The Hartford Financial Services Group, Inc.

4Q Earnings Review: Focus on Small Commercial

| CORE

HIG's sweet spot is its smaller commercial business. Growth prospects are strong and underlying margins may not get much better from here given recent experience.

Beating last quarter's underlying margin expansion is a tough act to follow. Still, we were disappointed to see sequential underwriting margin compression within Commercial. Going forward we think HIG will meet its '22 outlook of achieving a underlying combined ratio within Commercial of 86.5%-88.5%, but further improvements will likely come from the expense ratio side rather than loss ratio side. A strong economy bodes well for HIG's growth prospects. We consider its commercial lines premiums to be more tied to GDP type of growth than its peers. Similar to TRV's comments per their 4Q21 earnings call, we think wage inflation can boost workers compensation margins. WC premiums are tied to wages but so are indemnity payments, though the relationship is not 1:1, as WC claims are equally split between medical and indemnity (according to NCCI).

HIG's sweet spot is its smaller commercial business and it achieved a new milestone by surpassing $4bn in premiums during 2021. Still, a long way to go to increase share in a $170bn market. Small Commercial growth prospects are strong but underwriting margins may be as good as it gets in our view. We saw noticeable compression in small commercial margins q/q (underlying combined ratios: 88% in 4Q21 from 83.9% in 3Q21).

'22 Guidance update: Key changes include lower personal lines top line (flat to slightly down from prior flat) and inclusion of COVID-19 losses within group benefits. We think HIG will outperform its commercial lines premium growth target of 4-5% in 2022, especially considering higher underlying economic exposures. We think HIG's personal lines underlying combined ratio guide of 90-92% is ambitious, we are estimating 94.5% in '22E. HIG thinks over the next 5 months it will be largely through with its repricing efforts on auto. We are less constructive, may take until late 2023 for auto pricing to inflect with loss trends.

HIG benefited from annualized LLP returns of 22% in 4Q vs. 8-10% run rate. HIG has been shortening the duration of its assets to 4.3 years at YE21 from 5.0 years as of Sept. 30, 2020 by selling longer duration assets, similar to a move by ALL to counterbalance the negative impact on valuation from rising interest rates.

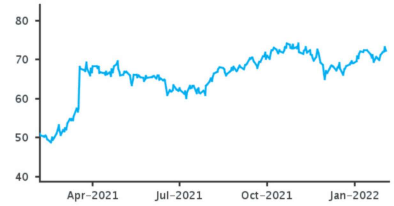
We reiterate our Overweight rating on HIG and our PT of $85 based on a 50/50 weighted average P/E of ~12.5x our blended '22E and '23E EPS of $6.53 (down from our prior $6.76) and $7.93, respectively, and 1.4x P/BVPS ex AOCI our blended '22E and '23E BVPS ex AOCI of $53.95 (from our prior $53.8) and $58.6 (from our prior $58.2), respectively.

HIG	OVERWEIGHT Unchanged
U.S. Insurance/Non-Life	POSITIVE Unchanged
Price Target	USD 85.00 Unchanged
Price (04-Feb-22)	USD 70.52
Potential Upside/Downside	+20.5%

Market Cap (USD mn)	23617
Shares Outstanding (mn)	334.90
Free Float (%)	99.55
52 Wk Avg Daily Volume (mn)	2.3
Dividend Yield (%)	2.19
Return on Equity TTM (%)	13.12
Current BVPS (USD)	52.28

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 78.17-48.60



Source: IDC
Link to Barclays Live for interactive charting

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HIG: Quarterly and Annual EPS (USD)

	2021	2022			2023			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2022	2023
Q1	0.56A	1.54E	1.48E	1.54E	N/A	1.97E	1.93E	164%	33%
Q2	2.33A	1.50E	1.42E	1.59E	N/A	1.75E	1.83E	-39%	23%
Q3	1.26A	1.71E	1.65E	1.75E	N/A	1.93E	1.99E	31%	17%
Q4	2.03A	2.01E	1.99E	1.94E	N/A	2.28E	2.18E	-2%	15%
Year	6.08A	6.76E	6.53E	6.83E	N/A	7.93E	7.93E	7%	21%
P/E	11.6		10.8			8.9			

Consensus numbers are from Bloomberg received on 08-Feb-2022; 13:50 GMT
Source: Barclays Research

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

The Hartford Financial Services Group, Inc. (HIG)

