

The Hartford Financial Services Group, Inc.

## 1Q23 Earnings Review: Public D&O & WC headwinds are manageable

Public D&O premiums are marginal at \$200mn. WC headwinds were already built into HIG's 2023 outlook. HIG is taking a more cautious posture with respect to any green shoots in tougher states like CA and building in more conservative severity loss trend assumptions.

**Small Commercial Growth Spotlight:** Despite some margin compression within Small Commercial (2 pts q/q, 3.6 pts y/y) from WC, we like seeing HIG grow this segment. On an absolute basis, a 89.5% underlying CR is still impressive and is better than its business segments. HIG is constructive that small commercial can exceed \$5bn of annual premiums in the near term vs. \$4.6bn in FY22 thanks to new business and E&S momentum. Spectrum, its Business Owner's Product, is taking off. In a downturn scenario, having scale matters. There is plenty of headroom where at \$5bn of PF premiums we estimate HIG would only have 3-4% market share.

We think 1Q23 results put HIG on track to meet many of its 2023 financial targets with the exception of Personal Lines Underlying Combined Ratio and Core ROE clouded by headwinds in Personal Auto.

**1Q23 results on track to meet many FY2023 targets.** While we only have one quarter of data, we think HIG will meet many of its 2023 outlook guideposts with the exception of personal lines combined ratio and core ROE. **First, on personal lines:** HIG's personal lines underlying combined ratio was 97.0% in 1Q23 vs. 88.5% in 1Q22 and above management's target range of 93%-95% in 2023 (shared in Feb.), driven by unprofitable auto lines. The auto underlying combined ratio was 105.1% despite 1Q typically being a better quarter on a seasonal basis. Management noted that they are facing more headwinds in auto underlying combined ratio than expected last quarter. If the inflation and severity pressure observed in 1Q23 continues into 2Q and 3Q 2023 and starts to revert in Q423, the auto loss ratio would be 4 to 6 pts higher than management's target for the full year. **On commercial lines,** management remains confident in the 87%-89% underlying combined ratio guidance in 2023 and believes it can beat the 88.3% reported in 2022 due to (1) higher rate premiums earning in; (2) business mix shift, notably more property; and (3) underwriting / risk selection initiatives across all businesses that will improve margins.

**Commercial lines ex. WC pricing re-accelerating in aggregate.** Commercial lines excluding workers' compensation (WC) is re-accelerating slightly to 6.8% in 1Q23 from 6.6% in 4Q22.

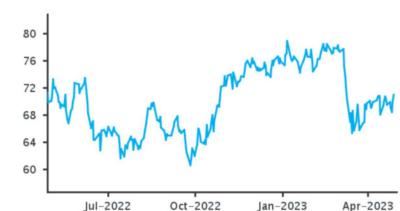
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| CORE

HIG	<b>OVERWEIGHT</b>
	Unchanged
U.S. Insurance/Non-Life	<b>POSITIVE</b>
	Unchanged
Price Target	<b>USD 87.00</b>
	Unchanged
Price (28-Apr-23)	<b>USD 70.99</b>
Potential Upside/Downside	+22.6%
Market Cap (USD mn)	22024
Shares Outstanding (mn)	310.23
Free Float (%)	99.54
52 Wk Avg Daily Volume (mn)	1.9
Dividend Yield (%)	2.39
Return on Equity TTM (%)	11.66
Current BVPS (USD)	42.16
Source: Bloomberg	
Price Performance	<b>Exchange-NYSE</b>
52 Week range	<b>USD 79.44-60.17</b>



Source: IDC  
[Link to Barclays Live for interactive charting](#)

### U.S. Insurance/Non-Life

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Standard lines pricing (ex. Global Specialty) and ex WC basis was up 8.1% in 1Q23 from 7.9% in 4Q22. Public D&O rates dropped 20% in the quarter, accordingly Global Specialty pricing fell sequentially (3.7% in 1Q23 vs. 4.2% in 4Q22.) Public D&O is a \$200mn GPW business for HIG.

