The Hartford Financial Services Group, Inc. NYSE:HIG

Earnings Call

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Call Participants

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Christopher Jerome Swift
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Presentation

Operator

Thank you for standing by, and welcome to The Hartford Financial Second Quarter 2024 Results Conference Call and webcast. [Operator Instructions]

I'd now like to turn the call over to Susan Spivak, Senior Vice President, Investor Relations. You may begin.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

Good morning, and thank you for joining us today for our call and webcast on second quarter 2024 earnings.

Yesterday, we reported results and posted all of the earnings-related materials on our website. Now I'd like to introduce our speakers. To start, we have Chris Swift, Chairman and Chief Executive Officer; followed by Beth Costello, our Chief Financial Officer. After their prepared remarks, we will begin taking your questions. Also to assist us with your questions are several members of our management team.

Just a few comments before Chris begins. Today's call includes forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance, and actual results could be materially different. We do not assume any obligation to update information or forward-looking statements provided on this call. Investors should also consider the risks and uncertainties that could cause actual results to differ from these statements. A detailed description of those risks and uncertainties can be found in our SEC filings.

Our commentary today includes non-GAAP financial measures. Explanations and reconciliations of these measures to the comparable GAAP measures are included in our SEC filings as well as in the news release and financial supplement. Finally, please note that no portion of this conference call may be reproduced or rebroadcast in any form without The Hartford's prior written consent. Replays of this webcast and an official transcript will be available on The Hartford's website for 1 year.

I'll now turn the call over to Chris.

Christopher Jerome Swift
Chairman & CEO

Good morning, and thank you for joining us today. The Hartford's second quarter results were outstanding, contributing to excellent financial performance in the first half of the year. These results reflect the effectiveness of our strategy and ongoing investments to differentiate The Hartford in the marketplace. We remain focused on disciplined underwriting and pricing execution, expanding product and distribution breadth, developing exceptional talent and delivering a superior customer experience.

Highlights from the second quarter include top line growth in commercial lines of 11% and with strong renewal written price increases and an underlying combined ratio of 87.4, personal Lines top line growth of 14%, with improving margins, an exceptional Group Benefits core earnings margin of 10% and solid performance in our investment portfolio. All of these items contributed to an outstanding and industry-leading, trailing 12-month core earnings ROE of 17.4%.

I'm also pleased to announce that with continued strong capital generation from our businesses, the Board of Directors approved a new share repurchase authorization of $3.3 billion. We will continue to balance growth, investing in our businesses and returning excess capital to shareholders through repurchases and dividends.

Now let me share a few details from the quarter. Commercial Lines produced exceptional results with double-digit top line growth and an underlying combined ratio below 90 for the 13th straight quarter. We are using our industry-leading underwriting tools, pricing expertise and data science advancements to drive profitable double-digit new business growth. Retention was steady and the broader economic environment remains conducive for growth.

In Small Commercial, with our unique and superior market position, industry-leading products, unmatched customer experience and unrivaled pricing accuracy; we continue to deliver exceptional results, including strong top line growth and outstanding margins. New business premium was a record, up 23% in the quarter, in part driven by a 36% increase in quotes and nearly 90% growth in E&S binding, where we continue to see tremendous opportunity. With another quarter of exceptional results and relentless advancement of our capabilities, I remain incredibly bullish on the outlook for our Small Commercial business.

Moving to Middle & Large Commercial, second quarter performance was excellent, including double-digit top line growth, paired with a strong underlying margin. We continue to take advantage of elevated submission flow, driven in part by investments made to expand our product capabilities and the efficiency of the broker and agent experience. Written premium growth reflects strong renewal rate execution, along with double-digit new business growth, primarily in property and liability coverages. We have built a track record of delivering meaningful growth while consistently maintaining underlying margins, a result we expect to sustain going forward.

In Global Specialty, for the first time, we achieved over $1 billion in quarterly written premium and maintained underlying margins in the mid-80s. Our double-digit top line growth reflects our competitive position, diverse product offerings and solid renewal pricing. Written premium growth was propelled by a 38% increase in global reinsurance, a 14% increase in our wholesale business with significant contributions from primary and excess casualty lines and double-digit growth in commercial and construction surety.

We are particularly pleased with wholesale construction projects bound in the quarter as well as overall increased submission flow, both meaningful drivers of new business growth. The Global Specialty business, with our expanding position in the wholesale and reinsurance market, our broadened product portfolio and enhanced risk selection tools, has developed into a meaningful profitable growth engine for The Hartford.

