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Equity Research
Financial Services
6 February 2023

The Hartford Financial Services Group, Inc.

4Q22 Earnings Review: 2023 Outlook

| CORE

HIG anticipates 1 pt of improvement within its underlying combined ratio (Commercial ex WC) in ‘23. Execution would largely depend on expense savings and business mix shifts with less upside from Global Specialty in ‘23.

On the surface HIG’s ‘23 outlook appears somewhat ambitious with ROE expansion of 100 bps from its ‘22 outlook despite WC and financial lines headwinds. It comes down to execution which is achievable in our view. Hartford NEXT progress in 2023 would need to show 0.5 a pt of improvement on the expense ratio side. Portfolio construction would be key. HIG’s E&S small commercial lines business is still in the nascent stage with only $100mn in writings vs. $8bn TAM. HIG expects meaningful pricing increases, i.e. >30% for U.S. and European products. Lastly, HIG sounded constructive on leaning more in on property writings across various businesses. HIG is seeing pricing increases within commercial property, auto and general liability somewhat offset pressures within financial lines. **The swing factor is loss trend.** HIG thinks commercial loss cost trends remains fairly stable with some easing in inflationary forces on property in 2H23. We have not seen inflation play out as much on the casualty side vs. property side so far, we would not preclude the possibility of rising loss trend for casualty in 2023.

WC pricing to be flat to slightly negative compressing the commercial lines underlying combined ratio by 0.5% in 2023, according to HIG. Audit premiums had been in tailwind in ‘22 as a component of these premiums acted like rate. A weaker job outlook may reverse this trend in ‘23.

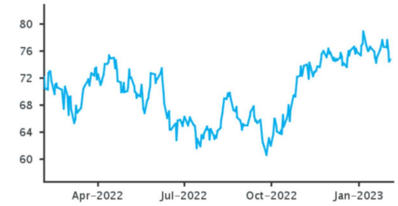
Global Specialty may be a lesser contributor to ‘23 underwriting profitability vs. ‘22. Especially on the public D&O side. The spread of pricing vs loss trend has converged (see figure 1). Global specialty contributed ~1/3 of underlying underwriting profitability for commercial in ‘22, that proportion could lessen in ‘23 raising the importance of underwriting profitability from other segments. Still, on a NPE standpoint, higher written pricing in this segment should still be earning in during ‘23.

HIG	OVERWEIGHT Unchanged
U.S. Insurance/Non-Life	POSITIVE Unchanged
Price Target	USD 87.00 lowered -2% from USD 89.00
Price (03-Feb-23)	USD 74.77
Potential Upside/Downside	+16.4%

Market Cap (USD mn)	23560
Shares Outstanding (mn)	315.10
Free Float (%)	99.54
52 Wk Avg Daily Volume (mn)	1.9
Dividend Yield (%)	2.27
Return on Equity TTM (%)	11.65
Current BVPS (USD)	42.20

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 79.44-60.17



Source: IDC
Link to Barclays Live for interactive charting

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Completed: 06-Feb-23, 00:07 GMT Released: 06-Feb-23, 05:10 GMT Restricted - External

FIGURE 1. Global Specialty Pricing vs. Loss Trend

4Q22	*"Within Global Specialty, excluding public company D&O, renewal written pricing remained stable in the **mid-single** digits, and in aggregate, **in line** with loss cost trends."*
3Q22	*"For most of Global Specialty lines, pricing was in the **mid to high single** digits and in the aggregate, **ahead** of loss trends with very strong accident year results. "*

Source: Co. Transcripts, Barclays Research

A&E ADC Erosion to $256mn of limit remaining at 4Q22. HIG's 2022 A&E gross loss experience (subject to its ADC) was $229mn, that was up from $155mn in 2021 and closer to $236mn in 2020. We are assuming a ~$200mn annual gross A&E loss run rate. We are estimating some ADC recovery in 2024 from remaining limit muting the blow just a tad with full gross losses materializing in core earnings starting in 2025.

NII: HIG reiterated ex LLP yields up ~50 to 60 bps in 2023 from 2022, yet 4Q22 fixed income yield of ~6% was more of an anomaly. As such q/q yield enhancements will be relatively more muted given a higher exit '22 starting point. Likewise, HIG's view on LLP & alternatives returns is more tepid heading into '23, down to 4%-6% (vs. a 8%-10% normal run rate).