OVERWEIGHT

Income statement	**2021A**	**2022E**	**2023E**	**2024E**	**CAGR**
Net premiums earned ($mn)	12,495	13,533	14,488	N/A	N/A
Net investment income (NII) ($mn)	2,313.0	1,917.0	2,013.9	N/A	N/A
Underwriting income ($mn)	469	914	1,152	N/A	N/A
Operating income ($mn)	2,154	2,172	2,511	N/A	N/A
Net income ($mn)	2,341	2,192	2,531	N/A	N/A
Effective tax rate (%)	18.6	19.5	19.5	N/A	N/A
Combined ratio (%)	96.2	93.2	92.0	N/A	N/A
Combined ratio (ex cats & py development) (%)	89.3	88.5	87.3	N/A	N/A
Per share data ($)	**2021A**	**2022E**	**2023E**	**2024E**	**CAGR**
EPS (adj)	6.08	6.53	7.93	N/A	N/A
EPS (reported)	6.55	6.53	7.93	N/A	N/A
DPS	1.47	1.54	1.66	N/A	N/A
BVPS	51.36	54.48	59.11	N/A	N/A
BVPS (ex AOCI)	50.86	53.95	58.56	N/A	N/A
Balance sheet and capital return ($mn)	**2021A**	**2022E**	**2023E**	**2024E**	**CAGR**
Total investments	57,749	61,119	64,777	N/A	N/A
Common shareholders' equity (ex AOCI)	17,337	17,528	18,071	N/A	N/A
Share buybacks	1,702	1,300	1,500	N/A	N/A
Dividends paid	513	503	515	N/A	N/A
Balance sheet and capital return metrics	**2021A**	**2022E**	**2023E**	**2024E**	**Average**
Debt leverage (%)	21.7	19.4	19.0	N/A	20.0
Financial leverage (%)	23.2	20.9	20.4	N/A	21.5
Total capital return as a % of op. earnings	102.8	83.0	80.3	N/A	88.7
Valuation metrics	**2021A**	**2022E**	**2023E**	**2024E**	**Average**
P/BV (ex AOCI) (x)	1.39	1.31	1.20	N/A	1.30
P/E (adj) (x)	11.6	10.8	8.9	N/A	10.4
Dividend yield (%)	2.1	2.2	2.4	N/A	2.2
ROE (%)	13.2	12.2	13.8	N/A	13.1

Price (04-Feb-2022)	**USD 70.52**
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.

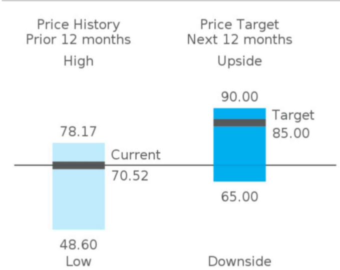
Upside case **USD 90.00**

Our upside case reflects stronger than expected underwriting margin expansion and commercial P&C pricing levels and improving group benefits margins. Our upside case is ~14x '22E EPS.

Downside case **USD 65.00**

Our downside case assumes unsuccessful underwriting margin expansion and expense savings as well as a slowdown in the commercial P&C renewal rate environment. Our downside case is ~10x '22E EPS.

Upside/Downside scenarios



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

4Q21 vs. Target Financial Plan

Commercial lines underlying CR of 88.9% in 4Q21 is ahead of HIG's 2021E outlook range of 90-92% and on track to meet HIG's 2022E outlook range of 86.5%-88.5% . Conversely, HIG's personal lines underlying CR of 95.9% in 4Q21 was worse than its 2021E outlook range of 87-89%. We find HIG's personal lines underlying CR 2022E outlook range of 90-92% to be ambitious. Group Benefits (0.8)% core earnings margin in 4Q21 lagged 2021E outlook range in the quarter. Share repurchases were ahead of our estimate in 4Q21 ($500mn actual vs. $300mn estimate). As such we trimmed our 2022 buyback estimates to align with its 2 year buyback return objective of $3bn.

We are modeling better commercial lines premiums in 2022 than HIG's plan and worse personal lines underlying margins (as we anticipate a longer recovery of pricing meeting loss trend, particularly in auto).