To recap, HIG shared last quarter its expectations of 1 pt of improvement within its Commercial underlying combined ratio (ex WC) in '23. Commercial lines ex public D&O and ex WC, pricing was 7.7% in 1Q23 well in excess of loss cost trend. This compares to 6.8% commercial lines ex WC pricing in 1Q23. About a 100bps spread. Therefore, excluding both WC and D&O, HIG is expecting its underlying combined ratio to improve by 200 bps y/y.

**Personal lines posts robust rate increases. Auto** written price increases were 10.0% (up from 6.2% last quarter) and HIG received an 18.3% rate approval in applicable states (up from 8.3% last quarter). Management aims to increase pricing to mid-teens by 2Q23. **Homeowners** written price increases were 13.9% in 1Q23 (up from 13.3% last quarter). That said, these rates will take time to earn in. Policies in Force (PIF) were slightly down for both lines of business this quarter. While new premiums were strong (auto +12% q/q and homeowners +17% q/q), retention of existing customers in homeowners was flat due to price increases. We view this decline positively as it means HIG is not actively growing auto, a loss leading LOB.

**Net Investment Income (NII).** HIG reported \$515mn of NII in the quarter (down 19.5% q/q and up 1.2% y/y). The yields on the portfolio were slightly better than management's Q1 expectations: (1) annualized investment yield ex. LLP (pre-tax) of 3.8% vs. 3.7% last quarter and 2023 guide of 3.75% at mid-point; and (2) annualized LP Returns (pre-tax) of 2.5% vs. 16.8% last quarter and vs. 2023 guide of 4-6%. Management expects the Q2 return to land at a similar level.

**Peer Leading P&C ROE:** HIG's core ROE of 14.3% is at the low end of management's 14%-15% guidance for 2023. Broken down by segment, core ROE was 15.5% for P&C, 13.6% for group benefits, and 42.8% for Hartford Funds. Note, HIG excludes AOCI from the denominator of its CORE ROE.

#### HIG: Quarterly and Annual EPS (USD)

<b>FY Dec</b>	<b>2022</b>	<b>2023</b>			<b>2024</b>			<b>Change y/y</b>	
	<b>Actual</b>	<b>Old</b>	<b>New</b>	<b>Cons</b>	<b>Old</b>	<b>New</b>	<b>Cons</b>	<b>2023</b>	<b>2024</b>
Q1	1.66A	1.68E	1.68A	1.68A	2.44E	2.37E	2.37E	1%	41%
Q2	2.16A	1.79E	1.68E	1.98E	2.21E	2.30E	2.33E	-22%	37%
Q3	1.45A	1.95E	1.90E	2.03E	2.37E	2.48E	2.33E	31%	31%
Q4	2.32A	2.28E	2.31E	2.40E	2.31E	2.39E	2.60E	-0.43%	3%
Year	7.58A	7.68E	7.55E	8.17E	9.34E	9.54E	9.63E	-0.40%	26%
P/E	9.4		9.4			7.4			

