Barclays Virtual Global Financial Services Conference

Company Participants

- Beth A. Costello, Executive VP & CFO
- Douglas Graham Elliot, President
- Tracy Dolin-Benguigui, Director & Senior Equity Research Analyst

Presentation

Tracy Dolin-Benguigui

Good morning. I'm Tracy Benguigui, Barclays insurance analyst, and I'm pleased today to host fireside session with The Hartford. Our speakers are Doug Elliot, President; and Beth Costello, EVP and CFO.

We're going to kick it off with Doug with a few opening remarks. But before doing that, I just want to remind everyone that we're going to take the last 10 minutes of the session for Q&A. So there is a Submit a Question button. We're also going to be having our audience response system, which is basically our polling questions, and that's the Survey button you could see at the top of your screen.

With that, I'll just kick it off to Doug with some opening remarks.

Douglas Graham Elliot {BIO 3700927 <GO>}

Thank you, Tracy. Good morning, everyone. Beth and I are pleased to be with you today. And maybe I'll just share a few comments before we get started.

First, we're very pleased with our Second Quarter results and the growing momentum inside our franchise. Our businesses across the company are well positioned, and I think you saw that with our Second Quarter performance. So we're excited about second half of the year. Obviously we'll be together with you in about six weeks talking about Third Quarter.

But we feel really good about what we've been working on for an extended period, three to five years. Our businesses are in good shape and our talent is very strong. The Navigators acquisition now is well entrenched here at the company.

So Tracy, with that, I'll turn it back to you, but excited to share a little bit this morning.

Questions And Answers

A - Tracy Dolin-Benguigui

Excellent. We're going to take a little time to get the results of the first question, which is my expectation for Hartford's operating ROE in 2022 is: a, less than 10%; b, 10% to 12%; c, 13% to 14%, which I'll remind everyone is the financial target for '22 and '23; and d, above 14%.

While that populates, Doug, if you could -- let's just go back to that financial target plan. Hartford set forth an ambitious financial target in April. In my conversations with investors, I hear some excitement since it shows they really believe in your business.

But I could not help but notice in your financial plan also depends on some tailwinds. Key tenets include the worst of COVID-19 is in the rearview mirror. Near-term economic recovery, including rapidly improving unemployment rates will be disproportionately benefiting small businesses and rising interest rates, and continued P&C pricing firming. So as we sit here today how do you think about macro conditions? And how dependent is your plan on those tailwinds playing out?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Tracy, I would say that our expectations six, eight months ago when we put together the plan with Beth and Chris largely playing out as expected. The Deltic variant is providing some challenges that we are managing our way through both as a company and the economy. But as we look at, overall, the assumptions in our plans, I think we feel very good about the thoroughness of that thought process. Yes. We do believe deeply in our businesses. We've been working on product depth and bandwidth across our enterprise for extended period of time. I think that's playing out in the marketplace.

So as we lean into the second half of the year, the momentum in the Second Quarter, we feel good and we feel like our products are well positioned. Yes. We expect a little bit of tailwind because as the economy continues to open, think our products are well positioned for those economic opportunities. But we know Delta is going to be around a little bit. We understand that. We understand it even better today than we probably did 60, 90 days ago. We think our businesses are positioned for that.

A - Tracy Dolin-Benguigui

Okay. We'll get into some of the areas where you could benefit from some of those tailwinds. But if you had to put, let's say a number on the ROE equation, is there one you would assign for these tailwinds?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

I'll flip it to you. I'm not sure I have a number in mind for tailwinds. There's just so many factors inside our plan. It's very difficult to isolate just the tailwinds that we see now.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. I would agree. I mean I think again as we looked to put out our expectations in April, and taking a variety of things into consideration is part of the reason why we have a range around that. But parsing through like individual components and their impact, I would just have you look overall. As we said, we feel very good about being able to achieve these targets. We also provided views on top line and what we think will happen with our overall margins, and that picture all together is what gets us there.

And as Doug said, as we look at the early momentum that we see, and again Delta and COVID, obviously are still in the background, but we're very pleased with the results we had in the Second Quarter and how that positions us for quarters to come.