FIGURE 1. HIG Targets vs. Barclays Estimates

HIG Outlook Key Business Metrics	2020 Actual	2021E Outlook Range			2021 Actual	2022E Outlook Range			2022E Barclays	2023E Barclays
Commercial Lines										
NPW Growth	6.1%				12%	~ 4%	-	5%	11.4%	9.9%
CR	100.4%				95.8%	90%	-	92%	91.5%	90.3%
Underlying CR	95.5%	90.0%	-	92.0%	89.1%	86.5%	-	88.5%	86.9%	85.7%
Personal Lines										
NPW Growth	-6.2%				-1.0%	Flat to slightly down			-1.7%	-1.7%
CR	75.5%				90.6%	97.0%	-	99.0%	99.7%	99.4%
Underlying CR	83.1%	87.0%	-	89.0%	89.9%	90.0%	-	92.0%	94.5%	94.1%
Group Benefits										
Earned Premium and Fee Income Growth	-1.2%				2.7%	~ 2%			2.0%	2.0%
Core earnings margin (excluding COVID)	6.4%	6.0%	-	7.0%	10.3%	6.0%	-	7.0%		5.8%
Core earnings margin (including COVID)	6.4%	3.7%	-	4.7%	2.4%	3.1%	-	5.4%	3.5%	5.8%
Core ROE	12.7%	N/A		N/A	12.7%	13.0%	-	14.0%	12.5%	14.1%

Source: Barclays Research, Company Data.

Personal Lines - Down 1% Q/Q, Expected to be Flat to Slightly Down in '22

While, personal lines written premiums decreased by 1% y/y, we were encouraged to see auto renewal written price increase of 2.6% in 4Q21 vs. 1.7% in 4Q20 and 2.2% in 3Q21. Still, we think more rate is needed. The renewal written price increases in homeowners stayed flat at (+8.1%) in 4Q21 to 3Q21, after falling in the three previous quarters (+8.5% in 2Q21, +9.4% in 1Q21 and +8.7% in 4Q20).

HIG ramped up its rate increase filing requests with regulators during the past 90 days, and expects to continue to do so through 1H22.

AARP dynamics & HIG's auto turnaround story

We observed the last time the industry had to reprice auto (2015-2017) it took HIG longer to find its footing. It is a tougher conversation to increase a senior's premiums. More importantly, AARP policies are 12 months rather than the industry 6 month standard and there was a lifetime continuation feature in place. In mid 2020, HIG renegotiated its AARP contract for 10 years. While policies remain 12 months in duration, the lifetime continuation feature went away. Still, we are not so sure how frequently HIG will renew policies but at least that is a new lever in place. HIG's prevail product is written on traditional 6 month paper, though it is at this point a relatively small contribution to overall auto writings.

While HIG is taking action on repricing its inforce on renewal business, the company's ongoing rollout of its personal lines auto and home product (Prevail) is dampening its PIF decline trend. Prevail has been rolled out to 8 states to date and is expected to be in more than 40 states by the end of 2022.

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

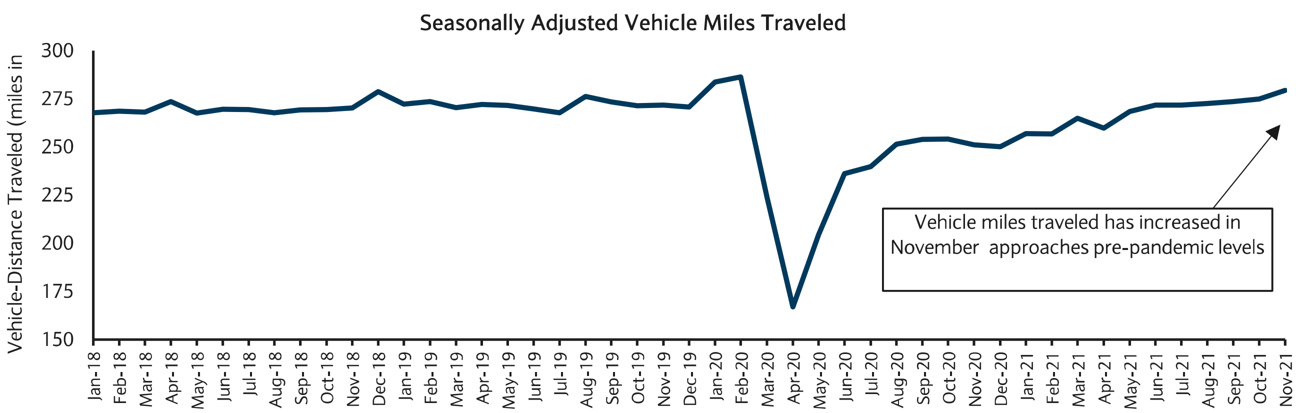
Policies in Force (in thousands)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Auto	1,410	1,416	1,392	1,369	1,357	1,339	1,328	1,317
y/y % growth	*-5.1%*	*-3.3%*	*-3.7%*	*-3.7%*	*-3.8%*	*-5.4%*	*-4.6%*	*-3.8%*
Homeowners	868	865	846	826	815	799	786	773
y/y % growth	*-4.9%*	*-4.2%*	*-5.3%*	*-5.8%*	*-6.1%*	*-7.6%*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

Source: Barclays Research, Company Data.

