

The Hartford Financial Services Group, Inc.

## 1Q22 Earnings Review: Peer Leading P&C ROE

| CORE

HIG had a strong 1Q print, even as we parse through P&C tailwinds: Favorable auto seasonality & lower than normal non-cat experience. Seasonality worked the other way for group benefits with typical LTD elevation; management is confident it will reach its 6-7% margin target in '22.

We were pleased to see sequential commercial underlying margin expansion considering last quarter's sequential underwriting margin compression. Yet HIG is likely past its trough back in 3Q21 with a commercial underlying combined ratio of 87.2% vs. 88.3% in 1Q22 and 88.9% in 4Q21. We have high conviction that HIG will meet its '22 outlook of achieving an underlying combined ratio within Commercial of 86.5%-88.5% (our estimate is 86.9%), but we think further improvements will likely come from the expense ratio side rather than loss ratio side. We recognize about 1 point of its 2.9 pts of y/y improvement was attributed to favorable non-catastrophe weather somewhat offset by Ukraine related reinstatement premiums and a large marine loss.

HIG's auto underlying combined ratio of 93.3% was up 7 pts y/y yet it improved sequentially by 12.1 pts. We recognize that part of auto performance is seasonality, with its loss ratio running lower on average in 1Q vs. the year. We also think the rise in bodily injury trends may still be emerging for the sector.

Seasonality worked the other way for group benefits with typical LTD elevation, as its normalized margin was 5.7%. Management is confident it will reach its 6-7% margin target in '22. Still, during 1Q21, HIG's adjusted core margin on the same basis was 9.9%, which would include typical seasonality.

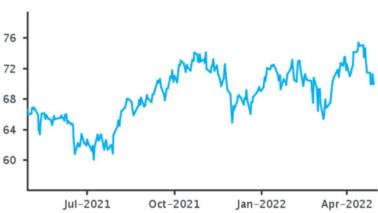
**Peer Leading P&C ROE:** HIG's core ROE of 14.8% is trending well ahead of its 13-14% guidance. In particular, its core ROE in P&C of 19.6% got our attention as peer leading and ahead of its segment guide of 14-15%. HIG's core ROE within group benefits was disappointing at 3.5% and well below its segment guide of 10-11%. Lastly, Hartford Funds core ROE of 59.4% is trending above its segment guide of 54-55%. Note, HIG excludes AOCI from the denominator of its CORE ROE.

Strong alternative returns (with annualized LP yield of 14.6% pre-tax vs. 8-10% guide) were offset by a lower fixed maturities yield of 2.9%. HIG's annual portfolio turnover rate is 10-15%. New money rate of about 3.8% is ahead of its 3.3% average reinvestment rate during 1Q22. We

HIG	<b>OVERWEIGHT</b>
	Unchanged
U.S. Insurance/Non-Life	<b>POSITIVE</b>
	Unchanged
Price Target	<b>USD 86.00</b>
	Unchanged
Price (29-Apr-22)	<b>USD 69.93</b>
Potential Upside/Downside	<b>+23.0%</b>
Market Cap (USD mn)	<b>22998</b>
Shares Outstanding (mn)	<b>328.86</b>
Free Float (%)	<b>99.57</b>
52 Wk Avg Daily Volume (mn)	<b>2.0</b>
Dividend Yield (%)	<b>2.20</b>
Return on Equity TTM (%)	<b>15.43</b>
Current BVPS (USD)	<b>47.06</b>

Source: Bloomberg

Price Performance	<b>Exchange-NYSE</b>
52 Week range	<b>USD 78.17-59.86</b>



Source: IDC

[Link to Barclays Live for interactive charting](#)

### U.S. Insurance/Non-Life

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were previously modeling a steady decline in book yields; now we are modeling a modest reverse resulting in somewhat higher NII.

**Limited Russia/Ukraine exposure:** HIG recognized \$27mn of net catastrophe losses, primarily related to political violence and terrorism, including aviation war and credit and political risk insurance. As HIG heavily reinsures its exposures, it accordingly recognized a \$11mn reinstatement premium that we understand is not adjusted in its international global specialty underlying loss ratio. HIG's direct investment exposure is the \$16mn carrying value of Russian corporate bonds, of which HIG wrote down \$9mn.

