions are affecting lives, businesses, and the risks are only compounding as we sit here today. So we will continue to make progress on our ESG matters, broadly defined, including we published our first report on the Task Force on Climate-Related Financial Disclosures or the TCFD report. We will continue to report under the SASB standards that we just recently put out. And our commitment to the environment, particularly as it relates to coal and tar sands has been effectively implemented across our platform, whether it be from the underwriting risk side or the investment side. We will continue to divest our investment portfolio, other assets not meeting our targeted objectives. I would say that about 4.5% of our invested asset portfolio is in fossil fuels. We monitor that, and we are expanding our investments into alternative investments to fund alternative energy sources. So and put that all together, we are committed to doing our fair share in this area, and that's what I would share.

A - Donald C. Hunt {BIO 18043261 <GO>}

Thank you, Chris. There's one last question. It's from Rob G. Based on public filings, it looks like members of senior management, including the CEO and CFO, entered into 10b5-1 insider sale plans to sell a good portion of their stock for about $65 a share. Management said there -- excuse me, I'm trying to read this in real time -- there's no better use of excess capital than to repurchase shares and have repurchased $250 million worth of stock since earnings.

While management should be able to manage their personal wealth, it's hard to reconcile how all of this makes sense, especially in light of Chubb's interest and the Board's decision that $70 is not high enough to at least begin discussions. Could Mr. Fetter please address why management is selling stock yet the company is aggressively repurchasing stock and not engaging in sale discussions?

A - Christopher Jerome Swift {BIO 3683719 <GO>}

What I'd like to do is, David Robinson, our General Counsel is here. David, could you please respond to that question?

A - David C. Robinson {BIO 17598322 <GO>}

Yes, Chris, I can certainly start. As the question notes, these trades were pursuant to 10b5-1 plans that were filed with the Securities and Exchange Commission. These plans were entered into at least 30 days before the sales of the securities under the plans took place, and that was -- that 30 days was well before Chubb's unsolicited proposal to The Hartford. I would also note as the question includes that even after these sales, the CEO and CFO still maintained significant holdings in the company's securities and due to this day. Chris, I don't know whether you want to ask Trevor to comment on this question as well.

A - Christopher Jerome Swift {BIO 3683719 <GO>}

I would. Trevor, if you have any additional commentary, that would be helpful.

A - Trevor Fetter {BIO 1487332 <GO>}

Chris, the only thing I would add from a Board perspective is that the Board monitors all of these activities and affirmatively makes the decision about stock repurchases. So with respect to the executive sales, we have long-standing policies about the manner in which executives are able to sell stock, the disclosures that are made, the plans under which they make them, and the standards that we have for share ownership by members, management and the Board. Then with respect to the very separate question about the company's decision to repurchase shares, that is part of a long-standing discussion on capital allocation that is had between management and the Board and ultimately, the buyback program was approved by the Board.

A - Christopher Jerome Swift {BIO 3683719 <GO>}

Thank you, Trevor, for sharing your perspective.

A - Donald C. Hunt {BIO 18043261 <GO>}

There are no more questions, Chris.

A - Christopher Jerome Swift {BIO 3683719 <GO>}

Great. Thank you. I would like to conclude by thanking all of you for your interest and continued support in The Hartford. Change is constant. There will always be new challenges to address. We are resilient, financially strong and ready for those moments. As we always have, The Hartford will utilize our people, experience and expertise to underwrite human achievement, achieve sustainable success and deliver long-term value for all our stakeholders. The meeting is now adjourned. We look forward to seeing you next year -- hopefully, in person.

Operator

Thank you for attending. This event has now concluded. You may disconnect at this time.