Personal Underwriting Performance

The **auto** underlying combined ratio of 105.4% was up 15.8 pts y/y reflecting higher vehicle trips and miles driven (see figure 3). In translation physical damage frequency was worse than HIG's expectations, but liability frequency was favorable. Elevated auto severity is attributable to rising wages and supply chain pressures on the cost of used cars and parts.

FIGURE 3. **Despite sequential decline during August in vehicle miles driven, nearly back to pre-pandemic levels**



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

Part of auto underperformance is seasonality, with its loss ratio running 3 to 5 pts higher on average in 4Q vs. the year.

The **homeowners** underlying combined ratio of 75.1% was up 5.2 pts y/y . Favorable frequency relative to expectations are offsetting increased claim severity from higher building material and labor costs.

Underlying Commercial Margin - Room for Improvement?

Commercial lines underlying margin improved ~2.3 pts y/y yet deteriorated 1.7 pts q/q. Notably underlying combined ratio for small commercial deteriorated to 88% in 4Q21 from 83.9% in 3Q21. Still, HIG is targeting commercial lines underlying combined ratio of 86.5%- 88.5% in 2022 (BARC estimate 86.9%). We see most of the improvements coming from the expense ratio side reflecting execution of Hartford Next.

Segment Underlying Results:

- **Middle & Large Commercial** underlying combined ratio of 90.0% improved y/y by 3.0 pts

- **Small Commercial** underlying combined ratio at 88.0% worse y/y by 1.0 pt
- **Global Specialty** underlying combined ratio of 88.8% improved y/y by 4.5 pts

Navigators

While HIG is making nice progress, its adverse development within its Navigators business got our attention. NAVG PYD was $43mn, of which $18mn is recovered from its ADC. LOBs effected were general liability and assumed reinsurance. While the amount is manageable, we point out that HIG has exhausted its ADC limit with NICO. That being said, before the ADC deferred gain, HIG recorded $144mn of total favorable PYD reflecting catastrophe exposed lines, WC and personal auto.

Commercial Pricing from Here

U.S. Standard Commercial Lines renewal written pricing steady in 2Q21-4Q21, HIG thinks rates continue to exceed loss trend across most products. Ex workers' compensation pricing was 6.5%.

Workers Compensation was a positive rate contributor (+1.2%) in 4Q (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 should remain competitive (flat to slightly negative), especially in Small Commercial.

FIGURE 4. HIG Average Pricing Change through 4Q21

HIG	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Standard Commercial	+4.4%	+3.9%	+4.1%	+4.1%	+3.6%	+4.2%	+4.3%	+4.2%
Standard Commercial ex WC	+8.0%	+8.2%	+8.5%	+8.3%	+7.0%	+6.6%	+6.4%	+6.5%
US Global Specialty	+11.5%	+18.6%	+20.1%	+18.7%	+15.5%	+12.1%	+9.9%	+9.0%
International Global Specialty	+22.3%	+47.3%	+52.2%	+48.5%	+27.1%	+23.2%	+17.5%	+11.6%
Small Commercial	+2.3%	+1.8%	+1.6%	+2.0%	+2.4%	+3.1%	+3.3%	+3.3%
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%	+7.5%	+6.1%	+6.2%	+5.9%	+5.8%
Middle Market ex WC	+9.4%	+10.3%	+11.2%	+10.9%	+9.3%	+8.2%	+8.1%	+8.0%
Personal lines - auto	+3.1%	+2.5%	+2.1%	+1.7%	+1.8%	+2.3%	+2.2%	+2.6%
Personal lines - home	+4.7%	+5.1%	+7.1%	+8.7%	+9.4%	+8.5%	+8.1%	+8.1%
Workers Comp						+1.0%	+1.2%	+1.2%

Note: Renewal written premium increases
Source: Barclays Research, Company Data.