Consensus numbers are from Bloomberg received on 28-Apr-2023; 12:50 GMT

Source: Barclays Research

U.S. Insurance/Non-Life						POSITIVE	
The Hartford Financial Services Group, Inc. (HIG)						OVERWEIGHT	
Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR	Price (28-Apr-2023)	USD 70.99
Net premiums earned	13,520	14,539	15,749	16,886	7.7%	Price Target	USD 87.00
Net investment income (NII)	2,177.0	2,185.5	2,709.7	2,893.5	9.9%	<b>Why OVERWEIGHT?</b>	
Underwriting income	734	682	808	866	5.7%	HIG has sound fundamentals following transformation, which should continue to drive a stronger book multiple. ROE convergence with peers should make current valuation look inexpensive.	
Operating income	2,496	2,352	2,791	2,997	6.3%	Navigators acquisition is becoming more accretive given boost from hard pricing in specialty lines. HIG has accelerated the pace of its expense savings plans.	
Net income	1,819	2,270	2,811	3,017	18.4%		
Effective tax rate (%)	20.6	19.4	19.5	19.5	-1.8%		
Combined ratio (%)	94.6	95.3	94.9	94.9	0.1%		
Combined ratio (ex cats & py development) (%)	89.5	90.4	89.6	89.4	0.0%		
Per share data (\$)	2022A	2023E	2024E	2025E	CAGR		
EPS (adj)	7.58	7.55	9.54	10.93	13.0%	<b>Upside case</b>	
EPS (reported)	5.46	7.22	9.54	10.93	26.1%	Our upside case reflects stronger than expected underwriting margin expansion and commercial P&C pricing levels and improving group benefits margins. Our upside case is ~1.5x '24 BVPS ex AOCI.	
DPS	1.55	1.64	1.80	2.04	9.7%		
BVPS	41.67	47.35	53.62	61.30	13.7%		
BVPS (ex AOCI)	53.66	58.13	65.10	73.58	11.1%		
Diluted shares (mn)	329.5	311.6	292.7	274.2	-5.9%		
Balance sheet and capital return (\$mn)	2022A	2023E	2024E	2025E	CAGR	<b>Downside case</b>	
Total investments	52,560	56,902	59,682	62,832	6.1%	Our downside case assumes unsuccessful underwriting margin expansion and expense savings as well as a slowdown in the commercial P&C renewal rate environment and recessionary pressures. Our downside case is ~6.8x '24E EPS.	
Common shareholders' equity (ex AOCI)	17,183	17,557	18,446	19,507	4.3%		
Share buybacks	1,550	1,385	1,380	1,380	-3.8%		
Dividends paid	503	503	519	551	3.1%		
Balance sheet and capital return metrics	2022A	2023E	2024E	2025E	Average		
Debt leverage (%)	24.2	22.9	21.9	20.8	22.5	<b>Upside/Downside scenarios</b>	
Financial leverage (%)	26.0	24.7	23.6	22.4	24.2		
Total capital return as a % of op. earnings	82.3	80.3	68.0	64.4	73.7		
Valuation metrics	2022A	2023E	2024E	2025E	Average		
P/BV (ex AOCI) (x)	1.32	1.22	1.09	0.96	1.15		
P/E (adj) (x)	9.4	9.4	7.4	6.5	8.2		
Dividend yield (%)	2.2	2.3	2.5	2.9	2.5		
ROE (%)	10.2	12.7	15.2	15.5	13.4		

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research



## 1Q23 vs. Target Financial Plan

Although we are only one quarter into the year, we track 1Q23 progression against full-year 2023 guidance:

- HIG's personal lines underlying CR of 97.0% in 1Q23 was above management's target range of 93%-95% in 2023. Management implied a higher guide for underlying combined ratio in FY2023 than what it shared in February with the auto loss ratio potentially rising 4 to 6 pts higher than management's target for the full year if inflation does not abate from 1Q23.
- Commercial lines underlying CR of 88.5% in 1Q23 was at the high end of the 2023 guide of 87%-89%.
- Group Benefits core earnings margin for 1Q23 came in at 5.2%, below the company's 6%-7% target range for 2023.
- P&C CAY cat ratio of 5.3% vs. management's target of 4.2% in 2023.
- Core ROE of 14.3% vs. management's 14-15% target for 2023. We forecast 13.5% for 2023 and 15.5% for 2024.

**FIGURE 1. HIG Targets vs. Barclays Estimates**

HIG Outlook	2022 Actual	1Q23 Preliminary	2023E Outlook Range Shared in Feb '23		2023E Barclays	2024E Barclays
Core ROE	14.5%	14.3%	14%	-	15%	13.5% 15.5%
Portfolio Yield (ex LLP and Alternatives)	3.2%	3.8%	+50 bps	to	+60 bps	3.75% 4.03%
LLP and Alternatives: Portfolio Yield	14.4%	2.5%	4%	-	6%	4% 9%
<b>Key Business Metrics</b>						
Commercial Lines						
CR	90.2%	92.7%	90.5%	-	92.5%	92.4% 93.4%
Underlying CR	88.3%	88.5%	87.0%	-	89.0%	88.4% 88.5%
Personal Lines						
CR*	100.3%	106.1%	100.5%	-	102.5%	106.5% 101.4%
Underlying CR*	93.7%	97.0%	93.0%	-	95.0%	98.1% 94.1%
Group Benefits						
Core earnings margin	6.5%	5.2%	6.0%	-	7.0%	6.8% 7.0%
P&C CAY Cat ratio	4.8%	5.3%	4.2%			5.5% 5.1%

Personal lines 2023 outlook was updated in 1Q23 by ~4 - 6 points pressure on the auto loss ratio if inflation doesn't abate.

