BARCLAYS

Equity Research

Financial Services | U.S. Insurance/Non-Life

29 October 2021

The Hartford Financial Services Group, Inc.

3Q EPS: Strong Execution

Our conviction on management execution and business fundamentals is augmenting and the 3Q print left us with a lot to be excited about. While HIG's small commercial lines has always been its sweet spot, the company is out delivering in middle markets and global specialty, which speaks to management delivery. We had said at our initiation on HIG (*U.S. Insurance/Non-Life: Oh, the Places You'll Go! Initiating Coverage on U.S. Non-Life Insurance* 16 Nov 20), that HIG's superior enterprise risk management function would turn Navigators around and we discussed the strategic nature of the ADC it entered. HIG's personal lines book has different characteristics than the mass market but still it is not immune to the accumulation of loss trend. We think the industry will not reach an inflection point on the pricing front for another 12-18 months, recognizing that there are state by state dynamics.

We recognize that HIG's AY margin expansion in commercial lines y/y ahead of peers (excluding COVID) – and think motivation to deliver is high. Our primary focus is looking at how 2021 initial incurred loss picks compare to prior periods to see how much conservatism management exerts into its reserving. We have done work on schedule P analysis (*U.S. Insurance/Non-Life: Inflation Risk: Reserves and Loss Cost Trends* 27 May 21) we will update when schedule Ps are available in April/May 2022. Management is confident that they are achieving rate ahead of loss trend and behind the scenes they are doing work on segmentation and industry focus efforts that we will learn more about at their Investor Day.

We are not building in a M&A premium in our valuation as we believe in the fundamentals of the business and think that management's strong delivery of its plan lowers the likelihood of a takeout scenario. Some of our other conversations with investors have been a sale of the group benefits business potentially unlocking value. We don't anticipate that's on management's agenda, there are cross-overs on the claims side between WC and disability.

We reiterate our Overweight rating on HIG and increase our PT to $85 (from $76) reflecting a 50/50 weighting of 13x (up from 12x) our '22E EPS of $7.17 (up $0.41) and 1.4x (up from 1.3x) our '22E BVPS ex AOCI of $54.25 (from $53.63).

HIG: Quarterly and Annual EPS (USD)

	2020	2021			2022			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2021	2022
Q1	1.34A	0.56A	0.56A	0.56A	1.63E	1.57E	1.70E	-58%	180%
Q2	1.22A	2.33A	2.33A	2.33A	1.53E	1.59E	1.62E	91%	-32%
Q3	1.46A	0.85E	1.26A	1.26A	1.70E	1.90E	1.70E	-14%	51%
Q4	1.76A	1.64E	1.75E	1.64E	1.91E	2.13E	1.95E	-0.57%	22%
Year	5.78A	5.29E	5.80E	5.49E	6.76E	7.17E	7.01E	0.35%	24%
P/E	12.6		12.6			10.2			

Source: Barclays Research.

Consensus numbers are from Bloomberg received on 29-Oct-2021; 12:50 GMT

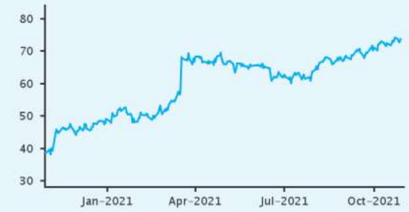
Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 85.00 raised 12% from USD 76.00

Price (29-Oct-2021)	USD 72.93
Potential Upside/Downside	+16.6%
Tickers	HIG

Market Cap (USD mn)	24822
Shares Outstanding (mn)	340.35
Free Float (%)	99.56
52 Wk Avg Daily Volume (mn)	2.4
Dividend Yield (%)	2.11
Return on Equity TTM (%)	12.30
Current BVPS (USD)	51.29

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 78.17-36.77



Source: IDC; Link to Barclays Live for interactive charting

U.S. Insurance/Non-Life

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U.S. Insurance/Non-Life — **Industry View: POSITIVE**

The Hartford Financial Services Group, Inc. (HIG)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2020A	2021E	2022E	2023E	CAGR
Net premiums earned	11,918	12,413	12,940	13,282	3.7%
Net investment income (NII)	1,846.0	2,200.2	1,900.7	2,006.4	2.8%
Underwriting income	431	595	1,187	1,383	47.5%
Operating income	2,086	2,055	2,391	2,691	8.9%
Net income	1,737	2,214	2,415	2,715	16.0%
Effective tax rate (%)	18.3	18.6	19.5	19.5	2.2%
Combined ratio (%)	96.4	95.2	90.8	89.6	-2.4%
Combined ratio (ex cats & py development) (%)	92.4	88.7	86.7	85.5	-2.6%