Underlying Exposures Driving Commercial Premium Growth

Commercial written premiums growth of 12% y/y reflected new business, strong policy retention and exposure growth. Exceptional growth seen in Small Commercial with 17% premium growth.

FIGURE 5. **Commercial Written Premiums y/y growth xxx**

$ in mn

Commercial Net Written Premiums y/y	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Small Commercial	**$1,011.0**	**$877.0**	**$890.0**	**$873.0**	**$1,053.0**	**$977.0**	**$1,012.0**	**$1,025.0**
y/y growth %	*0.1%*	*-8.6%*	*-0.8%*	*-0.9%*	*4.2%*	*11.4%*	*13.7%*	*17.4%*
Middle & Large Commercial	**$797.0**	**$683.0**	**$750.0**	**$746.0**	**$775.0**	**$817.0**	**$884.0**	**$847.0**
y/y growth %	5.3%	-9.8%	-2.3%	-4.2%	-2.8%	19.6%	17.9%	13.5%
Middle Market	680.0	609.0	653.0	647.0	662.0	720.0	765.0	722.0
y/y growth %	6.1%	-9.5%	-3.3%	-3.9%	-2.6%	18.2%	17.2%	11.6%
National Accounts & Other	117.0	74.0	97.0	99.0	113.0	97.0	119.0	125.0
y/y growth %	0.9%	-11.9%	4.3%	-6.6%	-3.4%	31.1%	22.7%	26.3%
Global Specialty	**$589.0**	**$595.0**	**$549.0**	**$568.0**	**$665.0**	**$689.0**	**$625.0**	**$629.0**
y/y growth %	nm	68.6%	-1.8%	9.4%	12.9%	15.8%	13.8%	10.7%
US	379.0	389.0	395.0	395.0	421.0	466.0	452.0	457.0
y/y growth %	nm	42.0%	5.1%	8.5%	11.1%	19.8%	14.4%	15.7%
Intl	98.0	119.0	88.0	107.0	110.0	113.0	81.0	109.0
y/y growth %	nm	176.7%	-23.5%	-5.3%	12.2%	-5.0%	-8.0%	1.9%
Global Re	112.0	87.0	66.0	66.0	134.0	110.0	92.0	63.0
y/y growth %	nm	141.7%	-2.9%	57.1%	19.6%	26.4%	39.4%	-4.5%
Other	**11.0**	**10.0**	**10.0**	**10.0**	**10.0**	**11.0**	**11.0**	**11.0**
y/y growth %	0.0%	25.0%	-9.1%	-9.1%	-9.1%	10.0%	10.0%	10.0%
Total Commercial	**$2,408.0**	**$2,165.0**	**$2,199.0**	**$2,197.0**	**$2,503.0**	**$2,494.0**	**$2,532.0**	**$2,513.0**
y/y growth %	23.6%	4.2%	-1.6%	0.3%	3.9%	15.2%	15.1%	14.4%

Source: Barclays Research, Company Data.

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

Group Benefits

Core earnings loss of $(12)mn decreased from $49mn in 4Q20 primarily reflecting an increase in excess mortality related to Covid-19 and a higher expense ratio. Within short-term disability claims incidence was highly elevated due to COVID and long-term disability incidence rates were modestly up. Core earnings margin of (0.8)% reflected excess mortality losses of $161mn pre-tax which was just below our estimated $165mn pre-tax impact. For 2022, HIG is estimating between $125-$225mn of pretax losses.

We are seeing a shift in the distribution of COVID deaths amongst age cohorts that impact group benefits business. COVID deaths under the age of 65 dropped to 34.5% in 4Q from about 41.1% in 3Q (avg. claim severity is 4x higher for someone under 65 years of age vs. over 65 years of age).

FIGURE 6. **U.S. Covid-19 Deaths by age**

	U.S. Covid Deaths per CDC (in thousands)						
	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Under 65 years of age	24	19	29	37	14	46	40
% of total	*19.7%*	*23.8%*	*16.5%*	*20.9%*	*34.1%*	*41.1%*	*34.5%*
Over 65 years of age	98	61	147	140	27	66	76
% of total	*80.3%*	*76.3%*	*83.5%*	*79.1%*	*65.9%*	*58.9%*	*65.5%*

Source: Barclays Research, CDC.

