S&P Global
Market Intelligence

The Hartford Financial Services Group, Inc. NYSE:HIG

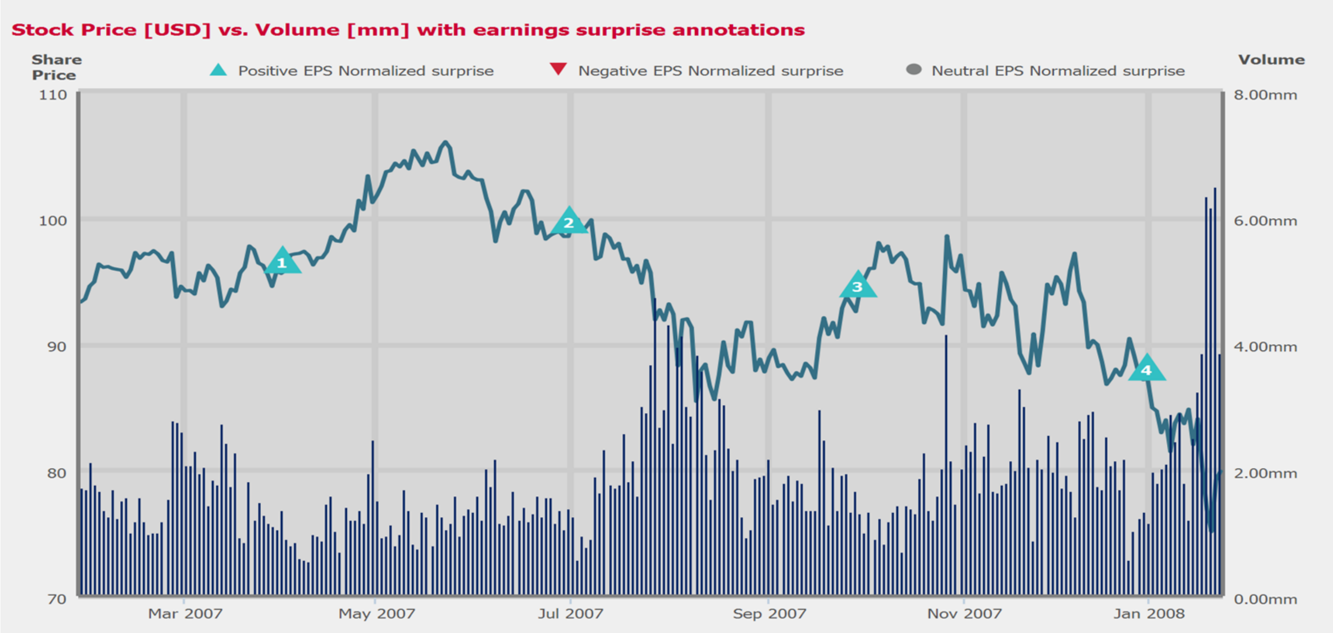
FQ1 2008 Earnings Call Transcripts

Tuesday, April 29, 2008 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2008-			-FQ2 2008-	-FY 2008-	-FY 2009-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.46	2.51	▲2.03	2.37	9.65	10.34
Revenue	-	-	▲18.02	-	-	-
Revenue (mm)	4340.00	5122.00	-	-	23226.09	28509.14

Currency: USD
Consensus as of Apr-29-2008 2:36 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2007	2.36	2.61	▲1 10.13 %
FQ2 2007	2.28	2.39	▲2 4.82 %
FQ3 2007	2.46	3.33	▲3 35.37 %
FQ4 2007	2.49	2.66	▲4 6.83 %

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John C. Walters

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Nigel Dally

Ramani Ayer

Thomas Michael Marra
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Kim Johnson

Please note that we will make certain statements during this call that should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about the Hartford's future results of operations. We caution investors that these forward-looking statements are not guarantees of future performance and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those discussed in our press release issued yesterday, our quarterly report on Form 10Q for the quarter ended March 31st, 2008, our 2007 annual report on Form 10K, and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this presentation which speaks as of today's date.

The discussion in this presentation of The Hartford's financial performance includes financial measures that are not derived from generally accepted accounting principles, or GAAP. Information regarding these non-GAAP and other financial measures is provided in the investor financial supplement for the first quarter of 2008 and our press release we issued yesterday, and in the investor relations section of The Hartford's website at www.thehartford.com.

Now I'd like to turn it over to The Hartford's chairman and CEO, Ramani Ayer.

Ramani Ayer

Thank you, Kim. Good morning, everyone, and thank you for joining us today. I'll open up our discussion today and turn it over to Tom Marra, who will provide more colour on our first quarter operating performance, and we'll conclude with David Johnson's comments on our investment portfolio, our 2008 outlook, and capital position before we open up for Q&A.

Moving to our results. As you know, credit and equity markets were very challenging in the first quarter. As a result, our results were impacted above and below the line. Our first quarter net income of $145 million reflected a total of $648 million in net realized capital losses.

At the same time we were generally pleased with how well the company operating businesses performed during the quarter. Quarter earnings per share came in at a solid $2.51. As Tom will describe in more detail, our property and casualty operations had an excellent quarter driven by disciplined risk selection and successful retention initiatives.

Underwriting income proved to be stronger than we had expected with a combined ratio of 87.8, a full point better than the prior year quarter.

On the life side we continued to execute on critical initiatives to expand our earning space. We grew assets by 10% over the last year driven by our mutual funds and retirement plans businesses.

Strong execution over the last four quarters drove The Hartford's core earnings ROE well above targeted levels at a healthy 17.8%. On the other hand, our net income ROE was lower due in large part to the realized capital losses we incurred in the first quarter. The capital losses came from two primary sources: impairments and other losses in our investment portfolio, as well as our transition to a new accounting standard - SFAS 157. The SFAS 157 charge was $220 million, which was within our estimated range.

David Johnson will walk you through the other components of the net realized loss later in the call.

Now, recognizing that we have taken significant losses in our $94 billion investment portfolio over the past two quarters we remain comfortable with the overall portfolio. Our investments are well diversified and of high quality, and over 80% of the portfolio consists of fixed maturities of which more than 95% are investment grade or high-quality government securities.

The general spread widening seen in fixed income securities in the first quarter also caused our investment portfolio's net unrealized loss position to increase, moving from $500 million at the end of 2007 to about $2 billion at the end of the first quarter.

Now, as fixed-income investors we expect to periodically experience volatility in the value of our holdings. This volatility can emerge from movements in both interest rates and credit spreads.

Despite the unprecedented dislocations we have experienced in the fixed-income markets we remain comfortable with our ABS, CMBS, and CLO positions. While we will continue to monitor these securities we believe that the impairments (inaudible) fully exceed the (inaudible) losses we will experience.