Source: Barclays Research, Company Data.

## Personal Lines - Rates, Underlying Margins, and PIF

**Auto rates.** As discussed with 4Q23 results, HIG expects to accelerate auto renewal written pricing to the mid-teens by 2Q23 and stabilize thereafter for the rest of the year. The company projects they will be price adequate by mid-year and sees loss cost trends remaining elevated in 1H23 and then decreasing to normalized levels in 2H23. In 1Q23, auto written price increases were 10.0% (up from 6.2% last quarter) and the company achieved an 18.3% rate approval in applicable states (up from 8.3% last quarter). We believe both written rates and approved rates will take time to earn in, especially considering that the bulk of HIG's policies are 12 months (though more recent marketing efforts for Prevail are centered on 6-month policies).

**Auto underlying combined ratio** of 105.1% was down 3.8 pts sequentially but up 11.8 pts y/y. Typically 1Q is a seasonally better quarter for auto yet underlying results remain unprofitable.

HIG saw continued auto liability and physical damage severity, partially offset by higher pricing earning through and a lower expense ratio.

**Homeowners rates.** Homeowners earned pricing is expected to track closely to loss cost trends throughout 2023. HIG continues to push for rate with a 13.9% written rate increase in 1Q23 (up from 13.3% last quarter).

**Homeowners underlying combined ratio** of 78.9% was up 10.6 pts sequentially and up 1.5 pts y/y due to higher weather related frequency and severity and non-weather related severity (e.g., higher rebuilding costs). This was somewhat offset by higher rates earning through and a lower expense ratio.

The loss ratio for **Personal Lines** increased to 79.6% in 1Q23 compared to 74.4% in 4Q22 and 62.8% in 1Q22.

**Policies in Force (PIF) slightly down.** PIF declined 1.4% q/q for Auto (vs. down 0.6% q/q last quarter) and 1.2% for Homeowners (down 1.2% q/q last quarter). While new premiums were strong (auto +12% q/q and homeowners +17% q/q), retention of existing customers was flat for homeowners due to price increases. We view this PIF decline in auto positively as it means HIG is not actively growing a loss leading LOB.

**FIGURE 2. Auto and homeowners PIF**

<b>Policies in Force (in thousands)</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>1Q22</b>	<b>2Q22</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>
<b>Auto</b>	<b>1,410</b>	<b>1,416</b>	<b>1,392</b>	<b>1,369</b>	<b>1,357</b>	<b>1,339</b>	<b>1,328</b>	<b>1,317</b>	<b>1,315</b>	<b>1,315</b>	<b>1,331</b>	<b>1,323</b>	<b>1,305</b>
y/y % change	-5.1%	-3.3%	-3.7%	-3.7%	-3.8%	-5.4%	-4.6%	-3.8%	-3.1%	-1.8%	0.2%	0.5%	-0.8%
q/q % change	-0.8%	0.4%	-1.7%	-1.7%	-0.9%	-1.3%	-0.8%	-0.8%	-0.2%	0.0%	1.2%	-0.6%	-1.4%
<b>Homeowners</b>	<b>868</b>	<b>865</b>	<b>846</b>	<b>826</b>	<b>815</b>	<b>799</b>	<b>786</b>	<b>773</b>	<b>765</b>	<b>756</b>	<b>749</b>	<b>740</b>	<b>731</b>
y/y % change	-4.9%	-4.2%	-5.3%	-5.8%	-6.1%	-7.6%	-7.1%	-6.4%	-6.1%	-5.4%	-4.7%	-4.3%	-4.4%
q/q % change	-1.0%	-0.3%	-2.2%	-2.4%	-1.3%	-2.0%	-1.6%	-1.7%	-1.0%	-1.2%	-0.9%	-1.2%	-1.2%

Source: Barclays Research, Company Data.

## Commercial Lines - Spotlight on Small Commercial, Rates and Underlying Margins

**Spotlight on Small Commercial.** Management believes Small Commercial is on track to exceed \$5 bn in annual written premiums in the near term (1Q23 print annualized implies \$5.3 bn). In addition, having doubled its E&S premium, HIG is focused on maintaining the E&S growth momentum which has opened up an incremental \$7.5 bn of addressable market.