#### HIG: Quarterly and Annual EPS (USD)

	2021	2022			2023			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2022	2023
Q1	0.56A	1.45E	1.66A	1.69A	1.98E	2.07E	1.97E	196%	25%
Q2	2.33A	1.35E	1.42E	1.53E	1.75E	1.83E	1.84E	-39%	29%
Q3	1.26A	1.62E	1.68E	1.75E	1.95E	2.05E	2.02E	33%	22%
Q4	2.02A	1.97E	2.03E	1.95E	2.31E	2.29E	2.21E	0.50%	13%
Year	6.17A	6.38E	6.79E	6.84E	7.98E	8.24E	8.04E	10%	21%
P/E	11.3	10.3			8.5				

Consensus numbers are from Bloomberg received on 02-May-2022; 12:50 GMT

Source: Barclays Research

U.S. Insurance/Non-Life						POSITIVE	
The Hartford Financial Services Group, Inc. (HIG)						OVERWEIGHT	
Income statement	2021A	2022E	2023E	2024E	CAGR	Price (29-Apr-2022)	USD 69.93
Net premiums earned (\$mn)	12,495	13,515	14,412	N/A	N/A	Price Target	USD 86.00
Net investment income (NII) (\$mn)	2,313.0	2,011.3	2,118.5	N/A	N/A	<b>Why OVERWEIGHT?</b>	
Underwriting income (\$mn)	469	1,010	1,162	N/A	N/A	HIG has sound fundamentals following transformation, which should continue to drive a stronger book multiple. ROE convergence with peers should make current valuation look inexpensive. Navigators acquisition is becoming more accretive given boost from hard pricing in specialty lines. HIG has accelerated the pace of its expense savings plans.	
Operating income (\$mn)	2,150	2,251	2,587	N/A	N/A		
Net income (\$mn)	2,337	2,138	2,607	N/A	N/A		
Effective tax rate (%)	18.6	19.6	19.5	N/A	N/A		
Combined ratio (%)	96.2	92.5	91.9	N/A	N/A		
Combined ratio (ex cats & py development) (%)	89.3	87.9	87.0	N/A	N/A		
Per share data (\$)	2021A	2022E	2023E	2024E	CAGR	<b>Upside case</b> <b>USD 90.00</b>	
EPS (adj)	6.17	6.79	8.24	N/A	N/A	Our upside case reflects stronger than expected underwriting margin expansion and commercial P&C pricing levels and improving group benefits margins. Our upside case is ~1.5x '23 BVPS ex AOCI.	
EPS (reported)	6.62	6.39	8.24	N/A	N/A		
DPS	1.47	1.54	1.66	N/A	N/A		
BVPS	51.36	49.03	54.11	N/A	N/A		
BVPS (ex AOCI)	50.86	54.29	59.68	N/A	N/A		
Balance sheet and capital return (\$mn)	2021A	2022E	2023E	2024E	CAGR	<b>Downside case</b> <b>USD 65.00</b>	
Total investments	57,749	58,681	61,737	N/A	N/A	Our downside case assumes unsuccessful underwriting margin expansion and expense savings as well as a slowdown in the commercial P&C renewal rate environment. Our downside case is ~7.9x '23E EPS.	
Common shareholders' equity (ex AOCI)	17,337	17,563	18,209	N/A	N/A		
Share buybacks	1,702	1,300	1,500	N/A	N/A		
Dividends paid	513	503	513	N/A	N/A		
Balance sheet and capital return metrics	2021A	2022E	2023E	2024E	Average	<b>Upside/Downside scenarios</b>	
Debt leverage (%)	21.7	21.2	20.5	N/A	21.1		
Financial leverage (%)	23.2	22.8	22.1	N/A	22.7		
Total capital return as a % of op. earnings	103.0	80.1	77.8	N/A	87.0		
Valuation metrics	2021A	2022E	2023E	2024E	Average		
P/BV (ex AOCI) (x)	1.38	1.29	1.17	N/A	1.28		
P/E (adj) (x)	11.3	10.3	8.5	N/A	10.0		
Dividend yield (%)	2.1	2.2	2.4	N/A	2.2		
ROE (%)	13.2	11.9	14.2	N/A	13.1		

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research



## 1Q22 vs. Target Financial Plan

Commercial lines underlying CR of 88.3% in 1Q22 is on track to meet HIG's 2022E outlook range of 86.5%-88.5% and HIG's personal lines underlying CR of 88.5% in 1Q22 is ahead of its 2022E outlook range of 90-92%. From a seasonality perspective, however, the first quarter has better auto results. Group Benefits 0.5% core earnings margin and 5.7% ex COVID in 1Q22 lagged the 2022E outlook ranges (3.1-5.4% inc. COVID and 6-7% ex COVID) in the quarter. Share repurchases were ahead of our estimate in 1Q22 (\$400mn actual vs. our \$325mn estimate). As such, we trimmed our 2022 buyback estimates to align with the remaining \$900mn available under its buyback authorization through 2022.

We are modeling better commercial lines premiums in 2022 than HIG's plan (BARC: 11% vs. HIG: 4-5%).