As I've highlighted in the past, we continue to focus on property across Commercial Lines with written premium growth of approximately 20% in the quarter. We are capitalizing on favorable market conditions with a disciplined approach, including a stable and consistent catastrophe risk appetite.

Turning to pricing. Commercial Lines renewal written pricing accelerated to 6.6% in the quarter, 9.5% excluding workers' compensation. Low teens pricing in auto and high single digits in general liability, including 14% in excess and umbrella is responding to societal trends. Overall, commercial property pricing has begun to moderate, but was strong in the low double digits. All in, ex comp renewal, written pricing in Commercial Lines remain comfortably above loss cost trends. Workers' compensation pricing remained slightly positive in the quarter.

Before moving to Personal Lines, let me share a few comments we received at our recent Annual Agent Summit. Our broadened product portfolio, increased cross-selling opportunities and exceptional talent are resonating with the Asian community, opening up new business opportunities. Feedback confirms that the marketplace and our top agents recognize our evolution and strength. They appreciate our strong culture and capability to solve customer problems as a unified Commercial Lines team, particularly with small business customers where we are taking advantage of disruption and engaging more than ever with our largest partners to drive efficiency.

Our investments in pacing the technology were described as compelling and industry-leading and our talent strategy and succession planning was also complemented. Our exceptional Commercial Lines first half results and feedback from our partners makes it clear that we have the team, tools and momentum to capitalize on market opportunities.

Turning to Personal Lines. Our second quarter financial performance demonstrates continued progress toward target margin improvement. Auto renewal written price increases remained very strong at nearly 24%. While below peak levels from last quarter, they remain consistent with our view of moderating loss trends for the remainder of the year. As I have mentioned, we expect auto renewal written price increases for the year to be approximately 20%.

In homeowners, renewal written pricing of 15% during the quarter comprised of net rate and insured value increases outpaced underlying loss cost trends. Investments in Personal Lines continued with the launch of Dynamic Pricing inside our TrueLane telematics offering earlier this month, an enhanced price-to-risk matching capability aligned with our prevailed product offering. As we return personal auto to profitability in 2024, capabilities like this, along with enhanced risk segmentation, near-term pricing gains and moderating loss trend position Personal Lines to reach target margins in 2025.

Turning to Group Benefits. Our core earnings margin was 10% for the quarter and 8.1% for the first half of the year. These stellar results included a lower life loss ratio versus the prior year and continued strong long-term disability execution. Fully insured ongoing premium growth of 2%, consistent with the first quarter, reflects strong book persistency, still above 90% and sales of $546 million in the first half of the year.

Moving to investments. The portfolio continues to support The Hartford's financial and strategic goals, performing well across a range of asset classes and market conditions. Beth will provide more details.

From a macroeconomic standpoint, the U.S. environment continues to be supportive of The Hartford's businesses. The labor market has been resilient with continued relatively low unemployment and wage rate growth still in the 4% range, both of which positively affect our 2 largest and strongest performing lines, workers' compensation and disability.

In summary, the Hartford delivered an outstanding quarter with sustained momentum heading into the second half of the year, a testament to our execution, strategy, talent, and the impact of ongoing investments in our business. As I said before, we continue to build on our market differentiating capabilities and broad product offering, all while becoming more efficient. Our disciplined underwriting and pricing execution, exceptional talent and innovative customer-centric technology are expected to sustain superior results. And we continue to proactively manage our excess capital. All these factors contribute to my excitement and confidence about the future of The Hartford and our ability to extend our track record of delivering industry-leading financial performance.

Now, I'll turn the call over to Beth to provide more detailed commentary on the quarter.

Beth A. Costello
Executive VP & CFO

Thank you, Chris. Core earnings for the quarter were $750 million or $2.50 per diluted share with a trailing 12-month core earnings ROE of 17.4%. Commercial Lines had an exceptional quarter with core earnings of $551 million, written premium growth of 11% and an underlying combined ratio of 87.4. Small Commercial continued to deliver excellent results with written premium growth of 8% and an underlying combined ratio of 86.8, further building on its impressive track record of delivering an underlying combined ratio below 90.

Favorable non-CAT property losses contributed to the strong results. Middle & Large Commercial also delivered outstanding results with 13% written premium growth. The strong underlying combined ratio of 89.6 reflects the positive impact of premium leverage, industry-leading pricing and segmentation analytics and exceptional talent that continue driving profitable growth.