Forward Looking Commentary

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

- COVID-19: In 2022, HIG is estimating between $125mn to $225mn of pre-tax losses within group benefits, with the majority of the impact in the first half of 2022.
- Core Margins are expected to be in the 6%-7% range, which is consistent with the long-term margin outlook. While Core ROE is expected to be in the range of 13% to 14% in 2022 and continuing into 2023.
- As of December 31st, 2021, there is $1.3bn of the share repurchase authorization remaining for 2022. Additionally, thus far in the calendar year, HIG has repurchased 2.5mn common shares for a total of $180mn.
- As of the September debt issuance, HIG intends to redeem $600mn of hybrid securities in April 2022.
- Dividends from subsidiaries are expected to be between $1.7bn to $1.8bn in 2022
- Consistent to what was communicated during the past Investor day, HIG projects Commercial lines premium growth to be between 4% and 5% with an underlying combined ratio between 86.5% and 88.5%.
- Commercial lines renewal written premium, excluding workers comp, is expected to run in the mid-single digits, while Global Specialty lines of wholesale and U.S. Marine will be closer to double digits.
- Personal Lines underlying combined ratio is expected to be in the range of 90% to 92% in 2022.
- Prevail: Although only in 8 states currently, HIG expects Prevail to be in more than 40 states by the end of 2022.
- LP long term normalized return in the 8% to 10% range.

Model Updates

Model Updates: We incorporated the following model changes post 4Q21. Since HIG accelerated the pace of its 2 year buyback target of $3bn during 4Q21, ending the year at $1.7bn of buybacks and $1.3bn remaining on its authorization. We were previously modeling $1.5bn buybacks in 2022E, we are now expecting $1.3bn. We are assuming a slower recovery of turning auto underwriting business around and have increased our underlying loss ratio estimates.

FIGURE 7. **4Q21 Variance Analysis: Segments**

Consolidated Results		Q/Q		Y/Y		Barclays Est.	
(in $ mn, expect per share data)	4Q21A	3Q21	% Change	4Q20	% Change	4Q21	% Var.
Net income avail to common shareholders	$724	$476	52.1%	$532	36.1%	$538	34.7%
Net income per diluted share	$2.10	$1.36	54.7%	$1.47	42.7%	$1.56	34.7%
Core earnings	$697	$442	57.7%	$636	9.6%	$539	29.2%
Core earnings per diluted share	$2.02	$1.26	60.3%	$1.76	14.8%	$1.56	29.2%
Net investment income	$573	$650	(11.8%)	$556	3.1%	$460	24.4%
Cat losses	$22	$300	(92.7%)	$55	(60.0%)	$97	(77.4%)
P&C - Combined ratio	92.1%	100.5%	(840 bps)	97.0%	(486 bps)	89.4%	266 bps
P&C - Underlying combined ratio	90.6%	88.3%	231 bps	89.0%	161 bps	88.1%	254 bps
Book value per diluted share	$51.36	$50.53	1.6%	$50.39	1.9%	$50.82	1.1%
Book value per diluted share (ex. AOCI)	$50.86	$49.64	2.5%	$47.16	7.9%	$49.92	1.9%
Net income avail to common shareholders' ROE, TTM	13.1%	12.3%	82 bps	10.0%	309 bps	12.4%	71 bps

Core Earnings ROE	12.7%	12.5%	20 bps	12.7%	0 bps	0.0%	1270 bps
Share Repurchases	$500	$511	(2.2%)	$0	NM	$300	66.7%

Source: Barclays Research, Company Data.