**FIGURE 1. HIG Targets vs. Barclays Estimates**

HIG Outlook Key Business Metrics	2021 Actual	2022E Outlook Range		2022E Barclays	2023E Barclays
<b>Commercial Lines</b>					
NPW Growth	12%	~ 4%	-	5%	11.3%
CR	95.8%	90%	-	92%	91.1%
Underlying CR	89.1%	86.5%	-	88.5%	86.9%
<b>Personal Lines</b>					
NPW Growth	-1.0%	Flat to slightly down		-1.2%	-1.2%
CR	90.6%	97.0%	-	99.0%	97.6%
Underlying CR	89.9%	90.0%	-	92.0%	91.7%
<b>Group Benefits</b>					
Earned Premium and Fee Income Growth	2.7%	~ 2%		4.2%	2.0%
Core earnings margin (excluding COVID)	10.3%	6.0%	-	7.0%	6.3%
Core earnings margin (including COVID)	2.4%	3.1%	-	5.4%	3.3%
Core ROE	12.7%	13.0%	-	14.0%	12.9%
					14.7%

Source: Barclays Research, Company Data.

## Personal Lines - Up 5.8% Q/Q, Expected to be Flat to Slightly Down in '22

Personal lines written premiums decreased by 1% y/y, HIG is pushing rate increases and focusing on its Prevail roll out. On the auto side, HIG received an average 6.2% rate increase on its 50 auto filings/half its book. A notable achievement; still, we think more rate is needed. During 1Q22, HIG's auto renewal pricing increases were 2.9%, slightly up from 2.6% in 4Q21 and 1.8% in 1Q21. The renewal written price increases in homeowners climbed to 8.8% in 1Q22 after staying flat at +8.1% in 4Q21 to 3Q21.

While HIG is taking action on repricing its inforce on renewal business, the company's ongoing rollout of its personal lines auto and home product (Prevail) is dampening its PIF decline trend. Prevail has been rolled out to 13 states to date, including FL and TX, and is expected to be in more than 40 states by the end of 2022. The combination of seasonality, rate increases, and Prevail roll out contributed to a sequential 5.8% increase in personal NPW.

**FIGURE 2. PIF decline moderating across auto and home**

Policies in Force (in thousands)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Auto	1,410	1,416	1,392	1,369	1,357	1,339	1,328	1,317	1,315
y/y % growth	-5.1%	-3.3%	-3.7%	-3.7%	-3.8%	-5.4%	-4.6%	-3.8%	-3.1%
Homeowners	868	865	846	826	815	799	786	773	765
y/y % growth	-4.9%	-4.2%	-5.3%	-5.8%	-6.1%	-7.6%	-7.1%	-6.4%	-6.1%

Source: Barclays Research, Company Data.

## Personal Underwriting Performance

The **auto** underlying combined ratio of 93.3% was up 7 pts y/y yet it improved sequentially by 12.1 pts (see Figure 3). HIG saw higher than expected severity, most evident in physical damage. We recognize that part of auto performance is seasonality, with its loss ratio running lower on average in 1Q vs. the year.

The **homeowners** underlying combined ratio of 77.4% was up 0.2 pts y/y and 2.3 pts q/q. Note, HIG experienced favorable non-cat weather frequency in homeowners. Otherwise HIG did not see a shift in loss trends in homeowners in 1Q22 vs. 1Q21. HIG acknowledged pressure on claim severity from higher building material and labor costs.

## Underlying Commercial Margin - Room for Improvement?

Commercial lines underlying margin improved ~2.9 pts y/y and 0.6 pts q/q. HIG is targeting commercial lines underlying combined ratio of 86.5%- 88.5% in 2022 (BARC estimate 86.9%). We see most of the improvements coming from the expense ratio side reflecting execution of Hartford Next.

### Segment Underlying Results:

- **Middle & Large Commercial** underlying combined ratio of 91.5% improved y/y by 3.8 pts yet deteriorated by 1.5 pts q/q.
- **Small Commercial** underlying combined ratio at 85.9% improved by 2.4 pts y/y and 2.1 pts q/q.
- **Global Specialty** underlying combined ratio of 88.2% improved y/y by 1.7 pts y/y and 0.6 pts q/q.

## Commercial Pricing from Here

U.S. Standard Commercial Lines renewal written pricing steady, HIG reiterated that rates continue to exceed loss trend across most products. Ex workers' compensation pricing was 7.1%. Companies have different definitions of pricing. TRV breaks out pricing and exposure growth. When we asked HIG to define its exposure growth, we were told that, relative to the 7.1%, which was ex workers' compensation pricing in the quarter, 1.5 points of that, plus or minus, came from exposure. It sounds like HIG considers a component of exposure to act like rate.