Global Specialty's written premium growth of 14% was driven by accelerating renewal written price increases and strong new business growth, including quarterly net written premium growth of 14% in our wholesale channel. The underlying combined ratio was an exceptional 85.2, relatively flat to the prior year.

Written premium in Personal Lines increased 14% over the prior year, driven by rate execution. In auto, we achieved written pricing increases of 23.5% and earned pricing increases of 22.1%. In homeowners, written pricing increases were 14.9% for the quarter and 14.6% on an earned basis.

In Personal Lines, the underlying combined ratio of 96.7 improved by 5 points from the prior year. Homeowners had another strong quarter with an underlying combined ratio of 77.8. We are very pleased with the improvement we are seeing in our auto results. Through June 30, our underlying combined ratio of 104.7 was in line with our expectations and is 3.8 points lower than the prior year period, almost entirely due to improvement in the loss ratio. We remain on track to achieve a 5- to 6-point full-year improvement in the auto underlying loss ratio as we have previously discussed.

The total Personal Lines expense ratio increased by 0.7 points, driven by higher direct marketing costs as anticipated. We have achieved new business rate adequacy in states representing approximately 80% of new business, and our contemporary business model enables us to efficiently allocate marketing resources for growth in those states.

With respect to catastrophes, P&C current accident year catastrophes were $280 million before tax or 7.1 combined ratio points, which compares to $226 million or 6.2 points on the combined ratio in 2023. And while catastrophe losses were significantly elevated for the industry, our results were only slightly higher than expectations. We continue to actively manage our CAT exposure through aggregation management and underwriting discipline, especially in certain higher-risk states.

Total net favorable prior accident year development within core earnings was $78 million, primarily due to reserve reductions in workers' compensation, catastrophes, Personal Lines and bond, which were partially offset by reserve increases in general liability, assumed reinsurance and commercial auto liability. The increase to general liability reserve of $32 million was primarily related to accident years 2015 to 2019 with some modest increases in more recent years. We recorded $37 million before tax, deferred gain amortization related to the Navigators ADC, which positively impacted net income with no impact on core earnings. We have provided additional information in the appendix of our earnings slide deck on both this ADC and the A&E ADC for your reference.

Turning to Group Benefits. Core earnings margin of 10% was exceptional. Results reflect strong group life and disability performance as well as fully insured premium growth. The group life loss ratio of 74.9 was 9.2 points lower than prior year due to lower claim severity. The group disability loss ratio of 67.1 was essentially flat with 2023, driven by lower long-term disability claim incidents and a higher New York Paid Family Leave risk adjustment benefit, offset primarily by a higher loss ratio in paid family and medical leave products.

Fully insured ongoing premium growth of 2% was consistent with first quarter and reflects positive exposure growth, albeit at a lower rate than in 2023 and strong book persistency at over 90%.

Turning to investments. Our diversified portfolio continues to produce solid results. The overall credit quality of the portfolio remains high with an average credit rating of A+ and net credit losses remain insignificant. For the quarter, net investment income was $602 million. The total annualized portfolio yield excluding limited partnerships with 4.4% before tax, slightly above first quarter. We continued to benefit from higher rates as evidenced by the second quarter reinvestment yield of 6.4%, up 30 basis points from our reinvestment rate in the first quarter and up 110 basis points from the year ago period.

As expected, our annualized LP returns of 1.3% were consistent with the first quarter. Although we anticipate LP returns to be somewhat stronger in the second half of 2024, the full year is likely to be below 2023 results. However, we remain confident that, over the long term, LPs will generate returns consistent with historical levels.

Turning to capital. Yesterday, the Board of Directors approved a new share repurchase authorization of $3.3 billion, which is 10% higher than the 2022 authorization, reflecting the strong capital generation of our businesses. This authorization, effective August 1, 2024, through December 31, 2026, is in addition to the existing authorization which as of June 30, had approximately $650 million remaining.

Over the last several quarters, our share repurchase activity has been very consistent at $350 million per quarter. With our new authorization in place, we would expect quarterly share repurchase activity to be closer to $400 million beginning with the third quarter.

In summary, we are very pleased with our excellent financial performance through the first 6 months, and these results demonstrate consistent execution in delivering profitable growth, contributing to industry-leading returns, thereby enhancing value for all stakeholders.

I will now turn the call back to Susan.

Susan Spivak Bernstein
Senior Vice President of Investor Relations
Thank you, Beth. We now will take your questions. Operator, can you please repeat the instructions for asking a question.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is on the commercial pricing environment. Chris, you said rates improved sequentially. And I think you attribute it to GL as well as excess and umbrella responding to societal issues.