A - Tracy Dolin-Benguigui

Excellent. Okay. So I fully appreciate you have some E&S capabilities in-house like Navigators, which was your opening remarks. What is your underwriting capacity or appetite to capture new business risk that tends to be parked in the E&S market for a few years with no underwriting history?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Yes, our specialty competency on the risk desk is so much greater than it was three, four years ago, Tracy. So when I think about that, I think about the larger specialty world, not just E&S. I think E&S is how we use insurance company paper, but our specialty expertise is strong, growing stronger by the quarter. A lot of that was Navigators, but we have been working ourselves organically on building that competency.

So I feel like we're well positioned to take advantage of opportunities. If they exist in the wholesale E&S marketplace, I think we're much better positioned today to take advantage of that. If they exist on retail, we've got the ability to pivot retail as well. So we're very well balanced. I think that's a difference in this franchise over the last three years.

A - Tracy Dolin-Benguigui

Okay. Great. Your small commercial lines business may be considered by investors as your best asset. Not to downplay how well you do there, but help me understand why your market share in this $170 billion highly fragmented market really hasn't grown much through the years.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Yes. Good question. Yes, it is a gem of a business for us and one we're very proud of and one that goes back a long way in this company as a focused enterprise. I would suggest this. One is our market-leading returns have been terrific. We share transparently with you on a quarterly basis how we're doing in that business. So from a shareholder perspective, I feel very bullish about what we've returned over a strong period of time.

I guess in my 10 years here, we were roughly a $3 billion small commercial enterprise when I joined, and we're approaching $4 billion today. So yes, would I have wished that might be a little bit larger? Yes. But I think we were coming out of the great recession, and now we've gone through a COVID period, so those are elements that have to be considered when you think about overall top line performance. But I am very bullish about what we're doing.

You've seen in the last several quarters, our new business growth. You've seen growing momentum. That's because we've been working on a new product platform which is in the marketplace around our Spectrum product. We feel really good about it. We're digitizing core elements of that business, I would say on the forefront of that, Tracy, against our peer competitors.

So I like where we are, feel terrific about the folks running that business, and we had a terrific Second Quarter and look forward to sharing our Third Quarter story.

A - Tracy Dolin-Benguigui

Great. You dropped in digital. What would be your digital play within Small Commercial Lines business? Is there an opportunity? Because if I want to say -- let's say a parallel with personal auto, that's where we've seen a lot of growth.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Yes. So it's such a big word. I would start with our digital connection to brokers and agents. I think our platform is faster, more effective than our peer competitors. We made significant changes in that platform over the past 18 months, and that's playing out with our growth in the next-generation Spectrum product today.

So as an example, when CSRs across the country log on and want to get quotes from us, it is very similar to a consumer-like experience you would see in other sectors of the economy. That was not the case just two years ago, three years ago at this company, and it's providing some of that momentum inside next-gen Spectrum.

Then if you pivot to the customer, we want to be there so that the customer can be serviced how he or she wants to be serviced, whether that be fully digitized, whether that be sell, et cetera. So we have advanced those capabilities enormously over the last couple of years, both not only within the CSR broker network, but also with our customers.

A - Tracy Dolin-Benguigui

Okay. Great. Maybe we could just get into the pricing cycle. So if you look at past cycles, there was always a need of capital replenishment. That's not where we are here today. There's just been so many narratives out there on what's driving this hard market cycle.

I mean some of the things I've heard is just underpricing, complacency. You also have a higher catastrophe frequency like climate change, social inflation, now everyone's talking about general inflation, lower investment yields and then just this heightened risk aversion. So it's really tough to just pick one, but what do you think really is the driving force behind rate hardening and your, I guess optimism of that to continue?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Tracy, when I look at this and compare it to past cycles that I've been involved with in my career, I would describe it as a series of micro cycles. I think micro-cycles around products. So clearly, the casualty -- excess casualty area had social inflation and pressures that challenged balance sheets over the past five years. So there was clearly a stimulant there. There are property pressures, as you enumerate, with CAT and other dynamics that we're dealing with, quite frankly, in the quarter, right? We're still working hard on modeling techniques.

I would argue that probably some of our models are still chasing actual CAT experience, and I'm including wildfire in that conversation. The Commercial auto and Personal Lines auto has gone through a series of challenges over the past 10 years.

So in many of these sectors, including workers' compensation, I look at these cycles differently. I think there are different dynamics as we come out of some of that. But yes, on an overall basis, we've seen strengthening pricing over a period of time. We expect that to continue moving forward. But I think it is a very product-by-product discussion as you kind of laser in.