FIGURE 8. **4Q21 Variance Analysis: Segments**

Business Results		Q/Q		0		Y/Y	0	Barclays Est.	
(in $ mn, expect per share data)	4Q21A	3Q21	% Change	0	4Q20	% Change	0	4Q21	% Var.
Commercial Lines									
Net written premiums	$2,512	$2,532	(0.8%)		$2,197	14.3%		$2,505	0.3%
Underwriting gain (loss)	$387	($30)	1390.0%		$183	111.5%		$294	31.7%
Underlying underwriting gain	$279	$314	(11.1%)		$208	34.1%		$318	(12.3%)
Underlying Loss ratio	56.5%	55.2%	133 bps		58.4%	(193 bps)		55.0%	151 bps
Cat and PYD pts	(4.3%)	14%	(1835 bps)		1.1%	(542 bps)		1.0%	(531 bps)
Expense ratio	32.1%	31.8%	29 bps		32.0%	9 bps		31.5%	59 bps
Policyholder dividends	0.3%	0.2%	10 bps		0.3%	3 bps		0.3%	(2 bps)
Combined ratio	84.6%	101.2%	(1662 bps)		91.8%	(722 bps)		87.8%	(324 bps)
Underlying combined ratio	88.9%	87.2%	172 bps		90.7%	(180 bps)		86.8%	206 bps
Personal Lines									
Net written premiums	$668	$765	(12.7%)		$673	(0.7%)		$710	(5.9%)
Underwriting gain (loss)	$45	$10	350.0%		$154	(70.8%)		$41	9.7%
Underwriting underwriting gain	$30	$61	(50.8%)		$125	(76.0%)		$61	(50.5%)
Underlying Loss ratio	67.8%	64.4%	342 bps		57.8%	998 bps		65.0%	280 bps
Cat and PYD pts	(2.0%)	6.9%	(885 bps)		(3.8%)	181 bps		2.6%	(460 bps)
Expense ratio	28.2%	27.4%	82 bps		25.8%	244 bps		27.0%	124 bps
Combined ratio	93.9%	98.7%	(475 bps)		79.8%	1414 bps		94.6%	(66 bps)
Underlying combined ratio	95.9%	91.8%	410 bps		83.6%	1233 bps		92.0%	394 bps
Group Benefits									
Net income	$42	$28	50.0%		$59	(28.8%)		($4)	1151.6%
Core earnings	($12)	$19	(163.2%)		$49	(124.5%)		($2)	(439.8%)
Fully insured ongoing premiums (ex. buyout premiums)	$1,380	$1,372	0.6%		$1,318	4.7%		$1,344	2.7%
Loss ratio	84.0%	84.7%	(73 bps)		80.2%	376 bps		82.2%	181 bps
Expense ratio	26.3%	25.2%	106 bps		24.9%	141 bps		25.5%	83 bps
Net income margin	2.6%	1.8%	84 bps		3.9%	(133 bps)		(0.3%)	287 bps
Core earnings margin	(0.8%)	1.2%	(200 bps)		3.3%	(406 bps)		(0.1%)	(65 bps)
Hartford Funds									
Net income	$62	$56	10.7%		$51	21.6%		$44	39.9%
Core earnings	$60	$58	3.4%		$46	30.4%		$44	35.4%
Mutual Fund and ETP net flows	$358	$295	21.4%		$281	27.4%		$137	160.8%
Total Hartford AUM	$157,895	$152,086	3.8%		$139,436	13.2%		$155,718	1.4%

Source: Barclays Research, Company Data.

FIGURE 9. **Model Summary (pg. 1)**

($ in mn, except per share data)	2018	2019	2020	2021	2022E	2023E
P&C Net written premiums	10,412	11,583	11,905	12,949	14,047	15,109
P&C Revenues:						
P&C net earned premiums	10,446	11,490	11,918	12,495	13,533	14,488
Fee Income	74	72	64	66	66	66
Total revenues	**10,520**	**11,562**	**11,982**	**12,561**	**13,599**	**14,554**
P&C Expenses:						
Loss & loss adjustment expenses	6,940	7,398	7,653	8,110	8,624	9,195

Amortization of DAC	1,323	1,555	1,641	1,628	1,648	1,648
Underwriting Expenses	2,000	2,261	2,228	2,330	2,379	2,522
Dividends to policyholders	23	30	29	24	35	38
Total expenses	**10,286**	**11,244**	**11,551**	**12,092**	**12,685**	**13,402**
Underwriting Income	**234**	**318**	**431**	**469**	**914**	**1,152**
P&C Net investment income	1,242	1,392	1,372	1,734	1,487	1,546
Other	(40)	219	(83)	315	-	-
P&C Income before income taxes	**1,436**	**1,929**	**1,720**	**2,518**	**2,401**	**2,698**
Income tax expense	241	358	314	469	468	526
P&C Net Income (loss)	1,195	1,571	1,406	2,049	1,932	2,172
Adjustments (incl ATX net realized cap gain/(loss))	(35)	67	(313)	36	-	-
P&C Core Earnings	**$1,230**	**$1,504**	**$1,719**	**$2,013**	**$1,932**	**$2,172**
Core earnings Per Share	**$4.33**	**$5.65**	**$5.78**	**$6.08**	**$6.53**	**$7.93**
Shares						
Wtd Average Diluted Shares Outstanding	364.1	364.9	360.6	354.1	332.7	316.6

Source: Barclays Research, Company Data.