Since the end of the first quarter we've been pleased to see spreads coming in improve liquidity in many credit market sectors. At the same time the spreads have tightened treasury rates have increased and to date these two trends have roughly offset each other in our investment portfolio.

What is most important to me is the favourable spread movements we have seen in the asset classes that have been hit the hardest since the middle of 2007.

Our financial position remains excellent. Book value per share ex. AOCI increased 8% over the last 12 months to $63.79. Our balance sheet is very strong. Our $1.5 billion capital margin is in place and we have significant debt capacity.

As I look forward I am particularly excited about our new developments in our US VA business. This is a competitive market with a focus on product. I don't want to take away from Tom's comments, but I'm enthusiastic about our US VA product launch next week. I believe our team has developed a competitive offering with enhanced lifetime income benefits and investment options.

So all in, I'm very confident in the fundamentals of our businesses, our market positions, and our ability to manage through this volatile period.

With that, I'm going to turn this over to Tom to provide additional details.

Thomas Michael Marra
Executive Chairman of the Board

Before getting started I'd like to review my agenda, which is slightly different this quarter. I intend to cover the highlights of our property, casualty, and life results including the topics of greatest interest to investors. I'm not planning to comment on every business. Our press release and 10Q have a lot of good information on each of our segments. We have also included a summary slide on each segment in the appendix to this presentation.

Turning to slide four, In P&C I am pleased to report very strong results for the first quarter with core earnings of $426 million. Our ongoing operations delivered excellent underwriting income with outstanding combined ratios in each segment.

We benefited from benign weather and some favourable prior year development. On the other hand, net investment income was lower this quarter due to losses in partnerships and alternative investments.

P&C net written premiums were $2.6 billion in the first quarter, 1% below last year. We grew policies and force in personal lines, small commercial and middle market over the past year. Good retention has helped us with our policy growth.

We're pleased with the results of our retention initiatives, especially in middle market where we see three consecutive quarters of increases. Our first quarter ongoing operations combined ratio was 87.8 including 1.5 points of cap losses. I believe that's a very good result, especially considering recent industry trends. A number of items affected the quarter, including 2 points of favourable prior year development. Every one of our P&C segments delivered above target combined ratios.

To reflect this quarter's strong results and our forecast for the rest of the year we have improved our combined ratio outlooks for ongoing operations, small commercial and middle market.

One are that has been of interest to investors is personal lines loss cost trends. In the first quarter auto frequency was close to flat. As we looked to the rest of the year we expect frequency to be stable and severity to increase, all resulting in moderately higher loss costs. In response we continue to make rate adjustments and refine our pricing models.

We also continue to expand our distribution in an effort to broaden our market access and to fuel new business. In personal lines we are on track to add 1,000 new agents this year. In small commercial we added 175 agents in the first quarter while continuing our efforts to deepen our ties with existing producers.

Both property and cash (inaudible) competition is intense with new business difficult to come by. As we look to the remainder of 2008 we think competition will remain strong and, based on our first quarter results and our expectations for the rest of the rest of the year, we are reducing our written premium outlook for ongoing operations, personal lines, and specialty commercial.

In summary, our P&C operations had a very good quarter. We had great underwriting results driven by strong execution in very good accident year combined ratios. As we look to the remainder of this year we are confident we have the right initiatives in place to strengthen our position in the market while delivering good returns to our shareholders.

Our life highlights are highlighted on slide 5. Life operations had a good quarter in the face of increased competition in challenging markets. Core earnings for the quarter were $393 million. Lower equity markets, negative returns on alternative investments, and unfavourable mortality all contributed to core earnings coming in a bit lighter than we had hoped.

With that said, our underlying earnings drivers remained intact. We continue to accumulate assets as reflected by $1.8 billion of net flows in the first quarter.

Additionally, total life insurance in force continues to grow, increasing 9% in the last year.

At the end of the quarter life operations total assets under management rose 10% to $370 billion. That increase was roughly split between organic growth in the $19 billion of assets we added through our retirement plans acquisitions.

Moving on to slide 6. Our domestic VA business was impacted by weak equity markets and increased competition. While we can't turn the tide on equity returns, we are taking action to improve our competitive position. As Ramani mentioned, next week we are introducing a new VA product which combines our Hartford leaders and Hartford director M products.

The new product offers a strong investment line up of 81 investment options from 12 leading asset management companies. We also offer enhanced lifetime income withdrawal benefits, including a full annual step option.

In March we combined our leaders and director M wholesaler teams to create the single largest wholesaler force in the industry to support this new product launch. With 175 wholesalers we'll be able to deepen our penetration across all channels.

Of course, it will take a few months for these product and distribution changes to gain traction. We believe we will see deposits increase in the second half of the year and we are maintaining our full-year net flow outlook.

In Japan we reported first quarter variable annuity deposits of $944 million, slightly below our previous guidance. There are two factors that contributed to lower sales. First, we estimate that industry VA sales were down year over year by over 25% due to the weaker equity markets in Japan. Second, we are seeing a higher degree of competition. We anticipate that these market factors will continue for the remainder of the year. As a result, we are lowering our full-year outlook for deposits and net flows as noted in our earnings release.

Our assets under management in Japan has held up better than one would have expected because of the mix of assets underlying the annuities. Our Japanese VAs hold a mix of Japanese and global equities and

Japanese and global bonds. So while the NEK (sic) was down over 27% in the 12 months ended March 31st the account values of our Japan VAs fell about 10% on average.

Another factor contributing to our AUM stability is lower surrender activity. While this is a good thing for the company over the long term, it will reduce 2008 fee income. The reduced fee income combined with the effective lower equity markets and net flows are pressuring our return on assets. In response, we are lowering our ROA outlook for the year.

We remain confident in the long-term market outlook and in our business strategy for Japan. We will continue to leverage our product distribution capabilities and build on our recognized leadership and brand. Later this year we look forward to expanding our product portfolio with the new VA product and we also expect to introduce mutual funds.

Now turning to slide 7. I want to talk about the progress we made this quarter in our retirement plans group. We closed the three acquisitions that we announced to you in December. These acquisitions bring with them broader access to the defined benefit and defined contribution markets. We have reflected benefits of broader access with an increase in our guidance on full-year deposits.

These acquisitions also provide us with capabilities and skills necessary to offer a full array of customer services. We've now begun the process of integrating these acquisitions and we expect to complete it by the end of 2009.

With these acquisitions we have enhanced our product mix to include a significant mutual funds base 401K portfolio. To reflect this business mix change, as well integration expenses, we have reduced our 2008 return on asset outlooks to 17 to 19 basis points. Over the longer term we expect ROAs to be in the low- to mid-20s.