Peer Leading P&C ROE: HIG's core ROE of 14.4% is above the upper end of its 13-14% '22 guidance. HIG provided updated 2023 guidance for core ROE of 14%-15% (vs. BARC 14.2% estimate). In particular, its core ROE in P&C of 16.6% in 4Q22 is peer leading and ahead of its segment guide of 14-15%. HIG's core ROE within group benefits of 10.9% and on the upper end of its segment guide of 10-11%. Lastly, Hartford Funds core ROE of 46.1% is trending below its segment guide of 54-55%. Note, HIG excludes AOCI from the denominator of its CORE ROE.

Higher HoldCo. coverage thanks to greater dividends from Group Benefits subsidiaries. Sources of HoldCo. capital sources include net P&C dividends of $1.5bn, group benefits dividends of $400mn, and Hartford Funds of $125mn. We think HIG has bandwidth to somewhat augment capital returns in '23. Dividends from subsidiaries were $1.8bn in 2022, at the top of its $1.7-1.8bn guide.

HIG: Quarterly and Annual EPS (USD)

	2022	2023			2024			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2023	2024
Q1	1.66A	2.05E	1.99E	2.04E	2.46E	2.46E	2.36E	20%	24%
Q2	2.15A	1.82E	1.79E	1.98E	2.15E	2.21E	2.27E	-17%	23%
Q3	1.44A	2.03E	1.95E	2.05E	2.33E	2.37E	2.33E	35%	22%
Q4	2.31A	2.38E	2.28E	2.36E	2.68E	2.31E	2.68E	-1%	1%
Year	7.56A	8.28E	8.00E	8.44E	9.62E	9.34E	9.60E	6%	17%
P/E	9.9		9.3			8.0			

Consensus numbers are from Bloomberg received on 03-Feb-2023; 13:50 GMT
Source: Barclays Research

U.S. Insurance/Non-Life | **POSITIVE**

The Hartford Financial Services Group, Inc. (HIG)

OVERWEIGHT

Income statement ($mn)	2022A	2023E	2024E	2025E	CAGR
Net premiums earned	13,520	14,496	15,390	16,358	6.6%
Net investment income (NII)	2,177.0	2,131.8	2,577.7	2,750.8	8.1%
Underwriting income	734	891	832	803	3.0%
Operating income	2,492	2,485	2,726	2,854	4.6%
Net income	1,815	2,505	2,746	2,874	16.6%
Effective tax rate (%)	20.6	19.5	19.5	19.5	-1.8%
Combined ratio (%)	94.6	93.9	94.6	95.1	0.2%
Combined ratio (ex cats & py development) (%)	89.5	89.5	89.3	89.6	0.0%
Per share data ($)	**2022A**	**2023E**	**2024E**	**2025E**	**CAGR**
EPS (adj)	7.56	8.00	9.34	10.43	11.3%
EPS (reported)	5.44	8.00	9.34	10.43	24.2%
DPS	1.55	1.64	1.80	2.04	9.7%
BVPS	41.53	46.12	52.06	59.08	12.5%
BVPS (ex AOCI)	53.63	58.99	65.77	73.72	11.2%
Diluted shares (mn)	329.5	310.7	291.9	273.7	-6.0%
Balance sheet and capital return ($mn)	**2022A**	**2023E**	**2024E**	**2025E**	**CAGR**
Total investments	54,104	57,106	60,319	63,685	5.6%
Common shareholders' equity (ex AOCI)	17,173	17,769	18,595	19,516	4.4%
Share buybacks	1,550	1,380	1,380	1,380	-3.8%
Dividends paid	503	501	517	549	2.9%
Balance sheet and capital return metrics	**2022A**	**2023E**	**2024E**	**2025E**	**Average**
Debt leverage (%)	24.2	23.4	22.4	21.4	22.9
Financial leverage (%)	26.1	25.2	24.2	23.1	24.6
Total capital return as a % of op. earnings	82.4	75.7	69.6	67.6	73.8
Valuation metrics	**2022A**	**2023E**	**2024E**	**2025E**	**Average**
P/BV (ex AOCI) (x)	1.39	1.27	1.14	1.01	1.20
P/E (adj) (x)	9.9	9.3	8.0	7.2	8.6
Dividend yield (%)	2.1	2.2	2.4	2.7	2.4
ROE (%)	10.2	14.0	14.7	14.7	13.4

Note: FY End Dec
Source: Company data, Bloomberg, Barclays Research

Price (03-Feb-2023)	**USD 74.77**
Price Target	**USD 87.00**

Why OVERWEIGHT?