**Commercial Lines pricing** ex workers' compensation (WC) is re-accelerating slightly to 6.8% in 1Q23 from 6.6% in 4Q22. Looking at Standard Lines (i.e., ex. Global Specialty) and ex WC, pricing was up 8.1%.

**Workers Compensation pricing:** WC pricing remained positive due to higher than expected average wage growth (an exposure than acts like rate). On the rate side, peer WRB mentioned that California WC is showing potential signs of firming, which is ahead of the rest of the market. When asked if HIG was observing the same signs, management said they are "a little more sanguine and cautious" and that they are watching for "green shoots" in CA and other states closely. On the loss trend side, HIG reiterated 5% severity which they think is more conservative than peers. HIG would not quantify loss trends on the frequency side, but it characterized it as an improvement and negative.

**FIGURE 3. HIG Average Pricing Change**

HIG	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Commercial	6.50%	+6.9%	+6.1%	+6.0%	+5.1%	+4.8%	+4.9%	+5.2%	+4.5%
Commercial ex WC	10.80%	9.60%	+8.2%	+8.0%	+7.4%	+6.4%	+6.1%	+6.6%	+6.8%
Standard Commercial Lines (ex. Specialty), ex. WC								+7.9%	+8.1%
Global Specialty					+9.4%	+6.6%	+4.2%	+4.2%	+3.7%
Small Commercial	+2.4%	+3.1%	+3.3%	+3.5%	+3.2%	+3.5%	+4.1%	+4.7%	+3.7%
Middle Market	6.00%	+6.2%	+5.8%	+5.7%	+5.0%	+5.2%	+6.4%	+6.5%	+6.6%
Personal lines - auto	+1.8%	+2.3%	+2.1%	+2.7%	+2.9%	+4.0%	+5.0%	+6.2%	+10.0%
Personal lines - home	+9.4%	+8.5%	+8.1%	+8.1%	+8.8%	+9.0%	+11.8%	+13.3%	+13.9%
Workers Comp	+1.0%	+1.0%	+1.2%	+1.2%	slight decline q/q	Positive, slight decline	Positive, benefiting from wage rate growth	Positive, benefiting from wage rate growth	Positive, benefiting from wage rate growth

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

Source: Barclays Research, Company Data.

**Commercial Lines underlying margin** deteriorated by 0.2 pts y/y and 1.1 pts q/q to 88.5%. HIG is targeting commercial lines underlying combined ratio of 87%-89% in 2023. Broken down by segment:

- **Middle & Large Commercial** underlying combined ratio of 89.9% in 1Q23 improved from 90.2% in 4Q22.
- **Small Commercial** underlying combined ratio at 89.5% in 1Q23 deteriorated from 87.5% in 4Q22.
- **Global Specialty** underlying combined ratio of 85.2% in 1Q23 deteriorated from 83.0% in 4Q22.

## Group Benefits

Core earnings margin of 5.2% in 1Q23 was worse than our estimate of 6.3% and below the full-year 2023 guidance of 6%-7%. 1Q is typically worse for core margins on a seasonal standpoint. Group Benefits loss ratio improved to 75.2% from 82.0% y/y, driven by lower mortality followed by favorable long-term disability incidence. Recall, HIG expects excess mortality losses to improve y/y in 2023 yet stabilize above pre-pandemic levels, and is pricing accordingly.

## Forward-Looking Commentary/Model Updates

- **Net Investment Income (NII).** As discussed with Q422 results, HIG anticipates (1) annualized investment yield ex. LLP (pre-tax) of 3.75% at mid-point in FY2023 (up 50-60 bps from FY2022); and (2) annualized LP returns of 4%-6% in FY2023. Management expects the 2Q23 LP return to land at a similar level to 1Q23 at 2.5%. We increased our estimates for commercial premium growth, in turn we are estimating higher net invested assets and higher NII mostly seen in 2024 and onwards.
- **Personal Lines underlying combined ratio.** Management implied a higher guide for underlying combined ratio in FY2023 than what it shared in February (93%-95%) with the auto loss ratio potentially rising 4 to 6 pts higher than management's target for the full year

is inflation does not abate from 1Q23. We model a more conservative 98.1% in FY2023.