Given that we've seen reserving issues emerge across the industry, would you expect that your pricing trends would just continue on an upward trend from here?

Christopher Jerome Swift
Chairman & CEO

Thank you for the question, Elyse. I would say, in general, we're very pleased with our pricing as we quoted, 6.6%, up 30 basis points, 9.5%, up about 20 basis points, even with some moderating property pricing, which you could talk about. The property still remains in double digit, but it's moderating. So that leaves, obviously, the liability lines, which, again, I'm very proud of our team and their ability to execute and get the needed rate to keep up with and in most cases, stay ahead of our loss cost trends. So that's a very important mission guidance that we talk to the team about monthly and quarterly. And I'm looking at MO, I don't know if you would add anything special, MO, but your team is doing a great job getting the needed rate given the environment.

Adin Morris Tooker
Head of Commercial Lines

No, I would echo that, Chris. The only additional data point I would give you, Elyse, is that our access and umbrella rates were up 160 basis points quarter-over-quarter, second quarter over the first quarter. So we continue to work really hard at getting enough rate into the book to respond to the trends that we're seeing.

Christopher Jerome Swift
Chairman & CEO

So Elyse, I don't think the environment is going to let up. So you should expect us to continue to be disciplined in risk selection and disciplined in pushing for rate in the book and whether that's at an increasing or a consistent pace I'm not going to quibble with you, but we're going to be disciplined.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question is on the new authorization Beth, and I appreciate you gave us the new quarterly, kind of, run rate on buybacks. Is the incremental uplift, is that all being driven by dividends out of your property casualty entities? Or I guess, how should we think about the incremental cash flow over the next couple of years?

Beth A. Costello
Executive VP & CFO

Yes. I would say it's really across our businesses. As we said, the fact that the authorization was increased from the previous authorization really is reflective of just the strong earnings generation.

As you know, dividends quarter-to-quarter and year-to-year can fluctuate a bit as we manage the various legal entities that we have. But we feel very good about the capital generation that we're seeing, and we would expect to see that our dividends reflect that.

Operator

Our next question comes from the line of Andrew Kligerman from TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

First question is around specialty. Terrific 85.2 underlying combined and 14% growth. Wondering if you could share with us where you're growing? And particularly, I'm interested in the reinsurance area to what lines of business you're looking at there, too?

Christopher Jerome Swift
Chairman & CEO

Andrew, thank you for joining us today. I would say our specialty business is quite diversified. But if I look at its biggest component, it's wholesale, E&S wholesale, which, again, uses the full range of our liability and property products. So feel good about what we're doing there. Rates are strong. We've been increasing the rate that we're seeking on various aspects of that book, particularly the liability books. So again, new distribution relationships, we're expanding the wholesale distribution relationships. And as I said, it culminated in the first time ever going above $1 billion in written premium. So we feel really good about that.

I'll make a comment on reinsurance and then ask MO, if he wants to add anything. But our reinsurance business, I would say, on a global basis, is growing about 18%. I would say 45% of that global reinsurance business is property, which is growing at 24%. And then our non-property Casualty Lines is growing at 12%. I think I've characterized this before. Andrew, this is going to be a run rate business for us of about $850 million this year. So it's something that we're proud of. It's niche. It's been very disciplined in taking advantage of dislocation in the marketplace and producing outstanding superior risk-adjusted returns.

Adin Morris Tooker
Head of Commercial Lines

Andrew, maybe I'll just add a little bit more on the wholesale in Global Specialty. I mean I think overall flow continues to be really strong in every product line. We continue to invest in the teams. The teams are executing really well. We are known for our construction casualty prowess. We are underweight in the other parts of wholesale, and we're pushing into certainly property on a wider spread and marine. So just know that we said there's more upside there.

Andrew Scott Kligerman
TD Cowen, Research Division

Yes. That's pretty impressive for a business that had a lot of doubters 5 years ago when you acquired it. So my next question -- actually, you know what, let me just sneak something in unless I get bounced up. That rate that you're talking -- the pricing of 9.5% ex workers' comp, is that pure rate? Or is that also inclusive of exposure in terms of conditions?

Christopher Jerome Swift
Chairman & CEO

Yes. What we typically comment upon if there's a question is, we call it the exposure that acts as rate, I would say, of the 9.5% is about 2.2% this quarter, fairly consistent with prior quarters.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. I just want to make sure on that. And then my other question is, I guess reading about the reserves, focusing on the more difficult adverse $32 million in GL. That was all '16 to '19. And I think it's [indiscernible] modest '21 to '23. So that doesn't seem like an impact.