A - Tracy Dolin-Benguigui

Got it. So that will lead us to our next audience response question. Hartford produced 6.6% Standard Commercial ex comp rate increases in the Second Quarter. So what would be my prediction for pricing momentum in this segment in the next 12 months? Would it be greater than 7%? 5% to 7%? 3% to 5%? Or short-lived reversion to flat rate? I'm going to revisit all these responses later in the session.

Moving on just broadly on pricing, I guess either Doug or Beth can answer this question. What do you think is the right trade-off at this point in the cycle, raising renewal retentions by giving up some rate and the reverse holding a line and squeezing more rate?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Tracy, the answer in my mind to that question now goes back to my earlier comments, which is there are components of our book of business that are extremely well priced today that we are driving growth and retention. Both retention and new business are paramount to us going forward. There are other businesses that are still well positioned but maybe not as well as the business that I just described.

So there are a series of variables that we're looking across our book of business. And not all those sectors are we pushing top line the same way.

On an overall basis, though, you look at our performance in the Second Quarter and through six months of this year, though, we still believe we're in (inaudible) overall across our businesses. We're growing (technical difficulty) our numbers are solid. You saw our Property and Casualty underlying in the Second Quarter below 90%. That's the first time that's happened in an extended period.

So bullish about what we can do as a company. But relative to tension, relative to pricing and retention, it's a very product-by-product mix here. Beth, do you want to cover the top on that?

A - Beth A. Costello {BIO 15349374 <GO>}

No. I mean I think you covered it off very well because it is a product-by-product view and taking into consideration all the components to get to the right trade-off. We're always looking to balance that. Obviously returns are very important, and we do focus on that. But we want to take opportunities where we can in the marketplace to grow in those lines where we feel that we're adequately priced.

A - Tracy Dolin-Benguigui

Okay. So you just mentioned adequately priced, and that maybe brings us to read adequacy by business line. I guess the ones that I'm thinking about, workers' comp. Are you further along understanding how the boroughs will treat 2020 pandemic trends on 2022 loss cost filings? Our read is that the COVID-19 will be treated as a catastrophe and excluded from underlying loss cost trends.

But the NCCI also announced lower COVID-related claims and expectations. They're actually silent on how they're going to treat workers' comp frequency tailwind in 2020, which is really the wild card. I think on the earnings call, you said you were going to hear something like in the next like 30 or 45 days. So any update on that?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Excellent question. So we are right in the throes of that, Tracy, as we speak. I think approximately 20 or so states have been filed with loss cost trends. So we're active with those 20 over the next 60 days. Most of the rest of the country will come in between now and Thanksgiving. It's all over the lot. It's very state-specific.

As you know, there are state bureaus and about a dozen states where they've got capacity of actuarial and financial horsepower working through.

So I think your general description probably was reasonably on target for across the country, but the variances by state are enormous. The bureau states are working hard to understand, do they include 2020? Do they pull out 2020? So we are right in the throes of that as we speak and probably we'll have a better, more educated view of that when we get to the quarterly earnings call.

A - Tracy Dolin-Benguigui

Okay. Excellent. So we'll wait to hear a little bit more. Let's maybe turn to Personal auto. I guess I observed, unlike others who have cited higher severity in auto, I really only heard from Hartford on the miles-driven side, so frequency returning to pre-pandemic levels. Is there something unique with your book or senior demographic that insulates severity risk?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

No, our book is large enough that we would feel overall trends. So we're feeling a little bit of severity. We've been watching our bodily injury line carefully. The good news is that we had, favorable frequency signals in the Second Quarter. So largely, they were offsetting.

But no, we are not immune from the pressures in the severity side. And Beth and I are right now sitting, working with our actuaries as we get about -- get ready to close Third Quarter. Severity is something that's obviously on our mind.

A - Tracy Dolin-Benguigui

Okay. So do you think the delta variant will provide some type of break from this frequency pressure we're seeing, especially your base who may be a little bit more vulnerable?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Well I'll drive the property casualty side then maybe, Beth, you want to come over the top on life. When I think about Delta and what we're seeing happen across the country, clearly, this pandemic is not over, and we're still in the throes of that. We're watching carefully our workers' comp book of business, and we'll share on the Third Quarter call what we're seeing in the quarter.