Our retail mutual fund business continues to perform exceptionally well. Deposits in the first quarter reached a record $4 billion, 9% higher than a year ago. The keys to our success in this business continue to be strong fund performance, increased productivity from a seasoned wholesaling force, and improved diversification from fund sales.

I'm really pleased with how we've built this business. In February The Hartford mutual funds were recognized by Baron's (sp) for outstanding fund performance. The Hartford mutual funds was the number one rated fund family in US equities for 2007. We also ranked in the top five out of 67 fund families for the one, five, and 10-year periods.

In summary, our life operations had a pretty good first quarter with good core earnings and growth in AUM. As we look to the long term we like the businesses we're in and are optimistic about the opportunities afforded by the markets we compete in.

With that, I'd like to turn it over to David Johnson. David?

David M. Johnson

Thank you, Tom. Turning to page eight, it summarizes net realized capital losses for the quarter. Most of these were anticipated and disclosed to investors in February. Our SFAS 157 adjustment came in at the lower end of our two to three hundred million dollar range at $220 million.

Impairments were similar in amount to the fourth quarter at $191 million after tax and GAAP (sic). The largest piece was roughly $75 million in CMBS where there have been major drops in price, but no deterioration in cash flows to date.

In the quarter we impaired to market value those CMBS securities where our modelling showed a potential cash flow problem in the event of a major recession.

Credit derivatives also again caused pain. Accounting for about $100 million of the $111 million lost in the bottom row under "Other." I am pleased to report that we took some decisive steps in the quarter to reduce this volatility, exiting or offsetting entirely our exposure to CMBS indexes and substantially reducing our exposure to general corporate CDS. This should materially reduce the volatility from this investment category in the future.

Housekeeping note: For investors who are looking for the appendix slides that we often provide in the morning showing our marks by asset class, all of these tables are now in the 10Q on pages 102 through 106.

Turn to page nine. You will recall that in January we told you that based on US equity markets alone we were at the bottom of our old guidance range and that partnership investment in particular offered risk to our forecast. Unfortunately, all of that came to pass. We are reducing our guidance by roughly $0.65. Page nine highlights the drivers.

Our original guidance assumed roughly $60 million pre-tax, pre-GAAP of partnership income each quarter. We are now assuming half of that, $30 million, per quarter for the last nine months of the year. We obviously did worse than that in the first quarter.

The second biggest driver is the effective equity markets on USB income; roughly $0.05 a quarter reduction. This is based solely on drawing a 9% annualized market growth trend line from an S&P of $13.23, the mark on March 31st. This is clearly arbitrary and hopefully offers some up side. If the market appreciated at an annualized rate of 9% from its current level through the balance of the year this could add $0.06 or $0.07.

Lower fixed-income yields are principally an issue on the P&C side where crediting rates don't offset reductions in income. Here the largest driver is the portion of our investments held in short-term and variable rate investments. This isn't a huge part of our portfolio, but one- and three-month LIBOR are down over two points from the time we put our budgets together. Others include a variety of items, the most material of which is the effect of volatile markets on our outlook in Japan.

I'd like to conclude with a few comments on capital. Since 2003 we have worked hard to build The Hartford's capital strength. Despite the turbulence of the last nine months, The Hartford remains in a very strong position. We would need to see a further dramatic deterioration in market conditions from what we've seen to date for us to need to raise additional capital.

At the end of the quarter our capital margin of at $1.5 billion of statutory capital remains very well protected. We have several billion dollars of debt capacity and $500 million in our stand-by hybrid capital facility. And finally, many of our operations, particularly P&C, continue to generate strong statutory capital close despite the markets.

It's important to note that not all GAAP charges reduce statutory capital. Our SFAS 157 transition charge obviously had no stat impact. Also, rating agency model changes this year look more likely to be position to our capital position than negative, which is a welcome change from the past.

In our hedging program, which largely offset the GAAP losses in volatile markets, is a positive to our statutory position, particularly in moderately depressed equity markets since the hedge assets go up in value without an offsetting stat liability loss.

The bottom line is, based on where we sit today our financial position still gives us the capacity to buy back a billion dollars of our stock at year end, should we decide to do so, while still maintaining all the margins I just described. Ramani.

Ramani Ayer

Thank you, David. Before we go into Q&A, I want to remind investors that this will be David's last conference call as CFO. I want to thank David for his outstanding service to The Hartford and also our investors. David, we wish you the very best.

David M. Johnson

Thank you, Ramani.

Ramani Ayer

As we announced in February, Ms. Zlatkus will officially take over the reins of CFO on May 1st and I look forward to working with her in this capacity and have no doubt she'll be very successful in this new role.

Operator, you may now open the call to questions.

Operator

(Operator Instructions). We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Nigel Dally with Morgan Stanley.

Nigel Dally

Great. Thank you. Good morning. First question just with regards to GAAP. If you're to complete your annual GAAP analysis based on where the markets are today what level of after-tax charge would we likely be looking at?

Second question, on SFAS 157, pre-tax impact was $650 million; the after-tax impact was $220 million. It implies you received a substantial GAAP offset. Does that mean we should expect GAAP amortization to be higher in the future following those charges?

And then last question, on your new variable annuity product, what will be the cost of the rider and how does that compare to your all-inclusive hedging on the new hidden benefit guarantees?

Thomas Michael Marra
Executive Chairman of the Board

Nigel, it's Tom. Let me just clarify this for a minute. I think we'll start in reverse order. We're excited about the new VA product. It's actually two different products. John will walk you through those. Then we'll just immediately turn it over to David.

John C. Walters

All right. Good morning, Nigel. On the new product, first of all I just want to reiterate what Tom mentioned earlier. Not only do we have new riders in the marketplace but we also have a new product in the marketplace that combines our historical leaders and direct our product into one product with 12 asset managers anchored by The Hartford funds, American funds, and Franklin Templeton. So we think that will be a highly competitive product offering.

The new riders, there's two of them. One is an enhancement of our existing lifetime income builder rider called lifetime income builder selects. That will be priced at 55 basis points. The second is lifetime income builder portfolios, which is a full annual reset product with required asset allocation, and that will be priced at 65 basis points. We think that the pricing on these riders is both competitive and in line with what we expect the long-term hedging cost to be on these products. In any particular quarter the hedging costs may be higher or lower based on current market volatility, but we think this is consistent with what we expect the long-term view to be.

David M. Johnson

And I'll take the GAAP questions, Nigel. First, from where we stand today I think we would still stay with the estimate we made in the January call, which is if we were to do the GAAP study today it would probably be an impact of $200 million to $400 million.