Commercial auto was $10 million adverse in the quarter, but that was 2022. Anything we should read into that, Chris? Or do you feel pretty good about your reserving on the casualty lines and the commercial auto?

Christopher Jerome Swift
Chairman & CEO

Yes. I'll let Beth add some detailed commentary, Andrew. But from my chair, knowing our management mechanisms correlate what we've debated, how we've picked, I think, a very, very appropriate loss trends over a 5-, 6-year period of time. The resulting balance sheet, I think, is very healthy, high confidence. So yes, these are the things that you work on every quarter, in every planning cycle, and we pride ourselves on trying to be realistic and get it right. Because if you don't, it has a cumulative effect of you're going to be chasing your tail as they would say.

But Beth, what would you add? Any further detailed commentary?

Beth A. Costello
Executive VP & CFO

Yes. Well, I agree overall, with your comments, Chris, as it relates specifically to the reserve increases that we took in commercial auto, really related to a couple of accounts and feel really good that we've already taken action on those accounts. As you know, we look at our reserves in detail by subline and where we think we see the need to make an adjustment, we will.

But again, I'll echo Chris' comments. When we step back and look at it in total, we do feel very good about where we are.

Operator

Your next question comes from the line of Brian Meredith from UBS Financial.

Brian Robert Meredith
UBS Investment Bank, Research Division

First question, just quickly. So Chris and MO, there was some legislation, I think, recently passed in Florida talking about increasing Medicare reimbursements for doctors. And I know that a lot of kind of workers' comp reimbursement schedules is kind of predicated on that.

Can you talk a little bit about what the potential impact is on workers' comp, call it, severity trends here going forward? Are there offsetting factors? Maybe give us a little bit of explanation on that.

Christopher Jerome Swift
Chairman & CEO

Yes, Brian, it's Chris. I would say first, what did they pass? They passed a law that sort of effective January 1, 2025. So it does have some applicability for the back book. So we think that's relatively modest for us. But as you said, it's really physician services, across a broad range of services, that they're getting basically increase in pay rate. So I don't think it really moves the needle on anything materially in Florida.

What we then need to do is obviously work with the rating bureaus to make sure that these loss estimates are getting into their guidance and obviously then making the appropriate rate filings and getting paid for that. So it's a little bit of a lag, but I wouldn't say it's going to change anything from an underwriting appetite or execution. We just need to sort of make sure it gets into filings that the bureaus approve, into our pricing and we'll be off to the races.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then I guess my second question, Chris, you made this comment in response to one of Elyse's question, did property still seeing double-digit rate. It'd be helpful maybe if you talk about what it looks like from property rate, large account all the way down to small account. Because we've heard a lot more that large account is kind of flat to getting more competitive right now. So it was a little surprising when I heard you say double-digit rate.

Christopher Jerome Swift
Chairman & CEO

Yes. I'm going to resist giving you competitive intel, but I'd still want to address your question, Brian.

So I would say, again, last quarter, first quarter, in aggregate, ex our global reinsurance property business, we had rates going up 14.1%. This quarter on a same basis, like-to-like, to 12.4%. And I would say that the highest rate increase that we're seeing across our portfolio is in our BOP product for Small Commercial, our E&S binding division within Small Commercial and then I would say everything else is sort of in the high single digits.

So again, I think quite disciplined, quite appropriate in those lines of business. So I think, again, as I said, the team is executing well.

But MO, what would you add?

Adin Morris Tooker
Head of Commercial Lines

Brian, I would just say, we don't have a lot that we do in the shared and layered space, but we have a little bit in our middle and large commercial book of shared and layered and a little bit in our wholesale property in Global Specialty, and that's the place we're seeing the most competition. Where we write 100% and kind of the middle market writings, it's hanging in really well.

Operator

Your next question comes from the line of Gregory Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

So for the first question, I think I'm going to focus on the Personal Lines business. Chris, in your comments, you said that you expect to hit the target margins in Personal Lines by 2025. Is that like end of the year 2025? Or is it the beginning of the year or for the full year?

And I guess the reason why I'm thinking about this is on Slide 17 of your investor deck, we're looking at the sequential trends in the auto underlying and the homeowners underlying combined ratio, and it looked like it ticked up a little bit sequentially from the March quarter. So any color there on how you see that cadence developing over the next 18 months would be helpful.