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.

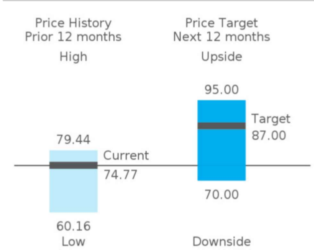
Upside case **USD 95.00**

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 ~1.4x '24 BVPS ex AOCI.

Downside case **USD 70.00**

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 ~7.5x '24E EPS.

Upside/Downside scenarios



4Q22/FY2022 vs. Target Financial Plan

HIG's personal lines underlying CR was 96.2% in 4Q22, above its revised FY22 guided range of 91-94% (updated in 2Q22 by ~1 - 2 points above the high end of the Feb. '22 provided range). For the full year, personal lines underlying CR was 93.7%, on the higher end of the expected range.

Commercial lines underlying CR of 87.4% in 4Q22 was in-line with the 2022E outlook range mid-pt of 87.5% (86.5%-88.5% range). Commercial lines underlying CR for FY2022 was 88.3%, on the higher end of the projected range. Group Benefits core earnings margin for FY2022 came in at 6.5% vs. the company's 6%-7% range for 2022 and the outlook for 2023 is in the same range.

Outlook Update: 2023

Key Business Segments

Commercial lines underlying CR is expected to be in the 87%-89% range for 2023 (BARC estimate of 88.3%). HIG anticipates 1 pt of improvement within its underlying combined ratio (Commercial ex WC) in '23 to somewhat offset the 0.5 pt drag from WC. To get there, about half of the ex- WC underlying margin expansion stems from expense ratio savings.

HIG projects underlying CR for personal lines to be in the range of 93%-95% in 2023 (BARC estimate of 94.0%).

HIG provided a P&C expected CAY cat ratio of 4.2% for 2023 (vs. 4.8% in 2022 and BARC estimate of 5.2%).

Group Benefits core earnings margin is projected to be 6-7% (vs. 6.5% in 2022 and BARC estimate of 7.0%).

NII: While portfolio yields should continue to pick up in '23 (HIG reiterated ex LLP yields up ~50 to 60 bps in 2023 from 2022), HIG's 4Q22 fixed income yield of ~6% was more of an anomaly. As such q/q yield enhancements will be more muted given a higher exit '22 starting point. The company saw new money yields of 5.0%-5.1% in January, which is more in-line with company expectations. Likewise, HIG's view on LLP & alternatives returns is more tepid heading into '23, down to 4%-6% (vs. a 8%-10% normal run rate).

Core ROE up to 14-15% for '23 up 100bps from '22 outlook range of 13-14%. Actual 2022 Core ROE was 14.4%. We are estimating 14.2% for '23 and 15.0% for '24.

FIGURE 2. **HIG Targets vs. Barclays Estimates**

HIG Outlook	2022E Outlook Range			2022 Actual	2023E Outlook Range			2023E Barclays	2024E Barclays
Core ROE	13%	-	14%	14.4%	14%	-	15%	14.2%	15.0%
Portfolio Yield (ex LLP and Alternatives)				3.2%	+50 bps	to	+60 bps	3.75%	4.03%
LLP and Alternatives: Portfolio Yield	8%	-	10%	14.4%	4%	-	6%	6%	9%
Key Business Metrics									
Commercial Lines									
CR	90.0%	-	92.0%	90.2%	90.5%	-	92.5%	92.0%	93.2%
Underlying CR	86.5%	-	88.5%	88.3%	87.0%	-	89.0%	88.3%	88.4%
Personal Lines									
CR*	97.0%	-	99.0%	100.3%	100.5%	-	102.5%	101.2%	100.6%
Underlying CR*	91.0%	-	94.0%	93.7%	93.0%	-	95.0%	94.0%	93.3%
Group Benefits									
Core earnings margin	6.0%	-	7.0%	6.5%	6.0%	-	7.0%	7.0%	7.0%
P&C CAY Cat ratio	4.1%			4.8%	4.2%			5.2%	5.1%

Personal lines 2022 outlook was updated in 2Q22 by ~1 - 2 points above the high end of the previously ..provided range.
Source: Barclays Research, Company Data.