Per share data ($)					CAGR
EPS (adj)	5.78	5.80	7.17	8.44	13.4%
EPS (reported)	4.76	6.19	7.17	8.44	21.1%
DPS	1.30	1.47	1.66	1.79	11.2%
BVPS	50.39	51.00	55.20	60.35	6.2%
BVPS (ex AOCI)	47.16	50.11	54.25	59.37	8.0%

Balance sheet and capital return ($mn)					CAGR
Total investments	56,532	58,390	61,824	65,555	5.1%
Common shareholders' equity (ex AOCI)	17,052	17,179	17,597	18,599	2.9%
Share buybacks	150	1,502	1,500	1,000	88.2%
Dividends paid	466	513	544	560	6.3%

Balance sheet and capital return metrics					Average
Debt leverage (%)	19.0	21.7	19.3	18.5	19.6
Financial leverage (%)	20.5	23.2	20.7	19.9	21.1
Total capital return as a % of op. earnings	29.5	98.1	85.5	58.0	67.8

Valuation metrics					Average
P/BV (ex AOCI) (x)	1.55	1.46	1.34	1.23	1.39
P/E (adj) (x)	12.6	12.6	10.2	8.6	11.0
Dividend yield (%)	1.8	2.0	2.3	2.4	2.1
ROE (%)	10.2	12.6	13.5	14.6	12.7

Price (29-Oct-2021)	**USD 72.93**
Price Target	**USD 85.00**

Why Overweight? HIG has sound fundamentals following transformation which should cont. to drive a stronger book multiple. ROE convergence with peers should make current valuation look inexpensive. Navigators acquisition is becoming more accretive given boost from hard pricing in specialty lines. HIG has accelerated the pace of its expense savings plans.

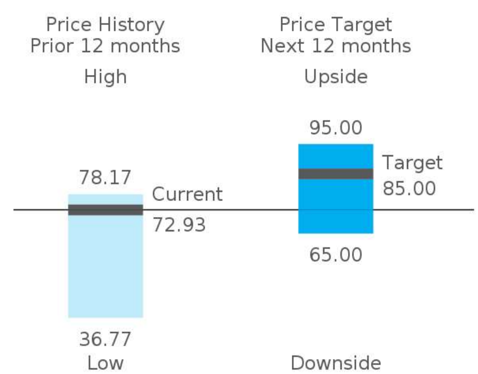
Upside case	**USD 95.00**

Our upside case reflects stronger than expected underwriting margin expansion and commercial P&C pricing levels. Our upside case is ~13x '22E EPS.

Downside case	**USD 65.00**

Our downside case assumes unsuccessful underwriting margin expansion and expense savings as well as slowdown in the commercial P&C renewal rate environment. Our downside case is ~9x '22E EPS.

Upside/Downside scenarios



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

3Q21 Detail

P&C premiums growth in commercial lines drives top line; offsets y/y premium decline in personal lines

P&C net written premiums were $3,297mn (10.6% y/y) vs. our estimate of $3,057mn (+2.6%) on mid-teens growth (15.1% y/y) in commercial which exceeded our estimate ($2,532mn vs. our estimate of $2,295mn) and offset declining y/y written premium growth of -2% in personal lines that was mostly in-line with our estimate ($765mn vs. our estimate of $762mn).

Commercial Lines

Commercial written premiums growth reflects higher audit and endorsement premiums, an increase in new business across all segments, higher policy retention in Middle Market and broad strength across lines of business for renewal written price increases, particularly in Global Specialty and Middle Market.

Over the last two quarters HIG's commercial premium growth has been driven by a low to mid-teens y/y increases in Small Commercial and Middle Market (Figure 1) boosted by a healthier economy.

FIGURE 1

Commercial Written Premiums y/y growth being driven by Small Commercial and Middle Market