In terms of the impact of SFAS 157, complex when you look at what's really in some ways a geography move of the emergence of profitability from core income to the emergence of profitability in realized gain over time, which is effectively what SFAS 157 does. I think the answer is that it will not have a material impact changing the amortization rates. Given the technicality of the question, we're going to check into that and do some more research and get back to you if it's a different answer.

Nigel Dally

That would be great. Thank you.

Question and Answer

Operator

Your next question comes from the line of Bob Glasspiegel with Langen McAlenney.

Bob Glasspiegel
Langen McAlleney

Good morning. Dave, I want to wish you well. How much of your $7 of AOCI negative is matched with the reduction of life liabilities versus being a real loss of value?

David M. Johnson

Well, for GAAP purposes -

Bob Glasspiegel
Langen McAlleney

I know.

David M. Johnson

-- it doesn't show. So you would, are you asking -

Bob Glasspiegel
Langen McAlleney

I'm asking, there's a problem with GAAP that we mark the assets to market and don't mark the liabilities to market. I'm asking for a little bit of help on what's the real loss versus the accounting loss?

David M. Johnson

You'd have to put it into three pieces, which I'll give you conceptually. I'm not sure we can give you a crisp answer because it really does almost go to an actuarial or a fair value type view. There's the piece of it that's in life and the piece of it's that's in P&C and then there's also in each of those buckets the amounts that's reflected by a value change driven by interest rates of short-term changes in spreads. Then there's the piece that might ultimately be reflected in an economic loss. Conceptually, if we've done our duration matching correctly and appropriately positioned the assets versus the liabilities, absent an economic loss it should all be reasonably closely matched.

I guess in the end what you're asking is what aspect of that AOCI piece might not ultimately be recovered until we have a true economic loss where we don't recover principle and interest. I would say, and I'll turn this over to Dave Znamierowski for further gloss, that we would expect most of the depression in the investment marks to date to come back and not be reflected in an alternate economic loss. Dave, do you have any further comments on that?

David M. Znamierowski

Yeah, I would add two pieces to that. One is that you would have to consider the portion of the life book that effectively has adjustable credited rates and what percentage of loss could ultimately be passed on there.

The other component is, I would steer you toward looking at the impairments as an upper boundary with respect to the economic losses that we're looking at. That, frankly, viewed over time, our best guestimate would suggest that only some percentage of those impairments will manifest themselves as economic losses. I would not look at the total unrealized. I would look towards impairments as giving you a better boundary on that.

Bob Glasspiegel

Langen McAlleney

You took it a little different way. I imagine the book value for a (inaudible) writer is a bit misleading and irrelevant. If there's a corresponding, it may be more of a second quarter phenomenon where the movement is interest rates versus impairments driving the marks. I'll follow this up with Kim off line.

I guess the second follow up question would be, with the benefit of hindsight, you guys have been a very opportunistic spread player and I've always had a lot of respect for when you put your foot on the gas pedal and when you haven't. With the benefit of hindsight, were we a little too aggressive growing spread businesses in the last couple years? More importantly, is this a good time to be growing spread business with all we know today?

Thomas Michael Marra
Executive Chairman of the Board

Let me start that out and then I'll just invite any of my colleagues to join in. This is Tom, Bob. This is an important business for us. It's a business that, as you alluded to in your prior question, we do run a strict duration matching approach to assets and liabilities. We look for and build into the pricing a level of credit losses that I think over the long period we've been able to manage. The other thing is, we price on a daily basis. We're not trying to lure business in certain cycles and then try to make it up with higher spreads later on. We stay consistent from a margin-management standpoint. Over the long haul it's worked out about to the average credit default that we've looked to. Certainly over the short run it's not necessarily been as lucrative for us, but I'd say, who's to know? No one knows the type of environment you're going to face if you're on a daily-basis-pricing business.

John C. Walters

Bob, it's John. I would just add a couple of points to that. First of all, clearly with the benefit of hindsight we would have adjusted our investment portfolio to support this business differently. We made some decisions relative to how the investment portfolio was constructed that didn't anticipate the current market environment. We've looked at that and I think we understand that very well.

On a go-forward basis we are still in the marketplace. We remain opportunistic about the way that we think about it. The good news is that we've got attractive yields to work with today.

The down side is, in terms of the competitive environment, that people who are not spread lenders but instead really need the funding, and so they're in the structure of note market to gain operating funding, are more aggressive right now than we are. We are seeing it as a very competitive environment to issue new spread-based product right now.

Bob Glasspiegel
Langen McAlleney

Thank you very much.

Operator

Your next question comes from the line of Ed Spehar with Merrill Lynch.

Ed Spehar
Merrill Lynch

Thank you. Good morning. I had a few questions. First, I was wondering if you could comment on one of the new products. I think you said that there was a required asset allocation. I guess, is that a product where money will be moved into some type of fixed-income fund if the market's sound? And if that's correct, I think there has been a little push back on those type of products as customers perhaps don't understand how that money can be moved out of the equity market maybe when perhaps they're at a low level.

The second question is on ascribed fees. Could you help us understand or think about what portion of your fees are the ascribed fees for the DMWB (sic) liability and are you fully hedging new business right now or are you being more tactical because of what's going on with longer term volatility.

John C. Walters

Okay, Ed. Thank you. It's John Walters and then I'll turn it over to Liz on some of the risk issues.

On the required asset allocation the short answer is no. We don't have what we would call dynamic allocation where you're moving people in and out of the asset classes based on what the performance is. These are more static portfolios. They can be funds of funds portfolios. They can also be existing asset allocation funds that we offer or some combination of funds that gets to a certain equity exposure. We do not offer and do not have plans to offer one that has the dynamic allocation as you're describing.

Lizabeth H. Zlatkus

Ed, as prescribed fees I'm going to give you a kind of broader answer to your question, but I think it will cover a lot of ground that people ask. So if you think of scribed fees, I'd look at it this way. Scribed fees are new cohorts clearly have risen, as you know, for several reasons. Number one, we have additional market inputs to buy the liabilities, such as longer data volatility. We've had a drop in interest rates and overall there's been a cost increase in implied volatility.

And then you add to that SFAS 157, which adds risk margins to the calculation. Now, if we're right about our assumptions these margins would (inaudible) over time, but they would come through realized gains and losses.

Bottom line, if market conditions remain the same for a sustained period of time we'd have to raise our prices on new business, so clearly we'll watch that. Overall, scribed fees, our ROA guidance remains the same, so the impact on our overall imports focus is very minimal.

As to are we fully hedging or not, we've been fortunate that we've been hedging and bringing (inaudible) for five years, so we've been able to lock in very favourable prices for a very long dated protection over that period of time, both with re-insurance and complex derivative transactions. So we've been able to lock in very favourable prices. Now, we still have some shore to dated options and we try to be opportunistic, but obviously we also have some roles because we want to remain fully hedged.