Personal Lines

While HIG achieved auto rate increase approvals of 8.3% in 4Q22 from ~5% in 3Q22, it is down from its prior forecast of double-digits in 4Q. The rate approvals HIG achieved, we think take longer to earn in, especially considering that the bulk of its inforce is still on 12-month policies. (Note, its more recent marketing efforts for Prevail are centered on 6-month policies). HIG expects to accelerate renewal written pricing to the mid-teens by 2Q23 and stabilize there for the rest of the year. The company projects they will be price adequate by mid-year and sees loss cost trends remaining elevated in 1H23 and then decreasing to normalized levels in 2H23.

The **auto** underlying combined ratio of 108.9% was up 6.3 pts sequentially (3.5 pts y/y). In 4Q21, HIG shared its view of the 4Q auto loss ratio generally running 3 to 5 pts higher on average in 4Q vs. the year. In 4Q22, HIG shared a lower 75 bps of adverse seasonality on the auto loss ratio. Conversely, 1Q auto loss costs run lower than the balance of the year.

HIG saw continued severity pressure, most evident in physical damage that was driven by repair costs that are elevated. HIG also mentioned increased bodily injury trends, although a less significant driver.

The **homeowners** underlying combined ratio of 68.3% was down 12.1 pts q/q. HIG is also pushing for rate on the homeowners side with 13% rate increases seen in 4Q22 (11% for FY2022).

The loss ratio for Personal lines decreased to 74.4% in 4Q22 compared to 82.5% in 3Q22 thanks to homeowners though it was up from 65.7% in 4Q21.

Personal Lines PIF slightly down

On the personal auto side, HIG's -0.6% PIF decline q/q in this business is more in line with historical trend compared to last quarter's +1.2% growth q/q.

HIG saw renewal written pricing of +13.3% in homeowners in 4Q22 and +10.7% for FY22. Homeowners earned pricing is expected to track closely to loss cost trends throughout 2023.

FIGURE 3. Auto PIF back to q/q decline and homeowners PIF decline continues

Policies in Force (in thousands)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Auto	1,410	1,416	1,392	1,369	1,357	1,339	1,328	1,317	1,315	1,315	1,331	1,323
y/y % growth	*-5.1%*	*-3.3%*	*-3.7%*	*-3.7%*	*-3.8%*	*-5.4%*	*-4.6%*	*-3.8%*	*-3.1%*	*-1.8%*	*0.2%*	*0.5%*
Homeowners	868	865	846	826	815	799	786	773	765	756	749	740
y/y % growth	*-4.9%*	*-4.2%*	*-5.3%*	*-5.8%*	*-6.1%*	*-7.6%*	*-7.1%*	*-6.4%*	*-6.1%*	*-5.4%*	*-4.7%*	*-4.3%*

Source: Barclays Research, Company Data.

Underlying Commercial Margin

Commercial lines underlying margin improved by 1.5pts y/y and 1.9 pts q/q to 87.4%. HIG is targeting commercial lines underlying combined ratio of 87%-89% in 2023 from 88.3% in 2022 (BARC estimate 88.3%).

Segment Underlying Results:

- **Middle & Large Commercial** underlying combined ratio of 90.2% in 4Q22 improved from 93.7% in 3Q22.
- **Small Commercial** underlying combined ratio at 87.5% in 4Q22 improved from 88.5% in 3Q22.
- **Global Specialty** underlying combined ratio of 83.0% in 4Q22 improved from 84.5% in 3Q22 and improved y/y by 5.8 points.

Pricing from Here

Commercial Lines pricing ex workers' compensation was +6.4% in 4Q22, although down from peak price increases seen in 2021.

Workers Compensation: Healthy wage growth has alleviated pure rate declines, as such WC pricing (rate and exposure) remained positive in 4Q22. Essentially, WC claims are equally split between medical and indemnity (according to NCCI). Therefore, higher wages in '22 had led to positive audit premiums, this component acts like rate since it does not have a corresponding increase on the medical side (as long as trend remains at current 5% level) just indemnity side. However in 2023, HIG expects **WC exposure that acts like rate to be flat to slightly negative** leading to a **0.5 pt compression on the '23 commercial lines underlying combined ratio**.