Christopher Jerome Swift
Chairman & CEO

Yes. Happy to comment there. I would say just a couple of things, just context. Your sequential trend is primarily impacted by expense. I think we were pretty clear in our statements, particularly now that we're on a countrywide basis, the new business rate adequate, and we've turned back on marketing in a holistic way, whether that be TV, whether it be print, whether it be paid, whether it be advertising in ARP. So that, I would say, is reverting back to normal.

I would say, again, context, we ended 2023 with loss cost trends in sort of the mid-teens. And we've said loss cost trends are moderating. But in essence, on a full year basis, we still think they're going to be low double digits, and that's what's we're recording in our financial statements.

And then all I would say is from a target margin perspective, we still see '25, and I would say mid '25, we could get back to our target margins. And the 5- to 6-point improvement that we talked about this year, I think we're on track for it, particularly as we continue to earn-in rate and as loss cost continue to moderate in the second half of the year.

But Beth, what would you say?

Beth A. Costello
Executive VP & CFO

Yes, I agree with everything that you said, Chris. One thing that I would point out when you look at the sequential underlying combined ratio in auto is just keep in mind that first quarter is typically our lowest loss ratio quarter and we typically see a couple of points every quarter as we go through the year. So when you put that into the mix, combined with what Chris said about the little -- maybe less than 1 point of expense increase because of turning marketing on, I think that shows you that we are making progress relative to that trend. You just have to take in the seasonality into consideration.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

That makes sense. Okay. For my follow-up question, I'm going to pivot to the Benefits business. And I know you called out the 10% core margin result for the second quarter. Is that how we should think about what your objective is in that business over the course of the year?

And then Related to that, I was looking at some of the sales stats in your supplement, it looks like at least for the June quarter, sales were a little bit down on a year-over-year basis. So some color on the Benefits business would be helpful.

Christopher Jerome Swift
Chairman & CEO

Sure. I would just start by saying we're very, very pleased with the 10% core margin and sort of 8.1% through the 6 months range, which is above our 6% to 7% guide on a long-term basis. But I've always reminded people, Greg, that, that guide is based on making rate guarantees over the next 3, 4 years in certain cases for our products. So we want to be thoughtful about what can happen over that period of time.

But that said, we did call out mortality really improved this quarter and that's great to see, particularly coming out of the pandemic, but we still believe we're sort of in an endemic state that mortality will be a little higher over the next couple of years. But I would say we had an outsized benefit this time in the mortality.

But everything else is performing well. Our visibility continues to be very steady and a consistent performer. So I would expect for the remainder of the year for us to continue to outperform our long-term guidance and obviously, end the year above the 6% to 7%, but I'm not going to comment on any specifics or any numbers at that point in time. And we'll see then what holds for '25.

On the top line and sales, I'd like Jonathan to comment particularly on market conditions, which I generally describe when he and I talk on a monthly and quarterly basis. I mean, the market is competitive. And I think that there is some impacts on our sales and top line there that we could talk about.

But Jonathan, what would you add on premium and top line?

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Those are the right comments, Chris. When we're thinking about competition right now, I would say it is heightened. We got, in our marketplace, a number of capable competitors, some of them relatively new entrants and any one of them can have different business objectives based on their strategy. I can't speculate on that. And there's always room for reasonable people to have differing views on future loss trend.

But our customers are quite sophisticated. Their needs are vast and differentiated. We compete on far more than price. We have absence management capabilities, digital tools and deep customer focus are all things that distinguish The Hartford. So when we put it all together, we think we're navigating the market quite well. We're adapting to competitive situations, competing for the business that we believe we want to obtain. We're maintaining underwriting and pricing discipline, which is crucial. We'd always like to be growing faster, but we're focused on the fundamentals of the business.

Operator

Your next question comes from the line of Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Yes. So maybe not so surprising or maybe it is for some workers' comp continues to be favorable. Does that mean that when you think about the going-forward margins, you are making changes to your current view of margins in workers' comp and the loss picks are coming down in current years? Or maybe you're just skeptical that this favorability can last forever?

How do you think about that actuarially and how does that play into the stability or actually improvement in your commercial loss picks overall compared to a year ago?

Christopher Jerome Swift
Chairman & CEO

Yes. Josh, Beth and I will tag team here. I would generally say, again, when we entered this year to where we are today, we're virtually right on where we thought. And remember, we did make some commentary that we thought we would experience some modest margin contraction heading into 2024. And I would say that continues to be, maybe even less modest or more modest depending on how you want to say it. But it's obviously a line that we know well and know the components are.