FIGURE 10. **Model Summary (pg. 2)**

($ in mn, except per share data)	2018	2019	2020	2021	2022E	2023E
Capital deployment						
Assumed Repurchase Price Per Share	NM	$59	$56	$65	$81	$92
Shares Repurchased (in mn)	-	3.4	2.7	26.3	16.0	16.3
Dollar Amount Repurchased (in $ mn)	-	200	150	1,702	1,300	1,500
Dividends Per Share	$1.10	$1.20	$1.30	$1.47	$1.54	$1.66
Shareholder dividends (in $ mn)	394	433	466	513	503	515
Total capital returned	394	633	616	2,215	1,803	2,015
Total capital returned as % normalized earnings	25%	31%	30%	103%	83%	80%
Other statistics						
Effective Tax Rate	16.8%	18.6%	18.3%	18.6%	19.5%	19.5%
Catastrophe losses (P/T)	821	463	606	664	702	744
Prior year reserve development (fav)/unfav (P/T)	(167)	(65)	(136)	199	(58)	(56)
Shareholders' Equity and Returns on Capital						
Common stockholders' equity ex AOCI	14,346	15,884	17,052	17,337	17,528	18,071
Total stockholders' equity ex AOCI	14,680	16,218	17,386	17,671	17,862	18,405
Book value per diluted share ex AOCI	$39.40	$43.71	$47.16	$50.86	$53.95	$58.56
Core Earnings ROE	11.6%	13.6%	12.7%	12.5%	12.5%	14.1%
Underwriting Margins - P&C						
Loss ratio	66.4%	64.4%	64.2%	64.9%	63.7%	63.5%
Expense ratio	31.1%	32.6%	31.9%	31.1%	29.3%	28.3%
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%	96.2%	93.2%	92.0%
Underlying Combined Ratio						
Catastrophe loss CR pts	7.9%	4.0%	5.1%	5.3%	5.2%	5.1%

Prior year reserve development CR pts	-1.6%	-0.6%	-1.1%	1.6%	-0.4%	-0.4%
Underlying P&C Combined Ratio	91.5%	93.5%	92.4%	89.3%	88.5%	87.3%

Source: Barclays Research, Company Data.

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Primary Stocks (Ticker, Date, Price)
The Hartford Financial Services Group, Inc. (HIG, 04-Feb-2022, USD 70.52), Overweight/Positive, A/CD/CE/D/J/K/L/M

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

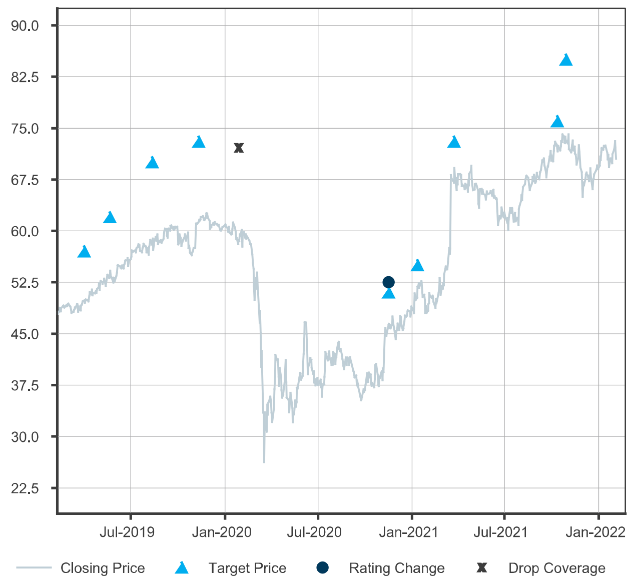
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

USD 70.52 (04-Feb-2022)

Rating and Price Target Chart - USD (as of 04-Feb-2022)

Currency=USD



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Publication Date	Closing Price*	Rating	Adjusted Price Target
29-Oct-2021	72.93		85.00
12-Oct-2021	71.96		76.00
24-Mar-2021	67.05		73.00
12-Jan-2021	51.86		55.00
16-Nov-2020	46.34	Overweight	51.00
22-Jan-2020	59.90	Coverage Dropped	
11-Nov-2019	61.09		73.00
12-Aug-2019	57.97		70.00
21-May-2019	53.63		62.00
01-Apr-2019	49.86		57.00

On 08-Feb-2019, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 55.00.

Source: Bloomberg, Barclays Research

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