But generally, we're seeing improving signals in our economy. Payrolls are stronger, and that bodes well for businesses going forward, albeit with a bit of a quiet pause. Because, as you know, around the country, we're masking. We're still staying very careful. And because of that, we're not done with COVID, and we want to be thoughtful about making sure our calls on our loss picks are right where they need to be.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. I think also in that -- and I think -- I don't know if this is where you were going, Tracy, is as it relates to the frequency piece of Personal auto and the trends that we started to see is sort of the uptick in miles driven. I wouldn't say Doug, at this point, we're seeing that the Delta is having a significant impact on changing those behaviors.

I think anyone who drives on the highways can see that there's more and more people driving. So I don't -- I wouldn't look at that to say that we're expecting to see some frequency benefit coming through. Doug, if you'd add to that or...

A - Douglas Graham Elliot {BIO 3700927 <GO>}

I think that's right. And again our book is largely aged 50 plus. So we were expecting a little pickup in the summer as schools closed in June, and we had parents and grandparents as drivers kind of coming together maybe for the first time in 16, 18 months. So we're anxious to kind of sit down and go through all those signals from the quarter. We'll get the industry statistics for August in the coming days.

But I would say Beth, as we step back things are about in July kind of where we thought they would be and similar to our discussion we had with everybody, the first part of

August or late July when we did our call.

A - Tracy Dolin-Benguigui

Okay. Excellent. Let's talk about catastrophe. So far, the quarter is shaping up to be quite active. How does Ida Part 1, Part 2 looking for you? It almost feels like 2 different types of events with the second being more flood.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. I'll start, and then, Doug, you can come over to the top. But yes, I mean obviously continuing to work through the claim activity on Ida. And as you point out, really think about it as Part 1 and Part 2 and definitely has made it more difficult, I would say the Part 2 to estimate. So we're working really closely with our claims folks and monitoring that. And kind of sitting here today and the information that we have, we probably put Ida somewhere around $200 million pretax for us, plus or minus. Still more work to do, but that's kind of how it's looking.

Obviously the flood component of Part 2 has multiple prongs to it. There's some aspects that, obviously would not be covered by our policies, but there are situations where we do provide some limits -- sublimits on flood primarily in our middle market business.

So still working through it, but as you point out, was very active. I think a lot of the initial modeling that was done had not really picked up the impact that we and others are seeing on 2 -- on Ida Part 2. Doug, I don't know what you might add to that.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

I think you're right on top of it. So Tracy, still early days, but we feel like we'll know a lot more in the coming week, two weeks, and we'll certainly share it as we close up Third Quarter.

A - Tracy Dolin-Benguigui

Yes. I mean AIR just updated their estimates, so it's a constantly changing situation. Even though we kind of characterize as two types of events, how are the hour clause working? Does it -- is it considered still one advance on the reinsurance perspective?

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. So as it relates to our reinsurance that we have, we would not anticipate this would reach that because our CAT program for an event like Ida, which is a named storm, our coverage really kicks in above $350 million. We're nowhere near that as far as an estimate. So from a reinsurance perspective right now, really not a significant component for us. As we think about our CAT treaty, we obviously have separate treaties and some of individual exposures.

A - Tracy Dolin-Benguigui

Okay. Then just staying on the theme of catastrophes. I mean there've been over 20 PCS-designated events so far this quarter. So on a frequency standpoint, that's above the 10 event mark, I think since the Third Quarter of 2011. So let's just -- beyond Ida, can you share some early insights of your catastrophe experienced so far this quarter?

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. I'm not going to go through an item by item kind of where we are on various CATs. I would say pre Ida, even the things that we were seeing were within our expectations for Q3. I mean we typically think about a budget for CAT losses for Third Quarter of about $150 million pretax. Yes. We were seeing some activity. But Ida is really the item that will push us above that based on the estimates that I shared. Doug, I don't know if you have anything to add to that.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

No, it's been a busy quarter, one we're on top of, but a busy quarter, Tracy, ex-Ida. And now we have Ida 1.0 and 2.0, and 2.0 is rapidly emerging around us. So yes, it will be an active CAT season.