So I think it's all working as expected. I'm sure, between Beth and I, we could tell you that our frequency and severity assumptions are holding. Our wage inflation assumptions were probably a little light and we're outperforming there. So you put it all together and it works. It's working. It's still a highly profitable line of business for us that contributes meaningfully. And yes, we're watching all the drivers of loss cost trends very, very closely, as you would expect a company of our expertise and skills, in this area.

But Beth, what would you add?

Beth A. Costello
Executive VP & CFO

Yes. Again, Chris, I agree with how you characterized it. And what I would say, Josh, is we take into consideration this is a long-tailed line, so when we make our picks relative to loss trend, we take that into consideration. We obviously look at what's happening in the near term, but one of the areas I know we've talked about in the past is medical inflation. We still are holding that 5% trend in our reserves and our pricing. We continue to see some frequency benefit and we built some of that in as well. But our philosophy is, we just need to be steady as we think about those loss trends.

And then, obviously, we've been talking about what we're seeing on the rate side. So that's why we're feeling a little bit of that compression. But we, again, understand this is a long-tailed line and we want to be very thoughtful with our loss picks.

Joshua David Shanker
BofA Securities, Research Division

Just to synthesize the 2 things you said. So the pick is slightly higher, but that's pricing driven. Is that right?

Christopher Jerome Swift
Chairman & CEO

I would say it's loss cost driven impacted by the rate environment. So when we said we're expecting some margin compression, our loss trends, which are generally consistent, have the rate effect of pricing. So when pricing continues to be sort of less than positive and is not covering your cost of goods sold on an assumption basis, you're going to have some slight margin compression, and that's what we're feeling.

Joshua David Shanker
BofA Securities, Research Division

Okay. So that's actually long ago. But obviously, the numbers are getting better. So in general liability, and I guess attritional property, are the initial picks improving at the backdrop of a little bit more caution on the workers' comp picks? I'm just trying to look at the moving pieces on where the trend is. Are things getting better right now?

I ask this because arguably, some of your competitors might have said things before you reported the quarter that give people the impression that things are getting worse. And I'm trying to figure out if that's right or wrong.

Christopher Jerome Swift
Chairman & CEO

You're smart, you'll figure it out. But again, from a pure comp line, I would say it's steady.

Joshua David Shanker
BofA Securities, Research Division

And then the non-comp longer-tail lines?

Christopher Jerome Swift
Chairman & CEO

Again, those are very detailed conversations by product line, but I would characterize at least our views of where we're at and how we're executing. My view is, I think we have appropriate and compelling loss trends baked into our picks going back 5 years and our ability to execute on a rate side consistently and in those strong double digits, particularly in the liability lines, over an extended period of time puts us in a good place. Because I always comment every quarter that I think we're staying ahead of trend, loss trend, with our pricing.

So I'll look at Beth and/or MO, if they want to add anything additional.

Beth A. Costello
Executive VP & CFO

Yes. I'll add a couple of points. So again, on the liability lines, as Chris has said, we feel very good about the loss trend that we've been building into our picks. And pricing has been above that as well as the fact that we've been taking underwriting actions for a number of years which also has the effect of sort of stabilizing those loss picks. So all that feels very good.

And then the one area that we called out relative to performing slightly better than our expectations this quarter was in the non-CAT property line, primarily in Small Commercial. And that line, quarter-to-quarter, you can see some just normal volatility in that. But overall, I would say, when you look at all of our loss picks and what we anticipated at the beginning of the year, things are in line with that.

Joshua David Shanker
BofA Securities, Research Division

Thank you very much. I appreciate the detail on the face of my questions.

Operator

Your next question comes from the line of Yaron Kinar from Jefferies.

Yaron Joseph Kinar

Jefferies LLC, Research Division

Maybe staying on workers' comp for a second. I don't know if you'd be willing to share, maybe one level deeper here in a public forum. But I was curious to hear more about maybe each of the severity and frequency trends that you're seeing there and expectations there? I know that overall loss trends maybe moved up a little bit, but are still remaining below the long-term expectation. But would love to peel the onion a little bit, if we could.

Christopher Jerome Swift
Chairman & CEO

Yes, I think we said it pretty clearly, Yaron. I don't know what to say other than you know our 5% long-term medical inflation trend or below that. We've said in the past that maybe medical trend has ticked up just a little bit from 2-ish to maybe 3-ish, which I think still applies. We never talked about frequency trends just because we don't. So sorry to disappoint you, but I think we've given you enough.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Okay. No, I figured it would be worth a try. And then maybe moving to Group Benefits. And I know I asked about this last quarter, so I apologize if it sounds like I'm harping on this. I don't mean to.