NCCI and many state rating bureaus use a three year experience period in determining indicated rate needs for WC. As such, as lower frequency years 2019-2021 exit the calculation HIG anticipates a reversal of negative pure rate trend beginning in '24.

Homeowners pricing has accelerated in 2022 (+9.0% in 2Q22, +11.8% in 3Q22, and +13.3 in 4Q22). HIG expects Homeowners earned pricing to keep pace with loss cost trends in 2023.

FIGURE 4. **HIG Average Pricing Change through 4Q22**

HIG Renewal Written Pricing %	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Commercial	6.50%	+6.9%	+6.1%	+5.9%	+5.2%	+4.8%	+4.9%	+4.9%
Commercial ex WC & other*	10.8%	9.6%	+8.2%	+7.9%	+7.6%	+6.4%	+6.1%	+6.4%
US Global Specialty	+17.2%	+13.5%	+10.7%	+9.2%	+8.3%	+5.5%	+3.2%	
International Global Specialty	+27.1%	+23.2%	+17.5%	+11.6%				
Global Specialty (ex Global Re, Lloyds)	18.5%	14.8%	11.9%	10.1%	9.7%	6.7%	4.3%	3.2%
Small Commercial	+2.4%	+3.2%	+3.4%	+3.6%	+3.2%	+3.4%	+4.0%	+4.5%
Small Commercial ex WC	+5.5%	+5.3%	+5.2%					
Middle Market	+6.1%	+6.2%	+5.7%	+5.8%	+5.1%	+5.2%	+6.4%	+6.7%
Personal lines - auto	+1.8%	+2.3%	+2.1%	+2.6%	+2.9%	+4.0%	+5.0%	+6.3%
Personal lines - home	+9.4%	+8.5%	+8.1%	+8.1%	+8.8%	+9.0%	+11.8%	+13.3%

HIG Renewal Written Pricing %	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Workers Comp	+1.0%	+1.0%	+1.2%	+1.2%	slight decline q/q	Positive, slight decline	Positive, benefiting from wage rate growth.	Positive, benefiting from wage rate growth.

Commercial ex WC & other* excludes Middle Market loss sensitive and programs businesses, Global Re, offshore energy policies, credit and political risk insurance policies, political violence.and terrorism policies, and any business under which the managing agent of our Lloyd's Syndicate 1221 delegates underwriting authority to coverholders and other third parties
Source: Barclays Research, Company Data.

1/1 Reinsurance Renewal change

Slightly higher retention

Per Occurrence XOL, retention up to $150mn from $100mn. $50mn deductible was dropped. HIG is now retaining 40% coinsurance from the prior 30%. Aggregate treaty attachment point raised by $50mn to $750mn. **While these are not wholesale changes, net/net HIG is retaining moderately more risk, coupled with inflation.** Therefore, we are modeling a higher cat ratio of 5.2% higher than the company's 4.2% per its '23 outlook (that only moved up 10 bps from its '22 guide).

Reinsurance costs rose ~20%, or 28% on a risk-adjusted basis. Even so, HIG does not believe that higher costs would erode its '23 combined ratio.

Group Benefits

Core earnings margin of 8.3% in 4Q22 was above its '22 guidance of 6%-7%, and better than our estimate of 7.4% in the quarter. Core earnings margin was 6.5% for the full year reflecting the decline in excess mortality. HIG provided a 2023 core earnings margin guidance of 6%-7% (vs. BARC estimate of 7.0%). HIG expects excess mortality losses are expected to improve y/y in 2023 yet stabilize above pre-pandemic levels, and is pricing accordingly.

Forward-Looking Commentary/Model Updates

- NII guide: Annualized portfolio yield, excluding limited partnerships, to increase by ~50 to 60 bps in 2023 from 2022, a reiteration from 3Q22. HIG posted 3.2% (pre-tax) annualized yield, ex LLP, in 2022. HIG is seeing increases in fixed maturity yield (average yield in 4Q22 was ~6%) although that is not the norm. The company saw new money yields of 5.0%-5.1% in January, which is more in-line with company expectations. We are estimating yields ex LLP of 3.75% for FY23 and 3.83% for FY24.