I would say we try to be opportunistic as well as watching market conditions. If you look at overall our hedging portfolio compared to our overall in force book of variable annuities, rider fees, and base contracts, we're very comfortable with the profitability of the book.

Ed Spehar
Merrill Lynch

Could I follow up in that, I think on the last call you were a little bit more specific about the scribed fee issue and I think it would be helpful for us if we could get a little bit more of a sense in terms of basis points so we can at least arrange so we can think about how close we are to the point where it would make sense to have to raise prices.

Lizabeth H. Zlatkus

You know, if you look at, I would say the biggest increase from that kind of 15, 16 basis point range you might have remembered us talking about not that long ago to really in the kind of 50 to 70 basis point range, most of that's due to the change in market conditions. Obviously, if market conditions go back to that of a year ago, you'd see those come down.

Now, of course there's also the added margin in SFAS 157 and that's not going to come back unless, as I said, we're right about our assumptions and that will come back over time through realized gains and losses. If you're looking in that kind of higher range, that kind of 50 to70 basis points from a GAAP income core earnings stand point if it stays there for a long period of time you'd start to see a drag on ROAs.

Ed Spehar

Merrill Lynch

I guess the question is, I know that the product your selling is different than if we just look at the in force. If we looked at that increase that's like almost a 30 basis point after-tax increase, everything else held equal, for a business that right now is in a mid-50s after-tax ROA. It would seem that would suggest marginal returns on new business at least in the last couple quarters are I guess potentially single digits.

Lizabeth H. Zlatkus

You know, I would say we're still comfortable that the marginal returns are very comfortable. Again, remember, this is kind of a geography issue. Some of it after taking it out of core earnings, remember, and again, if we're right about our assumptions, there was kind of added margins of 157 are going to come through realized gains and losses. And again, the overall impact on the (inaudible) is very low. To your point, you just looked at business written next quarter it's a bit challenged. But then if you look at business that was written several years ago we had excess margins. So we price this business over a long period of time, we're watching the capital markets conditions, and if we think we're at a new step change then I think the industry is going to have to look at pricing. But we're still comfortable we're earning an acceptable returning.

Ramani Ayer

Ed, don't forget the comment that Liz made where a lot of our protections are longer in duration, so therefore we have locked in both capital market solutions as well as re-intern solutions, longer protections on a significant chunk of our business. So that's an important point as you connect the dots here.

Ed Spehar
Merrill Lynch

Okay. Thank you.

Operator

Your next question comes from the line of Andrew Kligerman with UBS.

Andrew Kligerman
UBS Warburg LLC

Okay. Thanks a lot. Good morning. In looking at the sizable unrealized losses in the quarter and then just taking a look at some of the impairments, I thought maybe you could give me clarity around a few items and then I'll have a follow up on the variable annuity area.

You had $119 million in impairments on CMBS. I think you had about $0.9 billion of fair value in lower credit retrenched CMBS CBOs. So that would leave you with about $0.8 billion. The question on that, where are you at in terms of potential unrealized losses there, potential charges?

Same thing, I was looking at page 99 of 10Q and it looks like you've got CBS's with an unrealized loss of $311 million. What's unusual about it is it's got a CCC+ average credit rating. So what's the possibility that that comes down?

And then just to kind of wrap up on the investments, about 20% of your fixed maturities or close to 90% of your shareholders equity is represented by CMBS's. What was the thinking that went into it?

And then I just have a variable annuity question to follow up. Maybe you could give me some colour, because I'm concerned that maybe there will be some charges to come going forward. I know Ramani had indicated he feels very confident, but looking at these figures gets me rather concerned.

Ramani Ayer

David Znam, do you want to take the question?

David M. Znamierowski

Sure. Andrew, let me take this in each of its pieces. First on the CMBS side, you noted correctly that we took $119 million impairment charge against two components of the portfolio. The first was the CRE CDO portfolio and, secondly, some CMBS losses. I would tell you that we, to evaluate it, Andrew, this entire portfolio for a potential loss is part of our impairment development process. We effectively go through every security in the general account. In doing that, with this particular part of the portfolio what we did is we ran a stress case. We run a lot of different cases on these portfolios, but we ran a stress case, as David referred to earlier, that has real estate prices down anywhere between, depending on property type, 20% to 35% in flat rents over a very long horizon. So I'd say it was a very high degree stress case. In that case we ran the approximately $900 million in book value CMBS CRE portfolio through it and the only losses that we could generate, economic losses we could generate in that scenario were on these particular securities. So $100 million of that $119 million is attributable to what is about $200 million in book value of CRE CDOs.

The remaining $19 million is principally a charge that we've taken, again using the same kind of scenario analysis in our CMBS portfolio where we've got a concentration of multi-family units where we've seen not a change in loss rates, because loss rates are still infinitesimally low, but when we run it through this scenario combined with the fact that we've seen some peek in delinquencies, a spike in delinquencies, we took another $19 million there. So I think that covers the CMBS.

Andrew Kligerman
UBS Warburg LLC

And then $0.8 billion remains on that that's the fair value now, on this CMBS CDOs with the mezzanine underlying collateral? Is that what's left?

David M. Znamierowski

Yes, roughly. And again, what I would emphasize is that we've taken impairments on the CRE CDOs that have one either lower levels of subordination or combinations of lower levels of subordination and more recent vintage collateral. So if you looked at that portfolio in total, Andrew, what you would find is the average vintage year of the underlying collateral on the securities that we took marks was between probably 2005 and 2006. The remaining securities in that portfolio have an average vintage year of the collateral of 2002. So a very substantial difference that I hope demarks the line between where we took impairments and where we did not.

On the CDS side the 311 negative impaired value that you see is part of the broader, I would call it a basket trade where we have certain slices of corporate risk. That's on a zero to three piece where we take the first 3% of losses on the notional basket. Importantly, though, as you look at that 311 number, and there's no way that you would know this from the financials, we received an up-front payment on that of about $200 million. So if you net that against the 311 we're actually down about 111.

To David's earlier point, we took some very significant actions with this portfolio in the last quarter. You saw a meaningful amount of volatility in the P&L there as a result of taking credit risk in derivative form. Going forward it's not our intent to do that anymore because it creates a lot of uncertainty with respect to earnings projections. So we've probably taken that volatility down by roughly 75%. I would expect going forward we'll continue to whittle that down.