$ in mn

Commercial Net Written Premiums y/y	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
Small Commercial	**$1,012.0**	**$977.0**	**$1,053.0**	**$873.0**	**$890.0**	**$877.0**	**$1,011.0**
y/y growth %	*13.7%*	*11.4%*	*4.2%*	*-0.9%*	*-0.8%*	*-8.6%*	*0.1%*
Middle & Large Commercial	**$884.0**	**$817.0**	**$775.0**	**$746.0**	**$750.0**	**$683.0**	**$797.0**
y/y growth %	17.9%	19.6%	-2.8%	-4.2%	-2.3%	-9.8%	5.3%
Middle Market	765.0	720.0	662.0	647.0	653.0	609.0	680.0
y/y growth %	17.2%	18.2%	-2.6%	-3.9%	-3.3%	-9.5%	6.1%
National Accounts & Other	119.0	97.0	113.0	99.0	97.0	74.0	117.0
y/y growth %	22.7%	31.1%	-3.4%	-6.6%	4.3%	-11.9%	0.9%
Global Specialty	**$625.0**	**$689.0**	**$665.0**	**$568.0**	**$549.0**	**$595.0**	**$589.0**
y/y growth %	13.8%	15.8%	12.9%	9.4%	-1.8%	68.6%	nm
US	452.0	466.0	421.0	395.0	395.0	389.0	379.0
y/y growth %	14.4%	19.8%	11.1%	8.5%	5.1%	42.0%	nm
Intl	81.0	113.0	110.0	107.0	88.0	119.0	98.0
y/y growth %	-8.0%	-5.0%	12.2%	-5.3%	-23.5%	176.7%	nm
Global Re	92.0	110.0	134.0	66.0	66.0	87.0	112.0
y/y growth %	39.4%	26.4%	19.6%	57.1%	-2.9%	141.7%	nm
Other	**11.0**	**11.0**	**10.0**	**10.0**	**10.0**	**10.0**	**11.0**
y/y growth %	10.0%	10.0%	-9.1%	-9.1%	-9.1%	25.0%	0.0%
Total Commercial	**$2,532.0**	**$2,494.0**	**$2,503.0**	**$2,197.0**	**$2,199.0**	**$2,165.0**	**$2,408.0**
y/y growth %	15.1%	15.2%	3.9%	0.3%	-1.6%	4.2%	23.6%

Source: Barclays Research, Company Data.

Middle markets retention jumped to 87% in 3Q21 (vs. 82% in 2Q21, 80% in 1Q21, and 77% in 4Q20). In contrast, small commercial retention seems to have plateaued at 84%, its level since 1Q21.

Commercial Underwriting Detail

The **Middle & Large Commercial** underlying combined ratio of 91.4% improved y/y by 6.3 pts primarily due to a lower CAY loss ratio pre Cats and COVID losses driven by workers' compensation and general liability, a 1.6 pt decrease in COVID losses. The expense ratio also decreased 0.3 pts.

Small Commercial underlying combined ratio at 83.9% better y/y by 3.8 pts due to lower CAY loss ratio pre Cats and COVID losses in workers' compensation, lower non-CAT property losses. Also a 0.5 pt drop in the expense ratio and a 0.5 pt decrease in COVID losses.

Global Specialty underlying combined ratio of 86.9% improved by 11.3 pts y/y due to a lower CAY loss ratio pre Cats and COVID losses in several lines, including international, Global Re, U.S. wholesale and U.S. financial lines, as well as a 3.3 pts decrease in COVID losses and a 2.0 pt fall in the expense ratio.

Personal Lines

The written premiums y/y decrease of ~2% primary driven by the effect of non-renewed premium exceeding new business in auto and homeowners, partially offset by higher renewal written price increases of 8.1% in homeowners in 3Q21. However, the renewal written price increases in homeowners continued a downward slide (+8.5% in 2Q21, +9.4% in 1Q21 and +8.7% in 4Q20) relative to the prior three quarters.

Efforts underway to turn around PIF growth in personal lines: As of 3Q21, the negative y/y growth trend in PIF across auto and home continues (Figure 2). We think HIG's ongoing rollout of its personal lines auto and home product (Prevail) is worth watching, though early contributions may be on the margin. Prevail has been rolled out to 7 states to date and is expected in 9 states within the next 90 days. The latest iteration of Prevail launched in October features enhancements to auto/home bundling and telematics capabilities. On the latter, HIG is partnering with Cambridge Mobile to fine tune driving models based on driving behavior. Prevail is currently a direct, AARP-dedicated product.

The 10-year extension (*here*) of the auto and home insurance program between HIG and AARP positioned HIG to make a long-term investment in modernizing product and improving user experience in a growing demographic. PIF growth directly stemming from the product modernization isn't likely to materialize until beyond 2022 when the product is more broadly rolled out across the country.

FIGURE 2

PIF on the decline across auto and home

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

Source: Barclays Research, Company Data.