HIG has recast its pricing presentation including prior periods and we have thus refreshed our data collection. For instance in 4Q21, HIG called out 6.5% standard commercial ex WC pricing, now recast as 8.0% for that period. We understand that HIG now blends all its commercial segments, including global specialty, in its reference to commercial/commercial ex WC pricing.

**FIGURE 3. HIG Average Pricing Change through 1Q22**

HIG	4Q19	1Q21	2Q21	3Q21	4Q21	1Q22
Commercial	+3.6%	6.50%	+6.9%	+6.1%	+6.0%	+5.0%
Commercial ex WC	+6.7%	10.80%	9.60%	+8.2%	+8.0%	+7.1%
US Global Specialty	+12.0%	+17.2%	+13.5%	+10.7%	+9.2%	+8.3%
International Global Specialty		+27.1%	+23.2%	+17.5%	+11.6%	
Small Commercial	+2.1%	+2.4%	+3.1%	+3.3%	+3.5%	+2.9%
Small Commercial ex WC	+5.6%	+5.5%	+5.3%	+5.2%		
Middle Market	+5.7%	6.00%	+6.2%	+5.8%	+5.7%	+4.8%
Middle Market ex WC	+7.9%	+9.3%	+8.2%	+8.1%	+8.0%	+6.5%
Personal lines - auto	+3.8%	+1.8%	+2.3%	+2.1%	+2.7%	+2.9%
Personal lines - home	+5.1%	+9.4%	+8.5%	+8.1%	+8.1%	+8.8%
Workers Comp			+1.0%	+1.2%	+1.2%	

Note: Renewal written premium increases

Source: Barclays Research, Company Data.

## Underlying Exposures Driving Commercial Premium Growth

Commercial written premiums growth of 12.2% y/y reflected new business, strong policy retention and exposure growth. Exceptional growth seen in Global Re with 54.5% premium growth.

**FIGURE 4. Commercial Written Premiums y/y growth**

\$ in mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
<b>Commercial Net Written Premiums y/y</b>	<b>\$1,011.0</b>	<b>\$877.0</b>	<b>\$890.0</b>	<b>\$873.0</b>	<b>\$1,053.0</b>	<b>\$977.0</b>	<b>\$1,012.0</b>	<b>\$1,025.0</b>	<b>\$1,180.0</b>
Small Commercial									
y/y growth %	0.1%	-8.6%	-0.8%	-0.9%	4.2%	11.4%	13.7%	17.4%	12.1%
<b>Middle &amp; Large Commercial</b>	<b>\$797.0</b>	<b>\$683.0</b>	<b>\$750.0</b>	<b>\$746.0</b>	<b>\$775.0</b>	<b>\$817.0</b>	<b>\$884.0</b>	<b>\$847.0</b>	<b>\$853.0</b>
y/y growth %	5.3%	-9.8%	-2.3%	-4.2%	-2.8%	19.6%	17.9%	13.5%	10.1%
Middle Market	680.0	609.0	653.0	647.0	662.0	720.0	765.0	722.0	724.0
y/y growth %	6.1%	-9.5%	-3.3%	-3.9%	-2.6%	18.2%	17.2%	11.6%	9.4%
National Accounts & Other	117.0	74.0	97.0	99.0	113.0	97.0	119.0	125.0	129.0
y/y growth %	0.9%	-11.9%	4.3%	-6.6%	-3.4%	31.1%	22.7%	26.3%	14.2%
<b>Global Specialty</b>	<b>\$589.0</b>	<b>\$595.0</b>	<b>\$549.0</b>	<b>\$568.0</b>	<b>\$665.0</b>	<b>\$689.0</b>	<b>\$625.0</b>	<b>\$629.0</b>	<b>\$764.0</b>
y/y growth %	nm	68.6%	-1.8%	9.4%	12.9%	15.8%	13.8%	10.7%	14.9%
US	379.0	389.0	395.0	395.0	421.0	466.0	452.0	457.0	466.0
y/y growth %	nm	42.0%	5.1%	8.5%	11.1%	19.8%	14.4%	15.7%	10.7%
Intl	98.0	119.0	88.0	107.0	110.0	113.0	81.0	109.0	91.0
y/y growth %	nm	176.7%	-23.5%	-5.3%	12.2%	-5.0%	-8.0%	1.9%	-17.3%
Global Re	112.0	87.0	66.0	66.0	134.0	110.0	92.0	63.0	207.0
y/y growth %	nm	141.7%	-2.9%	57.1%	19.6%	26.4%	39.4%	-4.5%	54.5%
<b>Other</b>	<b>11.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>11.0</b>	<b>11.0</b>	<b>11.0</b>	<b>12.0</b>
y/y growth %	0.0%	25.0%	-9.1%	-9.1%	-9.1%	10.0%	10.0%	10.0%	20.0%
<b>Total Commercial</b>	<b>\$2,408.0</b>	<b>\$2,165.0</b>	<b>\$2,199.0</b>	<b>\$2,197.0</b>	<b>\$2,503.0</b>	<b>\$2,494.0</b>	<b>\$2,532.0</b>	<b>\$2,513.0</b>	<b>\$2,809.0</b>

y/y growth %	23.6%	4.2%	-1.6%	0.3%	3.9%	15.2%	15.1%	14.4%	12.2%
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Source: Barclays Research, Company Data.