- HIG anticipates annualized LP returns in FY2023 to be in the range of 4%-6% (vs. a 8%-10% guide last year) compared to 14.4% for FY2022 (comprised of a 22% real estate return and 14% private equity return). HIG expects private equity returns to be below their long-term target in 2023 and expects to see less sales activity in their real estate JV.

- **Capital Returns**: During 4Q22 HIG repurchased $350mn of shares (vs. our $345mn estimate). HIG has $2.75bn remaining on its board authorized buyback programs through YE24. In 2023, HIG expects to receive $1.5bn of dividends from its U.S. P&C insurance subsidiaries, $400mn from HLA (Group Benefits) and $125mn from Hartford Funds. HIG's holding co. cash and marketable assets totaled $1.0bn as of Dec. 31, 2022. We are modeling a $345mn quarterly buyback run-rate.

We reiterate our Overweight rating on HIG and lower our PT to $87 (from $89) based on a 50/50 weighted 9.5x (unchanged) $9.34 (down from $9.62) '24E EPS and 1.3x (unchanged) 2024E book value per share ex AOCI of $65.77 (down from $66.14). To be sure, we think HIG's '23 outlook guide is achievable, we are just now lower in the 14-15% ROE range to reflect pressures on WC and financial lines. Likewise, we expect erosion to HIG's A&E ADC starting in '24 with a partial recovery that forecast year.

4Q22 Variance

FIGURE 5. 4Q22 Variance Analysis: Consolidated

Consolidated Results		Q/Q		Y/Y		Barclays Est.	
(in $ mn, expect per share data)	4Q22A	3Q22	% Change	4Q21	% Change	4Q22E	% Var.
Net income avail to common shareholders	$584	$333	75.4%	$724	(19.3%)	$600	(2.6%)
Net income per diluted share	$1.81	$1.02	77.4%	$2.10	(13.8%)	$1.87	(3.0%)
Core earnings	$746	$471	58.4%	$697	7.0%	$600	24.4%
Core earnings per diluted share	$2.31	$1.44	60.0%	$2.02	14.3%	$1.87	23.8%
Net investment income	$640	$487	31.4%	$573	11.7%	$485	31.9%
Cat losses	$135	$293	(53.9%)	$22	513.6%	$136	(0.4%)
P&C - Combined ratio	98.3%	97.7%	59 bps	92.1%	617 bps	93.4%	493 bps
P&C - Underlying combined ratio	89.3%	90.8%	(146 bps)	90.6%	(126 bps)	90.3%	(102 bps)
Book value per diluted share	$41.53	$38.99	6.5%	$51.36	(19.1%)	$39.93	4.0%
Book value per diluted share (ex. AOCI)	$53.63	$52.63	1.9%	$50.86	5.5%	$53.77	(0.3%)
Core Earnings ROE	14.4%	14.3%	10 bps	12.7%	170 bps	13.6%	80 bps
Share Repurchases	$350	$350	0.0%	$500	(30.0%)	$345	1.4%

Source: Barclays Research, Company Data.