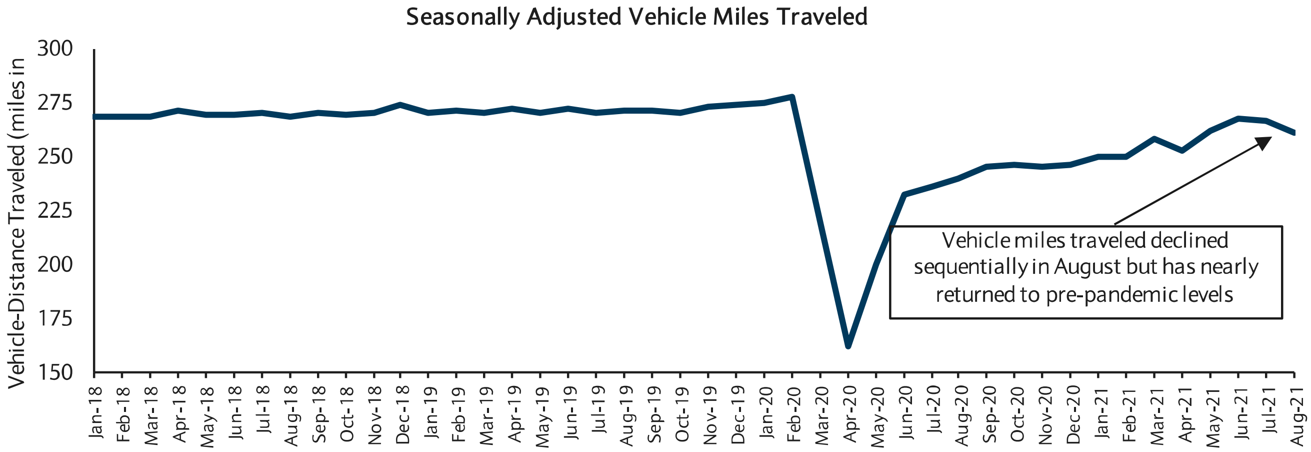
Personal Underwriting Detail

The **auto** underlying combined ratio of 99.7% was up 14.8 pts y/y on higher auto frequency resulting from an increase in miles driven (Figure 3) and elevated severity, as well as a higher expense ratio. Auto severity is elevated driven largely by the rising cost of used cars, replacement parts and labor. Severity headwinds being experienced broadly across the industry are expected to persist into 2022.

Seasonally adjusted vehicle miles driven (indicator of auto frequency trends) dipped sequentially (-2% vs. July 2021) in August, but are nearly back to pre-pandemic levels. Y/Y miles driven were up +8.5% (+20.4 billion vehicle miles) vs. August 2020. Quarter to date, we have evidence from PGR (*Sept '21: Feeling Fatigue*), TRV (*3Q21 Earnings: All About Timing*), Kemper (pg. 10 of *3Q21 earnings presentation*) and HIG of continued pressure on underlying auto loss ratios. Per our modelling changes, we have updated our assumption for HIG's personal lines underlying loss ratio, which we had expected to revert to the mid-60s. We now expect the underlying losses to be ~170bps and ~200bps higher in 2022E and 2023E, respectively.

FIGURE 3

Despite sequential decline during August in vehicle miles driven, nearly back to pre-pandemic levels



Source: Barclays Research, Company Data.
Note: Data as of August 2021.

The **homeowners** underlying combined ratio of 74.6% was up 0.6 pts y/y primarily due to a higher expense ratio. Favorable frequency relative to expectations are offsetting increased claim severity from higher building material and labor costs.

Group Benefits

Core earnings of $19mn decreased from $116mn in 3Q20 primarily reflecting an increase in excess mortality related to Covid-19. Core earnings margin of 1.2% (below 2021E outlook range of 3.7%-4.7%) on excess mortality from Covid-19 of $212mn pre-tax which was above our estimated $90mn pre-tax impact. In 3Q21, excess mortality had 10.6 pts of drag on core earnings margin. Severity was driven higher on a y/y basis (+49%) for the first nine months of 2021 as a younger portion of the population (Figure 4) is impacted (resulting in elevated claims (avg. claim severity is 4x higher for someone under 65 years of age vs. over 65 years of age). Covid-19 related short-term disability claims were an additional 0.8 pt headwind to core margin.

Excess mortality impact driven higher as impact to younger demographic elevates claims severity

FIGURE 4

U.S. Covid-19 Deaths by age

U.S. Covid Deaths per CDC (in thousands)						
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Under 65 years of age	24	19	29	37	14	46
% of total	*19.7%*	*23.8%*	*16.5%*	*20.9%*	*34.1%*	*41.1%*
Over 65 years of age	98	61	147	140	27	66
% of total	*80.3%*	*76.3%*	*83.5%*	*79.1%*	*65.9%*	*58.9%*

Source: Barclays Research, CDC.

Context for Underlying Commercial Margin Improvement

Commercial lines underlying margin improved ~6.5 pts y/y. The y/y improvement consisted of ~5 pts (1.5 pts of y/y change is Covid) from the loss ratio as the majority of lines are earning in positive rate change. ~1 pt of underlying improvement came from expenses.

Workers Compensation was a positive rate contributor (+1.2%) in 3Q (Figure 5) but pricing headwinds on the horizon toward the end of '22 and into '23 as AY '20 becomes part of the experience period (3-years in most states). HIG thinks workers compensation pricing will not really turn positive until the end of '22.