A - Tracy Dolin-Benguigui

Okay. So just staying on property. I mean how would you quantify homeowners' claims inflation in your book? I mean I recognize the talk was all about lumber, and that went down, but materials and wages are also up.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Yes. So we have been talking actively about our costs of goods sold inside our homeowners book. Yes, the indices, as you've seen, have been up for many of those products, lumber and also labor, as you've mentioned.

So we are watching carefully. I think our calls were pretty solid in the Second Quarter. We feel good about where we are. We're down deep inside Third Quarter right now assessing where those variables are, and we'll have to make those calls on Ida as well, right? We're going to have to make assumptions in terms of supply chain for the necessary repairs to work Ida 1.0 and 2.0. But we're firmly aware of the pressures that exist relative to products and also labor, and we'll make sure we build them into our calls.

A - Tracy Dolin-Benguigui

Okay. Maybe just on the topic of inflation, how has wage inflation impacted your workers' comp claims? And do you anticipate medical inflation trending in the next year or two?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

So our signs inside workers' compensation, I think Beth, also inside our disability book or our take-up rate with our group benefit book positive. So we're seeing our audit premiums come in stronger. We're seeing renewals when we assess exposure to payroll up a little bit.

So improving signs relative to payroll across our workers' comp book, ones that we expected. We're now watching the pace of those changes, but generally, a little bit of tailwind behind us, Tracy and one that we expect as this recovery gets stronger over the next three to four quarters.

A - Tracy Dolin-Benguigui

Okay. Excellent. Beth, maybe for you. There was favorable loss reserve development in the Second Quarter. It was pretty evident across accident years. So you did benefit again from prior period CATs. What are the some of the underlying factors that gave you comfort to take broad-based reserving actions? And I have a follow-up question.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. So we do a thorough analysis of our reserves every quarter, and we watch to see how things are developing and want to make sure that we give the appropriate amount of time for seasoning before we react too significantly to favorable news that we're seeing. So for example, on the CATs, if you go back to Second Quarter of 2020, we had done some releases on CATs, also included our settlement with PG&E.

Our CAT reserves are one of those items that we look at every six months. In December, we saw a continuing benefit, so we had some favorable releases there, and then again in June.

So we really try and look at things over a period of time, make sure that we're taking into consideration if there just could be changes in claim settlement patterns or things like that. So we don't overreact to good news and look at things more from a long-term trend. But it's a very thorough analysis that goes through each of the lines and we make adjustments every quarter based on what we're seeing.

With the CATs, in particular, what we were really seeing is that our estimate for large losses within some of those catastrophes that happened in 2017 and 2018 just weren't materializing. So again we have been reacting to that and made the adjustments that you noted.

A - Tracy Dolin-Benguigui

Okay. So just going back to the earlier question on ROE targets, I mean how dependent are you on favorable reserve development continuing to meet those targets?

A - Beth A. Costello {BIO 15349374 <GO>}

So we don't project reserve development. So we look at the returns that we're generating on our business sort of ex that. I mean obviously there are years where you can see positive. It's a little bit of why we provide ranges. But we don't put explicit expectations about reserve development into our outlooks.

A - Tracy Dolin-Benguigui

Okay. That's what I expected, but it's good to hear. How are you thinking about the Delta variant as it relates to Group Benefits business? I think you alluded to that a little bit earlier. I might have mixed that up with my earlier question.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. I think I didn't answer. But you're right, we did bring that up. But yes, so on Group, we are still experiencing claims primarily on the life side. I don't think that's surprising given the statistics that you see and what's happening with death rates. So our -- when we looked at our results in the first half of the year, we had about $210 million of excess mortality. Our expectation would be that, that would be lower in the second half.

But as we look at Q3 specifically and we compare that to Q2, I'll remind you, in Q2, we had about $88 million of excess mortality in the quarter related to deaths in the quarter. I could see Third Quarter being around that same range, just based on what we're seeing with death rates, taking into consideration severity. Because again as some of the desks skew younger and away from some of the retiree life insurance that we have, the face values are higher as well.

I'll remind you also in Q2, we had some pretty significant favorability from prior quarters that made the net number smaller than that $88 million. We may have some favorability this quarter, but I wouldn't expect it to be to the same extent as last quarter.

So we're continuing to watch it. I would say our trends and what we're experiencing we feel line up with just, unfortunately, what the country has experienced as it relates to Delta.