In terms of overall fixed maturities, CMBS is a big part of the portfolio. You're right, we've been investing in CMBS really since the mid-1990s when we saw the emergence of that market. It's a surrogate for a whole-loan portfolio for The Hartford. We had not been a whole-loan investor and this was our way of being in that market effectively. We've got a very good team that I have a high level of confidence in and who do a high level of underwriting on that portfolio. I think that gives you the historical reason for it.

Thomas Michael Marra
Executive Chairman of the Board

Andrew, it's Tom. I've just been handed a note that we have a pretty big cue, so we're going to ask people to stay to one question and, Andrew, if you could do your VA question real quick we'd appreciate it.

Andrew Kligerman
UBS Warburg LLC

Okay, yeah. Maybe just give a little more colour around the GMWB hedging. Is there any breakage? I assume that derivative charge of $41 million is something different than the typical breakage around the hedging and is that in the SFAS 157 and where do you see it going forward in terms of losses, gains, etcetera, in the volatile market that we're in.

David M. Johnson

Andrew, as you probably noted in our disclosure, roughly two-thirds to three-quarters of that was not breakage in the hedge program, i.e. ineffectiveness of the hedge assets moving in lock-step with the modelled liability. We get a mortality study in the quarter that just tweaked up a little bit the anticipated lives of the annuitants and that had a fair value impact of about $76 million pre-tax, pre-GAAP, which was about 80 and $1 million pre-tax, pre-GAAP, which is about three-quarter of it. So the smaller portion was the actual hedging effectiveness and that was, both the liability and asset were valued pursuant to SFAS 157 in the quarter.

So the mortality study was not driven by SFAS 157, but the amount of ineffectiveness that you saw in the P&O was calculated under the new rules of 157.

Andrew Kligerman
UBS Warburg LLC

Okay. Thank you.

Operator

Your next question comes from the line of Tom Gallagher with Credit Suisse.

Tom Gallagher
Credit Suisse

Good morning. I'm going to have two quick ones on the life side and then Charlie Gates has one on the P&C side.

Thomas Michael Marra
Executive Chairman of the Board

Okay, we're trying to move things along.

Tom Gallagher
Credit Suisse

They'll be real quick, I promise.

Thomas Michael Marra
Executive Chairman of the Board

Go ahead.

Tom Gallagher
Credit Suisse

The first one is about new disclosure about level three securities, $18 billion. I noticed there that it looks like the AOCI is about half of your AOCI loss, about a billion dollars. Is it fair to say that because there's less transparency in those assets that auditors are pushing you to use more conservative marks here? That was my first question.

David M. Johnson

Sure. The disclosure on level three is required by SFAS 157 and we're proud to have our Q out today so you can see the new disclosure, as can be required for everybody in the first quarter.

No, I would say level three marks are not, we're not being pushed to more conservatism by auditors on a level three. We are being pushed on all of our investments to increasing rigor given the complexity of the market and the fact that in level three you don't have observable input. So I would say the documentation burden and the level of analysis that documentation supports is definitely up as we've gone through the last nine months. We welcome that and are working very closely with our auditors. We feel very comfortable that the rigor and analysis in our evaluation is definitely up to market standards.

Tom Gallagher
Credit Suisse

Okay. And then just quick one on Japan. I guess there was commentary that competition is intense there, but also that the overall market's going to be down. Just based on the level of the decline in your guidance is down, let's call it roughly 40%, it would seem that it's more of a competition than a market issue. Is that fair or maybe you can give us a little colour there.

Lizabeth H. Zlatkus

Yeah, why don't I give you a little colour. I think several things happened. I'll kind of look at the quarter and then how we do what we're doing about it. Then our outlook. So Interjection eh quarter, impacted FIEL did range throughout the quarter, as we told you, and, as Tom mentioned, the markets were very volatile.

We did see competition increase somewhat more than we expected. So we had about eight new products alone in the first quarter were introduced. So it set a pace that's much faster than we had expected. So what you really have is kind of a shrinking market right now which we do think will change when markets rebound, coupled with intense competition. That obviously challenges our sales for the second quarter.

What are we doing about it? Well, just like in 2006 when the sales declined, we're taking a lot of action. We're adding distribution. We recently reached agreement with one of the largest distributors of annuities to launch a new version of our lifetime income and this is going to occur in the second half of the year. Of course we continue to pursue other distribution for our new and existing products. Second, we're on schedule to launch another VA later this year.

So then as far as our overall outlook for the year and really into 2009, I'd just like to kind of give some colour around the Japanese variable annuity industry. It's really still in its infancy. Sales are driven primarily by product features. In fact, it's not uncommon for a company to be ranked number one or two in the market and then drop two or three places a quarter or two later. Our sales ranking, for example, had dropped quite a bit in 2006, but by second quarter of 2007 we were back to number one and we remained in the number one position throughout the remainder of 2007. When I look at that I say it's kind of volatile and you'll see that our guidance does reflect that. If overall industry sales grow nicely we would expect to be at the higher end of the range.

Second and most importantly, we believe the market continues to present a real great opportunity. The VA assets are still only 1% of the total personal financial assets and, as you know, about 50% of those assets are still in cash. So The Hartford, we refer to the market, we have over half a million policy holders, we have shown that we've dropped before and gone back to number one. So we're confident between new product launches and new ideas, our planned test in the mutual fund business, and our merging brands will continue to be a very formidable player and see this as a very good long-term opportunity for The Hartford.

Tom Gallagher
Credit Suisse

Okay. Thanks. And then Charlie just had one on the P&C side.

Charlie Gates
Credit Suisse

In 1997 there was an article in The Wall Street Journal that listed The Hartford as one of the parties interested in acquiring American states. With that foundation what was your assessment of Liberty Mutual proposed acquisition of Safeco? How do you think that impacts your property as the business?

Ramani Ayer

Well, Charlie, this is Ramani. Let me take a shot at that. First of all, Safeco is a very fine company. It's got a very clean balance sheet and strong positions in key markets, especially personal and small business insurance. I believe Liberty, through that acquisition, are going to be a formidable competitor in the agency distribution channel. Liberty already are a formidable competitor with their regional agency companies. So I feel that the competitive landscape will be very intense. I know Neal is very well positioned to compete in this channel, but I do believe that this will be a strong, strong competitor out there. Neal, I don't know if you want to add anything to that.

Neal S. Wolin

Charlie, I just have these few thoughts. We were very pleased with our first quarter results from a policy/account growth perspective, from a profitability perspective. Clearly we feel like we have the right strategies in place to continue to grow our businesses profitably, especially in those lines where the Liberty-Safeco combination are likely to be most prevalent.

Notwithstanding Ramani's points, we feel like it doesn't change our strategy at all and we're very well positioned for the rest of the year and beyond.

Charlie Gates
Credit Suisse

Thank you.

Operator

Your next question comes from the line of Darin Arita with Deutsche Bank.