FIGURE 6. 4Q22 Variance Analysis: Segments

Business Results		Q/Q		Y/Y		Barclays Est.	
(in $ mn, expect per share data)	4Q22A	3Q22	% Change	4Q21	% Change	4Q22E	% Var.
Commercial Lines							
Net written premiums	$2,733	$2,780	(1.7%)	$2,512	8.8%	$2,755	(0.8%)
Underwriting gain (loss)	$304	$153	98.7%	$387	21.4%	$268	13.5%
Underlying underwriting gain	$350	$290	20.7%	$279	25.4%	$324	8.2%
Underlying Loss ratio	55.7%	57.5%	(183 bps)	56.5%	(85 bps)	56.5%	(80 bps)
Cat and PYD pts	1.6%	5.1%	(347 bps)	(4.3%)	590 bps	2.0%	(40 bps)
Expense ratio	31.3%	31.5%	(18 bps)	32.1%	(77 bps)	31.6%	(28 bps)
Policyholder dividends	0.3%	0.3%	4 bps	0.3%	2 bps	0.3%	(2 bps)
Combined ratio	89.0%	94.3%	(534 bps)	84.6%	440 bps	90.4%	(140 bps)
Underlying combined ratio	87.4%	89.3%	(187 bps)	88.9%	(150 bps)	88.4%	(100 bps)
Personal Lines							
Net written premiums	$695	$803	(13.4%)	$668	4.0%	$688	1.0%
Underwriting gain (loss)	$7	($72)	(109.7%)	$45	(84.4%)	($33)	(121.0%)
Underwriting underwriting gain	$29	$31	(6.5%)	$30	(3.3%)	$19	56.1%
Underlying Loss ratio	71.5%	68.8%	274 bps	67.8%	375 bps	70.3%	120 bps
Cat and PYD pts	2.9%	13.8%	(1085 bps)	(2.0%)	493 bps	7.0%	(406 bps)
Expense ratio	24.7%	27.1%	(240 bps)	28.2%	(348 bps)	27.2%	(251 bps)
Combined ratio	99.1%	109.6%	(1051 bps)	93.9%	520 bps	104.5%	(537 bps)
Underlying combined ratio	96.2%	95.9%	34 bps	95.9%	27 bps	97.5%	(131 bps)
Group Benefits							
Net income	$140	$86	62.8%	$42	233.3%	$118	18.4%
Core earnings	$141	$117	(20.5%)	($12)	1275.0%	$119	18.0%

Fully insured ongoing premiums (ex. buyout premiums)	$1,498	$1,458	2.7%	$1,380	8.6%	$1,449	3.4%
Loss ratio	73.6%	72.9%	73 bps	84.0%	(1035 bps)	72.5%	110 bps
Expense ratio	25.0%	25.5%	(51 bps)	26.3%	(132 bps)	25.7%	(69 bps)
Net income margin	8.2%	5.4%	277 bps	2.6%	562 bps	7.3%	87 bps
Core earnings margin	8.3%	7.4%	91 bps	(0.7%)	904 bps	7.4%	90 bps
Hartford Funds							
Net income	$45	$41	9.8%	$62	(27.4%)	$47	(4.0%)
Core earnings	$39	$47	(17.0%)	$60	(35.0%)	$47	(16.8%)
Mutual Fund and ETP net flows	($3,293)	($2,223)	48.1%	$358	(1019.8%)	$107	(3184.4%)
Total Hartford AUM	$124,107	$117,827	5.3%	$157,895	(21.4%)	$124,727	(0.5%)

Source: Barclays Research, Company Data.

Model Summary

FIGURE 7. **Model Summary (pg. 1)**

($ in mn, except per share data)	2020	2021	2022	2023E	2024E	2025E
P&C Net written premiums	11,905	12,949	14,119	15,230	16,326	17,524
P&C Revenues:						
P&C net earned premiums	11,918	12,495	13,520	14,496	15,390	16,358
Fee Income	64	66	69	69	69	69
Total revenues	**11,982**	**12,561**	**13,589**	**14,565**	**15,459**	**16,427**
P&C Expenses:						
Loss & loss adjustment expenses	7,653	8,110	8,613	9,168	9,762	10,444
Amortization of DAC	1,641	1,628	1,793	1,914	2,056	2,201
Underwriting Expenses	2,228	2,330	2,420	2,559	2,774	2,942
Dividends to policyholders	29	24	29	32	35	38
Total expenses	**11,551**	**12,092**	**12,855**	**13,674**	**14,627**	**15,625**
Underwriting Income	**431**	**469**	**734**	**891**	**832**	**803**
P&C Net investment income	1,372	1,734	1,618	1,603	1,939	2,069
Other	(83)	315	(431)	-	-	-
P&C Income before income taxes	**1,720**	**2,518**	**1,921**	**2,494**	**2,771**	**2,872**
Income tax expense	314	469	396	486	540	560
P&C Net Income (loss)	1,406	2,049	1,525	2,008	2,231	2,312
Adjustments (incl ATX net realized cap gain/(loss))	(313)	36	(522)	-	-	-
P&C Core Earnings	**$1,719**	**$2,013**	**$2,047**	**$2,008**	**$2,231**	**$2,312**
Core earnings Per Share	**$5.78**	**$6.17**	**$7.56**	**$8.00**	**$9.34**	**$10.43**
Shares						
Wtd Average Diluted Shares Outstanding	360.6	354.1	329.5	310.7	291.9	273.7

Source: Barclays Research, Company Data.