FIGURE 5
HIG Average Pricing Change through 3Q21

HIG	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Standard Commercial	+4.4%	+3.9%	+4.1%	+4.1%	+3.6%	+4.2%	+4.2%
Standard Commercial ex WC	+8.0%	+8.2%	+8.5%	+8.3%	+7.0%	+6.6%	+6.5%
US Global Specialty	+11.6%	+18.9%	+20.5%	+18.6%	+15.8%	+11.8%	+9.9%
International Global Specialty	+21.8%	+47.3%	+52.6%	+48.5%	+27.0%	+22.7%	+17.3%
Small Commercial	+2.3%	+1.8%	+1.6%	+2.1%	+2.4%	+3.1%	+3.2%
Small Commercial ex WC	+6.0%	+6.3%	+6.0%	+6.0%	+5.5%	+5.3%	+5.2%
Middle Market	+7.7%	+7.4%	+8.0%	+7.6%	+6.1%	+6.2%	+6.0%
Middle Market ex WC	+9.4%	+10.3%	+11.2%	+10.9%	+9.3%	+8.2%	+8.1%
Personal lines - auto	+3.1%	+2.5%	+2.1%	+1.7%	+1.8%	+2.4%	+2.2%
Personal lines - home	+4.7%	+5.1%	+7.1%	+8.7%	+9.4%	+8.5%	+8.1%
Workers Comp						+1.0%	+1.2%

Source: Barclays Research, Company Data.

3Q21 vs. Target Financial Plan

Commercial lines (87.2% underlying CR) better than 2021E outlook range while personal lines (91.8% underlying CR) and Group Benefits (1.2% core earnings margin) lagged 2021E outlook range in the quarter. Share repurchases were ahead of our estimate in 3Q21 ($511mn actual vs. $250mn estimate) and the increased authorization (+$500mn) now sets 2022E repurchases to be consistent with 2021E ($1.5bn). We are modelling better underlying commercial lines margins in 2022 than HIG plan and worse personal lines (due to rising lost trend) and lower group benefit margins in 2022 as the COVID curve looks worse than when management came up with its plan.

FIGURE 2
HIG Targets vs. Barclays Estimates

HIG Outlook Key Business Metrics	2020 Actual	2021E Outlook Range	2021E Barclays	2021E Outlook Range ex COVID	2022E Outlook Range	2022E Barclays	2023E Barclays
Commercial Lines Underlying CR	95.5%	90.0% - 92.0%	88.6%	88.5% - 90.5%	86.5% - 88.5%	84.7%	83.4%
Personal Lines Underlying CR	83.1%	87.0% - 89.0%	88.8%		90.9%	93.3%	93.2%
Group Benefits Core Earnings Margin	6.4%	3.7% - 4.7%	3.0%	6.0% - 7.0%	6.0% - 7.0%	5.1%	6.3%
Core ROE	12.7%	N/A N/A	12.0%	N/A N/A	13.0% - 14.0%	13.8%	14.9%
Share Repurchases		$1.5bn	$1.5bn		$1.5bn	$1.5bn	$1.0bn

Source: Barclays Research and Company Data.

Forward Looking Commentary

- Repurchase authorization increased to $3bn and will remain effective through the end of 2022. As a result of the increase (from $2.5bn), ~$1.7bn remains under the authorization as of October 27, 2021. The company has repurchased ~$108mn, or ~1.5mn common shares. The additional buyback capacity should enable 2022E repurchases to closely mirror 2021E outlook ($1.5bn).
- M&A remains a low priority relative to organic initiatives. Ranking M&A toward lower end of priorities factored into increasing buyback authorization by $500mn.
- Dividend payable in January 2022 +10% ($0.385 per common share vs. $0.35 prior).
- Agreement in principle with the BSA expected to become final upon occurrence of certain conditions early in 2022.
- Hartford Next run rate savings tracking to plan. Slight increase to expected savings in 2021E (to $400mn from $390mn). No change to full year pre-tax savings in 2022E ($540mn) and 2023E ($625mn).
- Proceeds from $600mn September issuance (2.9% Sr. Notes due 2051) will be used to redeem in full $600mn outstanding of 7.875% Jr. Sub Debt due 2042 (redeemable at par on or after April 15, 2022).
- Group Benefits excess mortality from Covid-19: Experiencing elevated severity (+49% y/y YTD 2021) driven by higher claims from the younger age cohorts being impacted. Effects expected to linger for the next 2 quarters.
- Holdco cash/investments (includes $600mn of proceeds from Sept Sr. Note issuance) of $2.1bn as of September 30, 2021, up from $1.7bn at June 30, 2021. 3Q21 subsidiary dividends of $443mn, and expecting $445mn in 4Q21.
- Reinsurance: 2021 Agg Property Cat Treaty has slightly less than ~$50mn of losses remaining until reaching $700mn attachment point. The treaty then covers $200mn of qualifying cat losses.

Model Updates

Estimate Update

Our operating EPS is now $5.80 in 2021E (prior $5.29), $7.17 in 2022E (prior $6.76) and $8.44 in 2023E (prior $7.61). Our updated book value per share ex AOCI for YE22E is $54.25 (prior $53.63).