Darin Arita
Deutsche Bank Securities, Inc.

Hi, good morning. Thank you. Just a question on capital. And if you wouldn't mind just reminding us of what the changes are with the rating agency capital mottos and why that could have a positive effect on The Hartford's capital position.

David M. Johnson

Sure. Thanks, Darin. It's David Johnson. Well, where we continue to be working with standard M4s in particular, who are putting through a number of changes in their capital model, I think they're doing a number of things which we believe are more likely than not to be positive for The Hartford rather than negative. Granting a diversification benefit and also some discounting benefit with regard to longer tailed liabilities. That process continues. Again, you never know exactly where you are until you print your statutory blanks at the end of this year and then they run those through their analytical framework. I think it is much more likely than not to be a positive force. So we're very pleased with where they're going and we think it's going to be a benefit for us.

Darin Arita
Deutsche Bank Securities, Inc.

Thank you.

Operator

Your next question comes from the line of Joss (sp) Smith with TIAA Chris (sp).

Joss Smith
TIAA Chris

Thanks. Just one quick one on L6. When you talk about your GMWB exposure. Significantly increased from I guess it was a billion four last quarter and it's up to five-eight total between US and Japan. Can you talk about what kind of capital requirement changes result as a result of that increase. I understand that people are not all going to die at once and invoke their GMDB, but if you just talk to any capital requirements associated with that increase that would be great. Thanks.

David M. Johnson

I guess I'll take that one and Liz can jump in. I think most of that would transpire on the US balance sheet, even the Japan, through various support mechanisms. I don't see that as a dramatic change in capital requirements. The principle test there is done annually, so it's going to be based on markets at the end of December. It's the CTE calculation with regards to required capital. We've disclosed in the past that dramatic moves in markets can create a significant capital call, but that's the S&P going down 15% to 30%. From where we stand at a 1400 S&P, though again it's more complicated that because it does include a global market, I don't see that as having a huge impact on capital. Certainly not material in the context of other things that are happening this year.

Lizabeth H. Zlatkus

Yeah, I would concur with David on that.

Joss Smith
TIAA Chris

So if it was year end at 331 you're saying it would not have been a significant impact to capital?

David M. Johnson

To required capital, again. The principle impact here is on capital surplus to have to be held to protect the risk as opposed to change in statutory surplus. That's the principle impact. I think the changes in fixed income markets are more likely to have an impact as we stand today versus the absolute level of the equity markets. Now again, that can accelerate as the market goes down, but at 1400 you're on the early parts of that slope not the steep parts.

Joss Smith
TIAA Chris

Thanks a lot.

Operator

Your next question comes from the line of Gary Ransom with Fox-Pitt, Kelton.

Gary Ransom
Fox-Pitt, Kelton Inc.

Yes, good morning. I was wondering if you could tell us a little bit more about the property-casual competitive environment. I notice that you did raise rates a little bit in personal lines and reduced them a little bit in commercial. But can you talk about how you're changes have, how that's shown to be manifest in consumer reactions? Either less shopping, more shopping, lower close ratio? Those kind of statistics. Can you give us a little bit of a feel of what's happening there?

Neal S. Wolin

Gary, it's Neal. Thanks so much. I think in personal lines you saw rates total pricing up about 3%. (Inaudible) in the personalized segment are going down across the board, I think really on the back of the increased use of comparative raters, not so much on price. And you've seen I think now a number of folks in this market taking rate increases and saying that they're going to continue to do so over the year. We've had the 3% price increase in the first quarter and we expect some more pricing to roll in in selected areas as we look at this on a very granular geography-by-geography basis.

I'd say overall in the commercial lines space, awfully competitive. Especially if you get into bigger account sizes. I think for us we've been very focused on our retention rates. We feel very pleased about them. They are holding strong, especially with respect to business that we view as we segment our book as the highest quality classifications of business. That's where we're focusing our retention activity and feel very pleased by that. But overall I'd say in the commercial lines basic continuing steady amount of softening all in is what we're seeing and what we're expecting, at least through the end of the year and perhaps beyond.

Gary Ransom
Fox-Pitt, Kelton Inc.

Is the higher retention rates in commercial lines suggest that there's less shopping going on in the commercial lines side?

Neal S. Wolin

Well, I think we certainly have been very focused on retaining our best business, our highest quality and most profitable business, so we'd like to see less shopping of those accounts that we have in our books that meet those criteria. I think other competitors are focused similarly. There are accounts in play and when they are in play I think you see more price difference than you do, clearly, on renewal business. But it's hard for us to get an overall sense of what the amount of accounts in the market in play. For us, I think focus on retention and then competing for new business in the classes and in the segments and geographies where we feel like we're best situated from a product and underwriting perspective.

Ramani Ayer

Gary, this is Ramani. A couple of generalizations are true at this time, which is new business pricing is definitely very, very competitive. I would say as account sizes increase new business is getting more challenging. That's one reason why The Hartford's new business growth rates have slowed in commercial lines. I definitely see that as a trend that is not about to abate. The larger the account the greater the competition.

Thomas Michael Marra
Executive Chairman of the Board

We still have a cue.

Gary Ransom
Fox-Pitt, Kelton Inc.

Right. Thank you very much, then.

Thomas Michael Marra
Executive Chairman of the Board

Thanks, Gary. Operator, we'll take and try to do a little bit of a lightning round here.

Operator

Okay. Your next question comes from the line of Dan Johnson with Citadel.

Dan Johnson
Citadel Investments

Great. Thanks. The underwriting profitability ex-CADX (sic) accident year was phenomenal in the first quarter and substantially better than sequentially one would have expected. Can you identify what sort of lead to that 400 to 600 basis point sequential improvement outside of specialty? Thanks.

Neal S. Wolin

So, Dan, it's Neal. In small commercial where the delta's probably most pronounced we had a very good non-CAD (sic) property quarter. We're not necessarily expecting that to trend out for the rest of the year. You see we've taken our combined ratio guidance down, but not fully reflective of all of that good experience in the first quarter working its way through.

We've also had a more favourable outlook as we've been talking about now for a few quarters on the comp line both in small commercial and the middle market. So I think our first quarter experience reflects that as well.

And then finally in the personal lines we talked a little bit on our last quarterly earnings call some of the personal line fees now take up the combined in that segment. That obviously not there, that seasonality in the first quarter. I think all of those things combined in the aggregate to improve the ex-CADX prior year experience.

Dan Johnson
Citadel Investments

But in aggregate it's fair to say we even know we had a better first quarter in your guidance assumptions there is more or less no change in the subsequent three quarters or there is some change?