Middle markets retention increased slightly to 84% in 1Q22 (vs. 83% in 4Q2, 84% in 3Q21, 82% in 2Q21, 80% in 1Q21, and 77% in 4Q20). Likewise, small commercial retention seems to have increased marginally in 1Q22 at 86% (vs. 4Q21 at 85%, 84% in 3Q21, 84% in 2Q21, 84% in 1Q21, and 83% in 4Q20).

## Group Benefits

Core earnings margin of 0.5% is trending below '22 guidance including COVID of 3.1%-5.4%, though better than our estimate of -0.2%, on pandemic excess mortality of \$96mn pre-tax (vs. our estimated \$104mn) and \$9mn of pre-tax COVID-19 related short term disability claims.

The group benefits core earnings margin adjusted for pandemic excess mortality and COVID-19 ST disability losses was 5.7%, below its guided range of 6-7%; however, from a seasonality perspective, the 1Q results tend to be worse for LTD. HIG recognized \$15-20mn of elevated mortality claims in its AD&D book and waiver book. We found HIG's comments interesting with respect to motor accidents making its group benefits more correlated to its personal lines book than we expected.

HIG shared early CDC data in their presentation that points to non-COVID excess mortality trending down in recent months, which would somewhat counter HIG's elevated 1Q ex COVID results. Based on our conversation with HIG, this trend is not what HIG is seeing; rather, it is a data point from CDC. We also think CDC data on ex-COVID deaths is on a significant lag, and will take time to fully populate.

HIG's disability loss ratio deteriorated by 4.8 points y/y to 73.2%. With respect to long term disability, HIG is seeing modestly higher incidence levels that did not come as a surprise/is being priced. HIG is seeing a modest amount of claims coming from long COVID.

Expenses have moderately accelerated in the quarter to reflect higher staffing costs to manage elevated short-term disability claims. Likewise, HIG is accelerating investments in capabilities, including digital, claims automation and administrative platforms.

While the COVID death toll rose in 1Q22 vs. 4Q21, we are seeing a shift in the distribution of COVID deaths amongst age cohorts that impact group benefits business. COVID deaths under the age of 65 dropped to 24% in 1Q22 from 35% in 4Q and 42% in 3Q (avg. claim severity is 4x higher for someone under 65 years of age vs. over 65 years of age).

FIGURE 5. U.S. Covid-19 Deaths by age

	U.S. Covid Deaths per CDC (in thousands)							
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Under 65 years of age	24	19	29	37	14	52	42	34
% of total	19.7%	23.8%	16.5%	20.9%	34.1%	41.9%	35.0%	24.3%
Over 65 years of age	98	61	147	140	27	72	78	106
% of total	80.3%	76.3%	83.5%	79.1%	65.9%	58.1%	65.0%	75.7%

Source: Barclays Research, CDC.

## Forward Looking Commentary

- In Group Benefits, premium growth is expected to be in the 2% range compared to 2021.

- COVID-19: In 2022, HIG is estimating between \$125mn to \$225mn of pre-tax losses within group benefits, with the majority of the impact in the first half of 2022.
- Core Margins are expected to be in the 6%-7% range, which is consistent with the long-term margin outlook. Core ROE is expected to be in the range of 13% to 14% in 2022 and continuing into 2023.
- As of March 31, 2022, there was \$898mn of the share repurchase authorization remaining for 2022. Additionally, from April 1-27, HIG has repurchased 1.9mn common shares for a total of \$139mn.
- HIG redeemed \$600mn of 7.875% hybrid securities, prefunded with the issuance of 2.9% \$600mn senior notes in September '21. Accordingly, HIG's annual debt servicing costs are down by \$24mn. Furthermore, HIG will recognize a pre-tax loss on debt extinguishment of \$9mn for unamortized debt issuance costs.
- Dividends from subsidiaries are expected to be between \$1.7bn to \$1.8bn in 2022.
- HIG thinks there is upside to its targeted Commercial lines premium growth of 4% and 5% and reiterated its commercial underlying combined ratio between 86.5% and 88.5% for 2022.
- Commercial lines renewal written premium, excluding workers comp, is expected to run in the mid-single digits, while Global Specialty lines of wholesale and U.S. Marine will be closer to double digits.
- Personal Lines underlying combined ratio is expected to be in the range of 90% to 92% in 2022.
- LP long term normalized return in the 8% to 10% range.