Model updates: We've incorporated the following model changes post 3Q21.

- Inclusion of 3Q21 actuals.
- Increasing commercial written premium growth assumptions in our forecast in (+6.0% in 2022E and +3.3% in 2023E). We're now assuming ~10.5% y/y and ~6.4% y/y NWP growth in 2022E and 2023E, respectively. The changes are primarily driven by increased expectations in Small Commercial and Middle Market & Large Commercial.
- Improved underlying loss ratio assumptions in commercial by 2.7 pts (2022E) and 3.0 pts (2023E).
- Decreasing personal written premium growth assumptions in our forecast by -1.8 pts in 2022E to -1.7% y/y (-2% y/y in auto and -1% y/y in home). We expect auto and home premiums to continue declining on a quarterly basis through 4Q23. Our expectations in 2023E are for a y/y decline of -2% in auto (vs. -6.9% prior) and -1% in home (vs. +2% prior).
- We've increased our underlying loss ratio assumptions in personal lines to 66.4% in 2022E (vs. 64.7% prior) and 66.5% in 2023E (vs. 64.5% prior).
- In Group Benefits, we expect Covid-19 excess mortality impact to linger for longer and also take into account the higher severity caused by shifting demographics. We have raised expected losses through 2Q22. We now expect core earnings margin of 5.1% in 2022E (vs. 7% prior).
- Our core earnings run rate in Hartford Funds is now $155mn in 2022E (vs. $172mn prior) and $144mn in 2023E (vs. $182mn prior). The driver of the change is lower than modelled AUM in 3Q21 primarily driven by lower than estimate change in market value in Mutual Funds.
- Increasing share repurchase assumption in 2022E to $1.5bn (vs. $1bn prior).

FIGURE 6

3Q21 Variance Analysis

Consolidated Results		Q/Q		Y/Y		Barclays Est.	
(in $ mn, expect per share data)	3Q21A	2Q21	% Change	3Q20	% Change	3Q21	% Var.
Net income avail to common shareholders	$476	$900	(47.1%)	$453	5.1%	$297	60.3%
Net income per diluted share	$1.36	$2.51	(45.9%)	$1.26	8.0%	$0.84	60.9%
Core earnings	$442	$836	(47.1%)	$527	(16.1%)	$299	48.0%
Core earnings per diluted share	$1.26	$2.33	(46.0%)	$1.46	(13.8%)	$0.85	48.5%
Net investment income	$650	$581	11.9%	$492	32.1%	$505	28.7%
Cat losses	$300	$128	134.4%	$229	31.0%	$300	0.0%
P&C - Combined ratio	100.5%	88.5%	1202 bps	95.7%	482 bps	101.9%	(143 bps)
P&C - Underlying combined ratio	88.3%	89.2%	(88 bps)	90.6%	(231 bps)	89.6%	(132 bps)
Book value per diluted share	$50.53	$50.62	(0.2%)	$48.47	4.2%	$50.05	1.0%
Book value per diluted share (ex. AOCI)	$49.64	$49.01	1.3%	$46.09	7.7%	$48.42	2.5%
Net income avail to common shareholders' ROE, TTM	12.3%	12.3%	(5 bps)	10.4%	185 bps	11.5%	75 bps
Core Earnings ROE	12.5%	13.1%	(60 bps)	12.3%	20 bps	11.5%	97 bps
Share Repurchases	$511	$568	(10.0%)	$0	NM	$250	104.4%