I do think that as underwriters, obviously, the art is balancing between margin and growth. And considering just what seems to be like sustainable outperformance on the margin side, I would be curious to hear more about maybe why not give a little bit more on the pricing in order to achieve more growth. And I know that last quarter, you talked about taking the life pricing up a bit because of the endemic expectations. But are you overshooting there?

Christopher Jerome Swift
Chairman & CEO

No.

Yaron Joseph Kinar
Jefferies LLC, Research Division

No.

Christopher Jerome Swift
Chairman & CEO

And again, I'm looking at Jonathan too. Again, I understand, and we do art and science. But remember, particularly in this life area, generally, these contracts are 4 to 5 to 6 years with rate guarantees. So the margin for air there is really, really tight, and we don't want to have any errors. We don't want to have any oopsies. So that discipline is there. The disability is generally 3-year rate guarantees. So a little different than sort of short tail P&C businesses, but you get to reprice every 6 or 12 months. So that's where the additional caution and mechanisms come into play when you're making those medium-term commitments.

But Jonathan, what would you add?

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Chris, only that I'd like it to be more like a dial and I could turn it 2 clicks and I could trigger something to that effect. But Yaron, it doesn't really work that way. So we get into -- in particular, when you're in some of the larger market, the cases do have data credibility. We get a lot of information, we pour through that, and we position ourselves to compete hard. So there is no shortage of work on our part to be digging into that environment and to win those cases. And we'll keep at it.

If we find ourselves off by more than we feel comfortable with and we feel like the discipline of walking away is the right answer, and we'll continue to exercise that prudence. But make no mistake about it, we're interested in competing hard for the growth and we will continue to work at that staying true to our outlook on trend and our expectations and requirements for profitability as well.

Operator

Your next question comes from the line of Peter Knudsen from Evercore ISI.

Peter B. Knudsen
Evercore ISI Institutional Equities, Research Division

Just following up on comments in the prepared remarks about The Hartford's continued mix shift to property, and maybe versus a prior comment about some pressure from workers' comp on commercial margins.

Could you talk a little bit about how that mix shift might help those margins? And if that's potentially enough to offset any of that pressure?

Christopher Jerome Swift
Chairman & CEO

Yes. I would share with you, Peter. Obviously, it depends on the review of loss picks. But generally, property is going to have a lower loss ratio, combined ratio, than comp given its long tail duration. So that's just the obvious, if you mix more of that in, the overall portfolio of underlying combined ratio, particularly, will go down.

I think we've talked about it in the past that we are willing to grow in property principally because we've made so many investments that allow us to compete thoughtfully and earn good returns with good risk management tools, with a diversified portfolio that doesn't have outsized CAT to it. So again, it's not just because we want to grow. I mean we have to have the capabilities too, and we have wrote really, really hard and invested a lot of time and energy over the last 5 years to put ourselves in a position to compete today to earn good risk-adjusted return. So I think that's an important component.

I think the other component I'll just give you is, I think we're on track to come close to $3 billion of written premium this year, which would be up from $2 billion a couple of years back and growing nicely in sort of that 20% range. I think I said in my prepared remarks.

So you put it all together and we're competing well in an environment where there's a lot of disruption and a lot of complexity, but we're able to navigate it because of the investments in skills and talented people we have in the building today.

Peter B. Knudsen
Evercore ISI Institutional Equities, Research Division

Okay. Great. And just following up on a prior question, I know we talked about national account pricing, so I won't get into that, but national accounts did see large growth this quarter, decent acceleration from the first quarter.

So I'm wondering if maybe you guys could just talk a little bit about the opportunity you're seeing there and what was driving that?

Adin Morris Tooker
Head of Commercial Lines

Yes, Peter, it's MO. The national accounts business, which is really our large casualty business with deductibles. I think the quarter-over-quarter compared to the sequential quarter is a hard compare because the renewal dates really differ, that business has chunky renewal date. So I would think the year-over-year quarter compare is a better one.

But overall, we feel incredibly good about the national accounts book. That is a disciplined underwriting process. The teams are doing well. We want to grow it. We did win some new business in the second quarter, but I think the best compare is the second quarter of last year.

Operator

And we have now reached the end of our question-and-answer session. I will now turn the call over to Susan Spivak for closing remarks.

Susan Spivak Bernstein
Senior Vice President of Investor Relations

Thank you all for joining us today. And as always, please reach out with any additional questions. Have a great day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.