## Model Updates

**Model Updates:** We incorporated the following model changes post 1Q22. Share repurchases were ahead of our estimate in 1Q22 (\$400mn actual vs. \$325mn estimate). As such, we trimmed our 2022 buyback estimate to align with the remaining \$900mn available under its buyback authorization through 2022. While seasonality helped 1Q auto results, we think our original projections were still too conservative and have slightly improved our outlook with our underlying loss ratio estimates. Lastly, we were previously modeling a steady decline in book yields, now we are modeling a modest reverse resulting in somewhat higher NII.

**We reiterate our Overweight rating on HIG and our PT of \$86** based on a 50/50 weighted 12x \$8.24 (up from \$7.98) '23E EPS and 1.2x (down from 1.3x) 2023E book value per share ex AOCI of \$59.7 (up from \$59.1).

**FIGURE 6. 1Q22 Variance Analysis: Segments**

Consolidated Results (in \$ mn, except per share data)	Q/Q			Y/Y		Barclays Est.	
	1Q22A	4Q21	% Change	1Q21	% Change	1Q22E	% Var.
Net income avail to common shareholders	\$440	\$724	(39.2%)	\$244	80.3%	\$491	(10.4%)
Net income per diluted share	\$1.30	\$2.10	(37.9%)	\$0.67	93.6%	\$1.45	(10.0%)
Core earnings	\$561	\$697	(19.5%)	\$203	176.4%	\$491	14.3%
Core earnings per diluted share	\$1.66	\$2.02	(17.7%)	\$0.56	196.8%	\$1.45	14.7%
Net investment income	\$509	\$573	(11.2%)	\$509	0.0%	\$470	8.2%
Cat losses	\$98	\$22	345.5%	\$214	(54.2%)	\$116	(15.9%)
P&C - Combined ratio	90.4%	92.1%	(173 bps)	104.3%	(1395 bps)	92.4%	(202 bps)
P&C - Underlying combined ratio	88.5%	90.6%	(210 bps)	89.4%	(96 bps)	89.2%	(79 bps)
Book value per diluted share	\$46.36	\$51.36	(9.7%)	\$48.04	(3.5%)	\$51.65	(10.2%)
Book value per diluted share (ex. AOCI)	\$51.42	\$50.86	1.1%	\$47.31	8.7%	\$51.14	0.5%
Net income avail to common shareholders' ROE, TTM	14.5%	13.4%	113 bps	10.5%	405 bps	14.8%	(34 bps)
Core Earnings ROE	14.8%	12.7%	206 bps	10.9%	386 bps	0.0%	1476 bps
Share Repurchases	\$400	\$500	(20.0%)	\$123	225.2%	\$325	23.1%

Source: Barclays Research, Company Data.