- **Capital Returns:** During 1Q23 HIG repurchased \$350mn of shares (in line with our \$350mn estimate). HIG has \$2.4bn remaining on its board authorized buyback programs through YE24. We are modeling a \$345mn quarterly buyback run-rate.
- **CRE.** HIG has \$6 bn of commercial mortgage loans with 9.6% in office. Management is confident that 2023 and 2024 CRE maturities are manageable.

**We reiterate our Overweight rating on HIG.** Our \$87 price target on HIG is based on a 50/50 weighted 9.5x (unchanged) \$9.54 '24E EPS (was \$9.34) and 1.27x (was 1.3x) 2024E book value per share ex AOCI of \$65.10 (was \$65.47).

## 1Q23 Variance

**Core EPS.** HIG reported 1Q23 core earnings per diluted share of \$1.68, up 1% y/y, which it had pre-announced on April 13 (see our April 14 note [Model Update: 1Q23 Preliminary Results](#)).

**FIGURE 4. 1Q23 Variance Analysis: Consolidated**

Consolidated Results (in \$ mn, except per share data)	Q/Q		Y/Y		Barclays Est.		
	1Q23A	4Q22	% Change	1Q22	% Change	1Q23E	% Var.
Net income avail to common shareholders	\$530	\$587	(9.7%)	\$438	21.0%	\$530	0.1%
Net income per diluted share	\$1.66	\$1.82	(8.6%)	\$1.30	28.1%	\$1.66	0.5%
Core earnings	\$536	\$749	(28.4%)	\$559	(4.1%)	\$536	0.1%
Core earnings per diluted share	\$1.68	\$2.32	(27.5%)	\$1.66	1.5%	\$1.68	(0.2%)
Net investment income	\$515	\$640	(19.5%)	\$509	1.2%	\$515	0.0%
Cat losses	\$185	\$135	37.0%	\$98	88.8%	\$185	0.0%
P&C - Combined ratio	95.7%	98.3%	(263 bps)	90.4%	530 bps	95.5%	17 bps
P&C - Underlying combined ratio	90.4%	89.3%	112 bps	88.5%	195 bps	90.2%	18 bps
Book value per diluted share	\$44.27	\$41.67	6.2%	\$46.36	(4.5%)	\$42.33	4.6%
Book value per diluted share (ex. AOCI)	\$54.55	\$53.66	1.7%	\$51.42	6.1%	\$54.61	(0.1%)
Core Earnings ROE	14.3%	14.5%	(17 bps)	14.8%	(47 bps)	14.3%	2 bps
Share Repurchases	\$350	\$350	0.0%	\$400	(12.5%)	\$350	0.0%

Source: Barclays Research, Company Data.