Neal S. Wolin

There's a little change. If you take our combined guidance down a point on either end for the full ongoing operations and that reflects some of the improvements we saw in the first quarter but not all of them. We expect, for example, for there to be some lost cost inflation in personal lines through the remainder of the year. As well, in the commercial lines especially with respect to severity, which we expect to take up a little bit through the remainder of the year.

Dan Johnson
Citadel Investments

Thank you very much.

Operator

Your next question comes from the line of Mark Finkelstein with FPK.

Mark Finkelstein
Fox-Pitt, Kelton Inc.

Oh, hi. This will be real quick. When you think about the eight new products that have been introduced in Japan I guess the first question is how comfortable are you with the products that have been introduced in terms of your own risk appetite and whether or not you see those as aggressive, kind of, you may try to replicate, etcetera.

And then just secondly, can you just give an update, are we fully through, in your view, the impact of FIEL and do you continue to believe that was kind of a six-month sales impact and that sales should kind of revert back to normalized scenarios all else equal, adjusting for obviously competitive environment and where equity markets are, etcetera?

Lizabeth H. Zlatkus

Mark, I'll take your second question first, which is FIEL. Yes, I'd say it's pretty much through the system and it's definitely had an impact on industry sales and The Hartford sales for about that six-month period. I think we're through that.

In terms of the products out there, obviously I would characterize it similar to the US. They are products as we look at them, maybe a bit more aggressive than we're comfortable with in our other products that are in line very similar to ours. I would look at this partly as just that a lot of products out there coming from both domestic competitors as well as foreign competitors. So it's just changing daily. But we still think that we can compete and we do think with our new product in the second half of the year it's still going to be challenging, because there's just a lot of competition out there. And the markets are still volatile. So if we see industry sales pick up we're going to be able to see our sales, as I said, be at the higher end of the range.

Mark Finkelstein
Fox-Pitt, Kelton Inc.

Thank you.

Operator

Your next question comes from the line of Al Coppersino (sp) with Maddox (sp) Investments.

Al Coppersino
Maddox Investments

Oh, thank you, but Dan Johnson asked my question.

Operator

Your next question comes from the line of Joshua Shanker with Citi.

Joshua Shanker
Citigroup Global Markets, Inc.

Thank you. Following up on this question, obviously the results were very good, but you have a more pessimistic outlook going forward. Where does the inflection point fall in the quarter where you saw new information that was leading you to get more pessimistic and what in terms is happening on the agency compensation side that may be driving that?

Thomas Michael Marra
Executive Chairman of the Board

Not really a compensation issue but more an outlook on loss ratio.

David M. Johnson

Yeah, I think, Josh, as Tom just said, it's not really driven by agency compensation issues. As the quarter developed we saw in the small commercial space, for example, how the non-CAD property was developing and continued to develop well throughout the quarter. And we continued based on the data to think that the workers' comp lines both in small commercial and middle market are doing well. Especially with respect to frequency. That also informed our judgement both about the full year and the guidance there and to take it down a bit in those two segments in particular. So that's really how those two things developed through the quarter. It really had nothing to do with compensation issues.

Joshua Shanker
Citigroup Global Markets, Inc.

What's motivating agencies to shop around more?

David M. Johnson

I'm not sure I understand your question, Josh. I'm not sure this is about shopping around. We're retention, we've kept on our new business quite well. As the business on our books developed the loss experience flowed through in the ways we talked about with respect to the property in small commercial.

On the written premium side, you know, very competitive markets so the top line a little off overall, flattish in the flow businesses, personal lines, small commercial. That I think is really a reflection principally of just the competitiveness in both of those segments. In the larger commercial lines premium reflects both pricing decreases and just overall competition, especially as Ramani noted earlier, as accounts get bigger and bigger.

Joshua Shanker
Citigroup Global Markets, Inc.

Well, I appreciate Dan's colour. I might come back to you. Thank you very much.

Thomas Michael Marra
Executive Chairman of the Board

Thanks, Josh. Tracy, we have time for one more question, please.

Operator

Okay. Your last question comes from Alain Karaoglan with Banc of America.

Alain Karaoglan
Banc of America

Yes, good morning. I know we're pressed for time, but first I want to thank David Johnson for all your help throughout the years and the great job that you did at the hard part. I wish you the best of luck.

Having said that, I have a question and then Tamara will have one as well. Why were we so shy about share buybacks in the first quarter? Was there anything preventing you from doing them or were you concerned about the overall environment? What were your thoughts on that?

David M. Johnson

Thank you, Alain. We had no restrictions on our ability to do share repurchase in the first quarter, either from a legal - other than our normal blackout periods of course - or a capital point of view. I think the principle thing which restrains us from aggressively buying back our shares is the significant equity downturn scenario which we've alluded to many times where the market drops dramatically below any level that's already tested in the last nine months. So we're talking 30% or more drops in the F&D and associated global markets. That scenario uses our capital strengths for the reason why we are maintaining it. We are required to post effectively a statutory margin column in that scenario and we did not want to be in the situation where we had the capital, the markets plunged, and then we had to raise capital. Obviously what would be an extremely challenging capital raise environment. So that is the principle thing that causes us to be cautious as we go through more uncertain global financial markets about repurchasing.

Alain Karaoglan
Banc of America

And Tamara has a question.

Tamara Kravec
Banc of America

Yes, just quickly. Since we talked to you about international and US VAs, on group benefits can you just talk about, you had some strength in your disability sales and with the macro environment where it is can you just talk about what you're seeing in that business right now and what your outlook is?

Lizabeth H. Zlatkus

Yes, I would say the market remains somewhat where it's been. It's competitive, but we can find places to really be successful. What I would say is that overall, when you look at this over time you tend to have a little bit of lumpiness. Sometimes we'll have stronger disability sales, sometimes stronger life sales. I wouldn't read too much into that. When you have national cases and you get a few big ones some quarters and not in other quarters. Overall we think the market is good for us. We have good growth prospects. If you're talking about recession and are we concerned about that I would say no, we're not. Overall we think the business will fare well through a recessionary period. So both from a top line, again, it's competitive in the overall market and the United States isn't really growing, but we think we can get a good, solid return as we have and a solid top line.

Ramani Ayer

Thank you, Liz. This is Ramani. I'm going to bring this call to a close. I know both sell side and buy side will join me in first of all recognizing David's contributions at The Hartford as phenomenal, as well as our building a very strong IR function and reaching out to investors so we are always visible and transparent in all our disclosures. Hopefully that, more importantly hopefully, but I'm confident that Liz will continue in that tradition.

So I want to thank you all for joining us on the call today and I look forward to seeing you in the next quarter. Thank you again.

Operator
This concludes today's Hartford's first quarter earnings call. You may now disconnect.