**FIGURE 7. 1Q22 Variance Analysis: Segments**

Business Results (in \$ mn, except per share data)	Q/Q		Y/Y		Barclays Est.		
	1Q22A	4Q21	% Change	1Q21	% Change	1Q22E	% Var.
<b>Commercial Lines</b>							
Net written premiums	\$2,809	\$2,512	11.8%	\$2,503	12.2%	\$2,814	(0.2%)
Underwriting gain (loss)	\$242	\$387	(37.5%)	(\$216)	212.0%	\$222	9.2%
Underlying underwriting gain	\$290	\$279	3.9%	\$197	47.2%	\$309	(6.2%)
Underlying Loss ratio	56.1%	56.5%	(43 bps)	58.0%	(187 bps)	56.5%	(38 bps)
Cat and PYD pts	1.9%	(4%)	623 bps	18.5%	(1655 bps)	3.5%	(158 bps)
Expense ratio	31.9%	32.1%	(13 bps)	32.9%	(99 bps)	30.8%	112 bps
Policyholder dividends	0.3%	0.3%	0 bps	0.3%	1 bps	0.3%	(4 bps)
Combined ratio	90.3%	84.6%	567 bps	109.7%	(1940 bps)	91.1%	(88 bps)
Underlying combined ratio	88.3%	88.9%	(56 bps)	91.2%	(285 bps)	87.6%	69 bps
<b>Personal Lines</b>							
Net written premiums	\$707	\$668	5.8%	\$715	(1.1%)	\$703	0.6%
Underwriting gain (loss)	\$69	\$45	53.3%	\$124	(44.4%)	\$23	198.0%
Underwriting underwriting gain	\$83	\$30	176.7%	\$121	(31.4%)	\$38	120.8%
Underlying Loss ratio	60.8%	67.8%	(692 bps)	56.4%	443 bps	68.0%	(717 bps)
Cat and PYD pts	1.9%	(2.0%)	398 bps	(0.4%)	235 bps	2.0%	(6 bps)
Expense ratio	27.6%	28.2%	(55 bps)	27.0%	66 bps	26.8%	85 bps
Combined ratio	90.4%	93.9%	(349 bps)	83.1%	735 bps	96.8%	(637 bps)
Underlying combined ratio	88.5%	95.9%	(746 bps)	83.5%	499 bps	94.8%	(632 bps)
<b>Group Benefits</b>							
Net income	(\$6)	\$42	(114.3%)	\$9	(166.7%)	(\$5)	(17.8%)
Core earnings	\$8	(\$12)	166.7%	(\$3)	366.7%	(\$4)	310.6%
Fully insured ongoing premiums (ex. buyout premiums)	\$1,445	\$1,380	4.7%	\$1,374	5.2%	\$1,397	3.4%
Loss ratio	81.9%	84.0%	(201 bps)	84.3%	(240 bps)	82.0%	(8 bps)
Expense ratio	26.0%	26.3%	(30 bps)	25.5%	55 bps	25.4%	59 bps
Net income margin	(0.4%)	2.6%	(296 bps)	0.6%	(95 bps)	(0.3%)	(5 bps)
Core earnings margin	0.5%	(0.7%)	124 bps	(0.2%)	69 bps	(0.2%)	75 bps
<b>Hartford Funds</b>							
Net income	\$42	\$62	(32.3%)	\$47	(10.6%)	\$60	(30.3%)
Core earnings	\$50	\$60	(16.7%)	\$45	11.1%	\$60	(17.1%)
Mutual Fund and ETP net flows	(\$424)	\$358	(218.4%)	\$774	(154.8%)	\$143	(397.3%)
Total Hartford AUM	\$148,046	\$157,895	(6.2%)	\$145,198	2.0%	\$161,020	(8.1%)

Source: Barclays Research, Company Data.

**FIGURE 8. Model Summary (pg. 1)**

<b>(\$ in mn, except per share data)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
P&C Net written premiums	10,412	11,583	11,905	12,949	14,048	15,128
<b>P&amp;C Revenues:</b>						
P&C net earned premiums	10,446	11,490	11,918	12,495	13,515	14,412
Fee Income	74	72	64	66	66	66
<b>Total revenues</b>	<b>10,520</b>	<b>11,562</b>	<b>11,982</b>	<b>12,561</b>	<b>13,581</b>	<b>14,478</b>
<b>P&amp;C Expenses:</b>						
Loss & loss adjustment expenses	6,940	7,398	7,653	8,110	8,417	8,976
Amortization of DAC	1,323	1,555	1,641	1,628	1,665	1,694
Underwriting Expenses	2,000	2,261	2,228	2,330	2,456	2,608
Dividends to policyholders	23	30	29	24	33	38
<b>Total expenses</b>	<b>10,286</b>	<b>11,244</b>	<b>11,551</b>	<b>12,092</b>	<b>12,571</b>	<b>13,316</b>
<b>Underwriting Income</b>	<b>234</b>	<b>318</b>	<b>431</b>	<b>469</b>	<b>1,010</b>	<b>1,162</b>
P&C Net investment income	1,242	1,392	1,372	1,734	1,506	1,578
Other	(40)	219	(83)	315	(106)	-
<b>P&amp;C Income before income taxes</b>	<b>1,436</b>	<b>1,929</b>	<b>1,720</b>	<b>2,518</b>	<b>2,410</b>	<b>2,740</b>
Income tax expense	241	358	314	469	472	534
<b>P&amp;C Net Income (loss)</b>	<b>1,195</b>	<b>1,571</b>	<b>1,406</b>	<b>2,049</b>	<b>1,938</b>	<b>2,206</b>
Adjustments (incl ATX net realized cap gain/(loss))	(35)	67	(313)	36	(83)	-
<b>P&amp;C Core Earnings</b>	<b>\$1,230</b>	<b>\$1,504</b>	<b>\$1,719</b>	<b>\$2,013</b>	<b>\$2,021</b>	<b>\$2,206</b>
<b>Core earnings Per Share</b>	<b>\$4.33</b>	<b>\$5.65</b>	<b>\$5.78</b>	<b>\$6.17</b>	<b>\$6.79</b>	<b>\$8.24</b>
<b>Shares</b>						
Wtd Average Diluted Shares Outstanding	364.1	364.9	360.6	354.1	331.5	314.1

Source: Barclays Research, Company Data.