A - Tracy Dolin-Benguigui

Okay. Great. Let's move on to capital management. How does -- I mean you just gave us the numbers. When I prepared these remarks, I didn't have that. But just in general, how does catastrophe events make you think about the cadence of buybacks? Does it make you pause momentarily? And if so, what other considerations may come in the way?

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. So obviously certain things can make you pause share repurchase plans. If you go back, obviously to 2020 when the pandemic hit, that's a perfect example where we pause. An event like Ida would not make us pause our plan.

So when we develop our views of capital return, taking into consideration the dividends we take out of subs and so forth, we stress test our balance sheet, knowing that as an insurance company, we can have volatility in CATs and so forth. So an event the size of Ida would not and has not impacted our capital return and our expectations that we've laid out.

A - Tracy Dolin-Benguigui

Okay. Excellent. So your past comments seem to be very disciplined on pursuing any M&A. As you said, it would have to be a high hurdle rate. Is that still thinking? Is that still valid?

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. We continue -- we made those comments again just on our Second Quarter call, that when we look at the capabilities that we have in the house and our views and expectations on growth and what we can achieve is not dependent on M&A. We really would look at M&A. As you said, it would have to have a very high return rate very early on, more kind of bolt-on items of that sort that really could provide scale and so forth.

But it is a low priority. We're focused on delivering the results that we've laid out and feel really good about the capabilities we have across all our businesses to be able to achieve those objectives.

A - Tracy Dolin-Benguigui

Okay. So I mean if we just think about M&A more broadly, I mean everyone talks about this sometimes, 1 plus 1 is really 1.5. So looking at Navigators acquisition, how much value accretion do you think that created?

A - Beth A. Costello {BIO 15349374 <GO>}

Well I'll start, and I'll let Doug chime in. But when I look back to the expectations that we laid out for Navigators when we did the acquisition, we have been even more pleased with the results and what we've been able to achieve. Some of the items that we put out relative to things like cross-sell and things like that, we're well on our way to exceeding.

And the capabilities that Navigators bring, the time of the market and what was happening in the marketplace, we did not anticipate the level of rate increases that this market has achieved. We expected there to be some, and it was part of our thesis as we looked at that business and felt that we could improve the profitability, but that has also been a very significant item.

So all in all, the things that we were looking for this acquisition to achieve, the places where we are looking for it to fill in capabilities that we felt we needed to continue to win in the marketplace, the response that we've received from our distribution partners, it's just been, across the board, outstanding. So Doug, I'll look to you if you would like to add anything to that.

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Yes, maybe just three examples, Tracy, to dig a little deeper. I think excess casualty as clearly been one of the more challenged areas these last three to four years, both prior on balance sheet and then current on capacity. That's area that we just did not, at The Hartford, have that kind of expertise. We acquired a strong group of underwriters. We're adding to that arsenal today but feel really good how we're positioned, and it's been a significant product fit for us these last couple of years.

I think about environmental. We did not have that kind of expertise. It's a really important product. I saw a win last week across my desk of an account that we probably would not have had the ability to quote on two years ago environmental was a pivot line inside winning that account and that ends up in the win column for The Hartford right now.

Then marine, terrific capabilities in marine. So I could go on, but I'm feeling really good about how the casualty expertise has fold -- from the Navigators has folded into The Hartford. I think we're in a much better place today deeper underwriting. I can tell you that the reaction outside with agents and brokers are very positive about the breadth of our capabilities.

A - Tracy Dolin-Benguigui

Okay. Excellent. Just can't help but look on the flip side, it feels like you do not want to be acquired, and you've been quite constructive on your stand-alone capabilities. But what do you think the market is missing on Hartford stand-alone? I can't help but notice that your stock continues to trade at a discount to peers. I know that's typically a question I would field, but I'm just curious on your take on that.

A - Beth A. Costello {BIO 15349374 <GO>}

So Tracy, I know this is like terrible timing, but for some reason, you cut out when you were asking that question, so I may need you to repeat it.

A - Tracy Dolin-Benguigui

Okay. No, no problem. Glad you told me because the audience will also not hear me. So on the flip side, we were just talking about M&A. But I would say it feels like you don't want to be acquired because you've been quite constructive on your stand-alone capabilities. What do you think the market is missing on Hartford stand-alone? I can't help but notice that your stock continues to trade at a discount relative to peers. I know that's typically a question I would field, but I'm curious on your take on that.