Business Results		Q/Q		Y/Y		Barclays Est.	
(in $ mn, expect per share data)	3Q21A	2Q21	% Change	3Q20	% Change	3Q21	% Var.
Commercial Lines							
Net written premiums	$2,532	$2,494	1.5%	$2,199	15.1%	$2,295	10.3%
Underwriting gain (loss)	($30)	$261	(111.5%)	$92	(132.6%)	($12)	(156.8%)
Underlying underwriting gain	$314	$249	26.1%	$142	121.1%	$244	28.9%
Underlying Loss ratio	55.2%	57.1%	(197 bps)	60.7%	(553 bps)	57.5%	(234 bps)
Cat and PYD pts	14.1%	(0.5%)	1457 bps	2.2%	1184 bps	10.8%	326 bps
Expense ratio	31.8%	32.0%	(19 bps)	32.7%	(84 bps)	31.9%	(6 bps)
Policyholder dividends	0.2%	0.3%	(5 bps)	0.4%	(15 bps)	0.3%	(12 bps)
Combined ratio	101.2%	88.9%	1236 bps	95.9%	531 bps	100.5%	73 bps
Underlying combined ratio	87.2%	89.4%	(220 bps)	93.7%	(651 bps)	89.7%	(252 bps)
Personal Lines							
Net written premiums	$765	$760	0.7%	$781	(2.0%)	$762	0.4%
Underwriting gain (loss)	$10	$96	(89.6%)	$52	(80.8%)	($49)	120.6%
Underwriting underwriting gain	$61	$87	(29.9%)	$145	(57.9%)	$81	(24.3%)
Underlying Loss ratio	64.4%	60.6%	381 bps	56.0%	841 bps	62.5%	188 bps
Cat and PYD pts	6.9%	(1.3%)	817 bps	11.9%	(508 bps)	17.1%	(1025 bps)
Expense ratio	27.4%	27.6%	(26 bps)	25.4%	197 bps	26.8%	55 bps
Combined ratio	98.7%	87.0%	1166 bps	93.3%	533 bps	106.4%	(778 bps)
Underlying combined ratio	91.8%	88.2%	359 bps	81.4%	1041 bps	89.3%	246 bps
Group Benefits							
Net income	$28	$170	(83.5%)	$119	(76.5%)	$56	(50.3%)
Core earnings	$19	$149	(87.2%)	$116	(83.6%)	$58	(67.3%)
Fully insured ongoing premiums (ex. buyout premiums)	$1,372	$1,378	(0.4%)	$1,316	4.3%	$1,343	2.1%
Loss ratio	84.7%	71.4%	1333 bps	73.8%	1089 bps	78.7%	602 bps
Expense ratio	25.2%	25.4%	(16 bps)	24.3%	96 bps	25.0%	27 bps
Net income margin	1.8%	10.7%	(892 bps)	8.0%	(624 bps)	3.7%	(197 bps)
Core earnings margin	1.2%	9.5%	(827 bps)	7.9%	(670 bps)	3.9%	(265 bps)
Hartford Funds							
Net income	$56	$52	7.7%	$44	27.3%	$39	44.0%
Core earnings	$58	$51	13.7%	$40	45.0%	$39	49.1%
Mutual Fund and ETP net flows	$295	$2,440	(87.9%)	($1,266)	123.3%	$139	113.0%
Total Hartford AUM	$152,086	$153,793	(1.1%)	$123,710	22.9%	$159,460	(4.6%)

Source: Barclays Research, Company Data.

FIGURE 7

Model Summary (pg. 1)

($ in mn, except per share data)	2018	2019	2020	2021E	2022E	2023E
P&C Net written premiums	10,412	11,583	11,905	12,962	13,967	14,627
P&C Revenues:						
P&C net earned premiums	10,446	11,490	11,918	12,413	12,940	13,282
Fee Income	74	72	64	66	65	64
Total revenues	**10,520**	**11,562**	**11,982**	**12,479**	**13,004**	**13,346**
P&C Expenses:						
Loss & loss adjustment expenses	6,940	7,398	7,653	7,953	7,916	8,068
Amortization of DAC	1,323	1,555	1,641	1,621	1,660	1,660
Underwriting Expenses	2,000	2,261	2,228	2,285	2,209	2,201
Dividends to policyholders	23	30	29	25	33	34
Total expenses	**10,286**	**11,244**	**11,551**	**11,884**	**11,817**	**11,963**
Underwriting Income	**234**	**318**	**431**	**595**	**1,187**	**1,383**
P&C Net investment income	1,242	1,392	1,372	1,662	1,457	1,524
Other	(40)	219	(83)	176	-	-
P&C Income before income taxes	**1,436**	**1,929**	**1,720**	**2,433**	**2,644**	**2,907**
Income tax expense	241	358	314	453	516	567
P&C Net Income (loss)	1,195	1,571	1,406	1,980	2,129	2,340
Adjustments (incl ATX net realized cap gain/(loss))	(35)	67	(313)	64	-	-
P&C Core Earnings	**$1,230**	**$1,504**	**$1,719**	**$1,916**	**$2,129**	**$2,340**
Total P&C net written premiums (y/y % growth)		**11.2%**	**2.8%**	**8.9%**	**7.8%**	**4.7%**
Total P&C net earned premiums (y/y % growth)		**10.0%**	**3.7%**	**4.2%**	**4.2%**	**2.6%**
Core Earnings by Segment						
Group Benefits	427	539	382	187	314	398
Mutual Funds	151	145	163	198	155	144
Corporate expenses and other adjustments	(233)	(126)	(178)	(247)	(207)	(192)
Total Core Earnings	**$1,575**	**$2,062**	**$2,086**	**$2,055**	**$2,391**	**$2,691**
Core earnings Per Share	**$4.33**	**$5.65**	**$5.78**	**$5.80**	**$7.17**	**$8.44**
Shares						
Wtd Average Diluted Shares Outstanding	364.1	364.9	360.6	354.1	333.4	318.7
Capital deployment						
Assumed Repurchase Price Per Share	NM	$59	$56	$66	$81	$90
Shares Repurchased (in mn)	-	3.4	2.7	22.8	18.5	11.1
Dollar Amount Repurchased (in $ mn)	-	200	150	1,502	1,500	1,000
Dividends Per Share	$1.10	$1.20	$1.30	$1.47	$1.66	$1.79
Shareholder dividends (in $ mn)	394	433	466	513	544	560
Total capital returned	394	633	616	2,015	2,044	1,560
Total capital returned as % normalized earnings	25%	31%	30%	98%	86%	58%

Source: Barclays Research, Company Data.