**FIGURE 9. Model Summary (pg. 2)**

<b>(\$ in mn, except per share data)</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
<b><u>Capital deployment</u></b>						
Assumed Repurchase Price Per Share	NM	\$59	\$56	\$65	\$73	\$81
Shares Repurchased (in mn)	-	3.4	2.7	26.3	17.9	18.4
Dollar Amount Repurchased (in \$ mn)	-	200	150	1,702	1,300	1,500
Dividends Per Share	\$1.10	\$1.20	\$1.30	\$1.47	\$1.54	\$1.66
Shareholder dividends (in \$ mn)	394	433	466	513	503	513
Total capital returned	394	633	616	2,215	1,803	2,013
Total capital returned as % normalized earnings	25%	31%	30%	103%	80%	78%
<b><u>Other statistics</u></b>						
Effective Tax Rate	16.8%	18.6%	18.3%	18.6%	19.6%	19.5%
Catastrophe losses (P/T)	821	463	606	664	681	741
Prior year reserve development (fav)/unfav (P/T)	(167)	(65)	(136)	199	(58)	(28)
<b><u>Shareholders' Equity and Returns on Capital</u></b>						
Common stockholders' equity ex AOCI	14,346	15,884	17,052	17,337	17,563	18,209
Total stockholders' equity ex AOCI	14,680	16,218	17,386	17,671	17,897	18,543
Book value per diluted share ex AOCI	\$39.40	\$43.71	\$47.16	\$50.86	\$54.29	\$59.68
Core Earnings ROE	11.6%	13.6%	12.7%	12.5%	12.9%	14.5%
<b><u>Underwriting Margins - P&amp;C</u></b>						
Loss ratio	66.4%	64.4%	64.2%	64.9%	62.3%	62.3%
Expense ratio	31.1%	32.6%	31.9%	31.1%	30.0%	29.4%
Policyholder dividends	0.2%	0.3%	0.2%	0.2%	0.2%	0.3%
Total P&C Combined ratio	97.8%	97.2%	96.4%	96.2%	92.5%	91.9%
<b><u>Underlying Combined Ratio</u></b>						
Catastrophe loss CR pts	7.9%	4.0%	5.1%	5.3%	5.0%	5.1%
Prior year reserve development CR pts	-1.6%	-0.6%	-1.1%	1.6%	-0.4%	-0.2%
Underlying P&C Combined Ratio	91.5%	93.5%	92.4%	89.3%	87.9%	87.0%

Source: Barclays Research, Company Data.

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**The Hartford Financial Services Group, Inc.** (HIG, 29-Apr-2022, USD 69.93), Overweight/Positive, A/CD/CE/D/J/K/L/M

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## The Hartford Financial Services Group, Inc. (HIG / HIG)

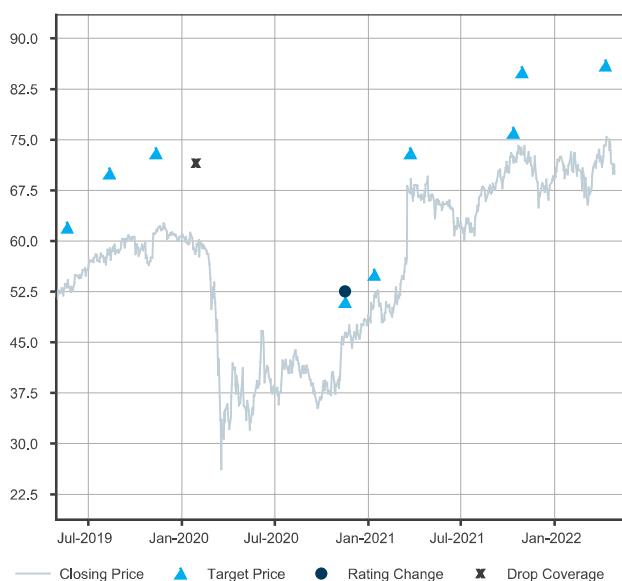
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

**USD 69.93** (29-Apr-2022)

### Rating and Price Target Chart - USD (as of 29-Apr-2022)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
11-Apr-2022	74.13		86.00
29-Oct-2021	72.93		85.00
12-Oct-2021	71.96		76.00
24-Mar-2021	67.05		73.00
12-Jan-2021	51.86		55.00
16-Nov-2020	46.34	Overweight	51.00
22-Jan-2020	59.90	Coverage Dropped	
11-Nov-2019	61.09		73.00
12-Aug-2019	57.97		70.00
21-May-2019	53.63		62.00

On 02-May-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 57.00.

Source: Bloomberg, Barclays Research

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