A - Beth A. Costello {BIO 15349374 <GO>}

Yes. So I guess I would start with, we believe strongly that the strategy we have and the plan that we have laid out will generate very strong returns for our shareholders.

So I wouldn't characterize it as we don't want to get acquired. We look at the capabilities we have and what we can achieve, and we can deliver, I believe, outstanding value for our shareholders. I believe as we continue to post strong quarters and it shows up in the results that, that momentum will be there, and I think that, that discount will evaporate. You're right, I would typically look to you to provide all the details as to why that is.

But I think with anything, you got to get a post of results, and over time, that will be built in. But I feel very good about where we are. And as I said, our ability to deliver on this plan and provide outstanding returns for our shareholders.

A - Tracy Dolin-Benguigui

Okay. Great. We have just five minutes. I'm just going to remind folks to submit questions. You could also just e-mail me questions directly as well, but have plenty here to go through my list in the meantime. Maybe just going back to the business a little bit. I mean what has your experience been with the consolidation amongst brokers on your business prospects, how successful have you been on cross-selling?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Well our cross-selling success, as I described on the Second Quarter call particularly with Navigators, has been strong. We were approaching our three-year goal that we had set out at the beginning of that transaction. We were approaching those targets in the Second Quarter. So I look forward to updating you as we go through third and Fourth Quarter.

And it's for reasons like I shared a few minutes ago, Tracy, right? We're seeing great acceptance of our product flow. What we see from the broker side is as they grow and aggregate, there is a demand for more product breadth that has fit neatly into exactly what we've been building here at the company.

So I think we're well matched. The feedback I get is very, very strong. I'm excited about the future, and I think those that trade with us feel likewise. So I'm bullish about The Hartford and feel like we're really well built for these next several years.

A - Tracy Dolin-Benguigui

Okay. Excellent. Beth, maybe my next question comes to you. I know you've talked at length about Hartford Next, and it's performing ahead of plan. This may be ultra perspective, but could we anticipate maybe version two down the road?

A - Beth A. Costello {BIO 15349374 <GO>}

Well I'll remind you that when we announced our Hartford Next plan in the -- with our Second Quarter earnings in 2020, we had laid out an expectation of delivering $500 million of savings by 2022. To your point, it has been going extremely well. We've increased our estimate and expectations for 2022 as well as continuing to see benefit into 2023 and looking to achieve $625 million of savings.

So I think that's a mini version 2.0 in that we've continued to challenge ourselves to look for efficiencies and continuing to reduce costs where we can. I'm not going to announce a new program. At this point, we're executing on this one. But again I've been really pleased with how we've done it, how transparent we've been and what we're looking to achieve so that investors can track our progress over time. And a big part of this really was focused on creating operating efficiencies as we move forward.

A - Tracy Dolin-Benguigui

Okay. Excellent. I'm just going to remind folks again as we only have another two minutes if anyone has any questions. While that questions may come in, my apologies. I think this is the first insurance session I'm moderating, and I haven't been able to see the polling results, but I will be publishing that. So maybe I could just ask Doug or Beth, if you have any kind of bold prediction into 2022 that you may want to share with the audience?

A - Douglas Graham Elliot {BIO 3700927 <GO>}

Well a bold prediction, bolder than our last 39 minutes together, Tracy. That is something. I hope you feel our optimism. I hope you feel our confidence this has been a multiyear effort, not just the last several. We've been working on our platform, so that ties into digitization. We've been working on our product script.

There are just a lot of things that are coming right to market today that are gelling nicely, and they have provided the lift that you're seeing inside our top line these last quarters, and we expect that to continue. So more to come. It's the reason we're confident in our future going forward. Beth, however you want to come around me?

A - Beth A. Costello {BIO 15349374 <GO>}

No. I completely agree. I feel that all the things that we've been able to talk about over the last 40 minutes and the journey that we've been on and the things that we've done to position our businesses today to succeed and to generate value. I know you've heard Chris say this before, but we've just never been as enthusiastic as we are right now as to what we believe we will achieve.

A - Tracy Dolin-Benguigui

Great. I look forward to seeing that progress, and I really enjoyed speaking with both of you. Thanks for participating.

With that, I think we'll conclude.