FIGURE 8

Model Summary (pg. 2)

($ in mn, except per share data)	2018	2019	2020	2021E	2022E	2023E
Other statistics						
Effective Tax Rate	16.8%	18.6%	18.3%	18.6%	19.5%	19.5%
Catastrophe losses (P/T)	821	463	606	692	560	568
Prior year reserve development (fav)/unfav (P/T)	(167)	(65)	(136)	116	(20)	(19)
Shareholders' Equity and Returns on Capital						
Common stockholders' equity ex AOCI	14,346	15,884	17,052	17,179	17,597	18,599
Total stockholders' equity ex AOCI	14,680	16,218	17,386	17,513	17,931	18,933
Book value per diluted share ex AOCI	$39.40	$43.71	$47.16	$50.11	$54.25	$59.37
Core Earnings ROE	11.6%	13.6%	12.7%	12.0%	13.8%	14.9%
Underwriting Margins - P&C						
Loss ratio	66.4%	64.4%	64.2%	64.1%	61.2%	60.7%
Expense ratio	31.1%	32.6%	31.9%	30.9%	29.4%	28.6%
Policyholder dividends	0.2%	0.3%	0.2%	0.2%	0.3%	0.3%
Total P&C Combined ratio	97.8%	97.2%	96.4%	95.2%	90.8%	89.6%
Underlying Combined Ratio						
Catastrophe loss CR pts	7.9%	4.0%	5.1%	5.6%	4.3%	4.3%
Prior year reserve development CR pts	-1.6%	-0.6%	-1.1%	0.9%	-0.2%	-0.1%
Underlying P&C Combined Ratio	91.5%	93.5%	92.4%	88.7%	86.7%	85.5%

Source: Barclays Research, Company Data.

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Primary Stocks (Ticker, Date, Price)

The Hartford Financial Services Group, Inc. (HIG, 29-Oct-2021, USD 72.93), Overweight/Positive, A/CD/CE/D/J/K/L/M

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The Hartford Financial Services Group, Inc. (HIG)	The Travelers Companies, Inc. (TRV)	

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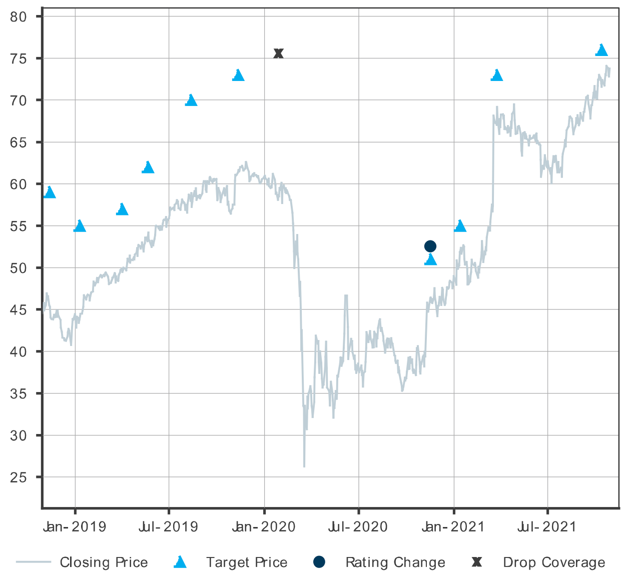
	Stock Rating	Industry View
USD 72.93 (29-Oct-2021)	OVERWEIGHT	POSITIVE

Rating and Price Target Chart - USD (as of 29-Oct-2021)



Source: IDC, Barclays Research

Currency=USD

Publication Date	Closing Price	Rating	Adjusted Price Target
12-Oct-2021	71.96		76.00
24-Mar-2021	67.05		73.00
12-Jan-2021	51.86		55.00
16-Nov-2020	46.34	Overweight	51.00
22-Jan-2020	59.90	Coverage Dropped	
11-Nov-2019	61.09		73.00
12-Aug-2019	57.97		70.00
21-May-2019	53.63		62.00
01-Apr-2019	49.86		57.00
09-Jan-2019	43.77		55.00
12-Nov-2018	45.51		59.00

On 29-Oct-2018, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 64.00.

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Valuation Methodology: Our $85 price target for HIG reflects a 50/50 weighting of 13x '22 EPS of $7.17 and 1.4x '22 P/B ex AOCI of $53.25.

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