FIGURE 8. **Model Summary (pg. 2)**

($ in mn, except per share data)	2020	2021	2022	2023E	2024E	2025E
Capital deployment						
Assumed Repurchase Price Per Share	$56	$65	$70	$73	$75	$77
Shares Repurchased (in mn)	2.7	26.3	22.3	19.0	18.5	18.0
Dollar Amount Repurchased (in $ mn)	150	1,702	1,550	1,380	1,380	1,380
Dividends Per Share	$1.30	$1.44	$1.55	$1.64	$1.80	$2.04
Shareholder dividends (in $ mn)	466	501	503	501	517	549
Total capital returned	616	2,203	2,053	1,881	1,897	1,929
Total capital returned as % normalized earnings	30%	102%	82%	76%	70%	68%
Other statistics						
Effective Tax Rate	18.3%	18.6%	20.6%	19.5%	19.5%	19.5%
Catastrophe losses (P/T)	606	664	649	748	789	833
Prior year reserve development (fav)/unfav (P/T)	(136)	199	36	(115)	25	65
Shareholders' Equity and Returns on Capital						
Common stockholders' equity ex AOCI	17,052	17,337	17,173	17,769	18,595	19,516
Total stockholders' equity ex AOCI	17,386	17,671	17,507	18,103	18,929	19,850
Book value per diluted share ex AOCI	$47.16	$50.86	$53.63	$58.99	$65.77	$73.72
Core Earnings ROE	12.7%	12.5%	14.4%	14.2%	15.0%	15.0%
Underwriting Margins - P&C						
Loss ratio	64.2%	64.9%	63.7%	63.2%	63.4%	63.8%
Expense ratio	31.9%	31.1%	30.7%	30.4%	30.9%	31.0%
Policyholder dividends	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total P&C Combined ratio	96.4%	96.2%	94.6%	93.9%	94.6%	95.1%
Underlying Combined Ratio						
Catastrophe loss CR pts	5.1%	5.3%	4.8%	5.2%	5.1%	5.1%
Prior year reserve development CR pts	-1.1%	1.6%	0.3%	-0.8%	0.2%	0.4%
Underlying P&C Combined Ratio	92.4%	89.3%	89.5%	89.5%	89.3%	89.6%

Source: Barclays Research, Company Data.

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Primary Stocks (Ticker, Date, Price)
The Hartford Financial Services Group, Inc. (HIG, 03-Feb-2023, USD 74.77), Overweight/Positive, CD/CE/J/K/M

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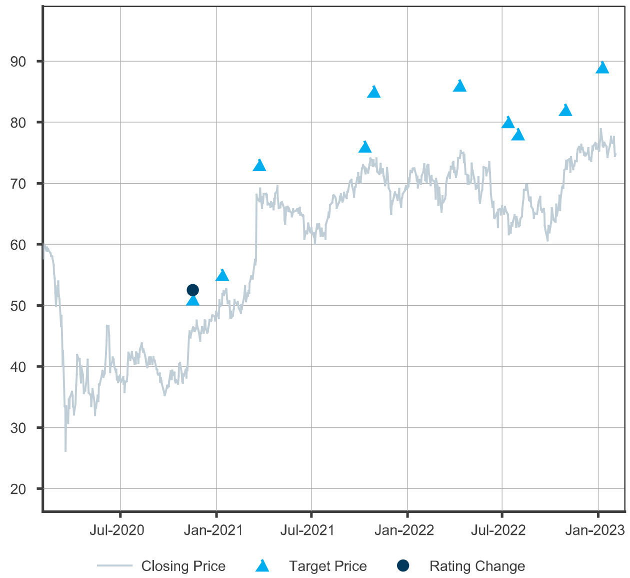
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

USD 74.77 (03-Feb-2023)

Rating and Price Target Chart - USD (as of 03-Feb-2023)

Currency=USD



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Publication Date	Closing Price*	Rating	Adjusted Price Target
09-Jan-2023	78.90		89.00
31-Oct-2022	72.16		82.00
01-Aug-2022	64.47		78.00
13-Jul-2022	64.93		80.00
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

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