**FIGURE 5. 1Q23 Variance Analysis: Segments**

Business Results (in \$ mn, expect per share data)	Q/Q			Y/Y		Barclays Est.	
	1Q23A	4Q22	% Change	1Q22	% Change	1Q23E	% Var.
<b>Commercial Lines</b>							
Net written premiums	\$3,109	\$2,733	13.8%	\$2,809	10.7%	\$3,077	1.0%
Underwriting gain (loss)	\$202	\$304	(33.6%)	\$242	16.5%	\$200	1.2%
Underlying underwriting gain	\$317	\$350	(9.4%)	\$290	9.3%	\$316	0.4%
Underlying Loss ratio	56.5%	55.7%	82 bps	56.1%	43 bps	57.1%	(56 bps)
Cat and PYD pts	4.2%	1.7%	250 bps	1.9%	223 bps	4.2%	(9 bps)
Expense ratio	31.7%	31.3%	41 bps	31.9%	(20 bps)	31.1%	67 bps
Policyholder dividends	0.3%	0.3%	(4 bps)	0.3%	(3 bps)	0.3%	(3 bps)
Combined ratio	92.7%	89.0%	368 bps	90.3%	243 bps	92.7%	(0 bps)
Underlying combined ratio	88.5%	87.4%	119 bps	88.3%	20 bps	88.5%	9 bps
<b>Personal Lines</b>							
Net written premiums	\$747	\$695	7.5%	\$707	5.7%	\$727	2.7%
Underwriting gain (loss)	(\$45)	\$7	(742.9%)	\$69	(165.2%)	(\$45)	0.4%
Underlying underwriting gain	\$22	\$29	(24.1%)	\$83	(73.5%)	\$22	(0.8%)
Underlying Loss ratio	70.5%	71.5%	(98 bps)	60.8%	967 bps	69.3%	120 bps
Personal Lines Cat and PYD pts	9.1%	2.9%	615 bps	1.9%	712 bps	9.2%	(15 bps)
Expense ratio	26.5%	24.7%	185 bps	27.6%	(112 bps)	27.7%	(113 bps)
Combined ratio	106.1%	99.1%	702 bps	90.4%	1567 bps	106.2%	(7 bps)
Underlying combined ratio	97.0%	96.2%	87 bps	88.5%	855 bps	97.0%	7 bps
<b>Group Benefits</b>							
Net income	\$92	\$143	(35.7%)	(\$8)	1250.0%	\$103	(10.8%)
Core earnings	\$90	\$144	(37.5%)	\$6	1400.0%	\$104	(13.8%)
Fully insured ongoing premiums (ex. buyout premiums)	\$1,558	\$1,498	4.0%	\$1,445	7.8%	\$1,459	6.8%
Loss ratio	75.2%	73.4%	179 bps	82.1%	(688 bps)	73.6%	158 bps
Expense ratio	24.7%	25.0%	(32 bps)	25.9%	(121 bps)	26.1%	(138 bps)
Net income margin	5.3%	8.4%	(307 bps)	(0.5%)	584 bps	6.3%	(101 bps)
Core earnings margin	5.2%	8.5%	(325 bps)	0.4%	484 bps	6.4%	(120 bps)
<b>Hartford Funds</b>							
Net income	\$41	\$45	(8.9%)	\$42	(2.4%)	\$39	5.8%
Core earnings	\$37	\$39	(5.1%)	\$50	(26.0%)	\$39	(4.5%)
Mutual Fund and ETP net flows	(\$1,179)	(\$3,293)	64.2%	(\$424)	(178.1%)	\$112	(1148.3%)
Total Hartford AUM	\$127,180	\$124,107	2.5%	\$148,046	(14.1%)	\$129,317	(1.7%)

Source: Barclays Research, Company Data.

## Model Summary

**FIGURE 6. Model Summary (pg. 1)**

<b>(\$ in mn, except per share data)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
P&C Net written premiums	11,905	12,949	14,119	15,299	16,399	17,602
<b>P&amp;C Revenues:</b>						
P&C net earned premiums	11,918	12,495	13,520	14,539	15,749	16,886
Fee Income	64	66	69	70	70	70
<b>Total revenues</b>	<b>11,982</b>	<b>12,561</b>	<b>13,589</b>	<b>14,609</b>	<b>15,819</b>	<b>16,956</b>
<b>P&amp;C Expenses:</b>						
Loss & loss adjustment expenses	7,653	8,110	8,613	9,395	10,009	10,717
Amortization of DAC	1,641	1,628	1,793	1,941	2,128	2,300
Underwriting Expenses	2,228	2,330	2,420	2,560	2,837	3,034
Dividends to policyholders	29	24	29	32	36	39
<b>Total expenses</b>	<b>11,551</b>	<b>12,092</b>	<b>12,855</b>	<b>13,927</b>	<b>15,011</b>	<b>16,090</b>
<b>Underwriting Income</b>	<b>431</b>	<b>469</b>	<b>734</b>	<b>682</b>	<b>808</b>	<b>866</b>
P&C Net investment income	1,372	1,734	1,618	1,648	2,039	2,177
Other	(83)	315	(431)	(17)	-	-
<b>P&amp;C Income before income taxes</b>	<b>1,720</b>	<b>2,518</b>	<b>1,921</b>	<b>2,313</b>	<b>2,847</b>	<b>3,043</b>
Income tax expense	314	469	396	448	555	593
<b>P&amp;C Net Income (loss)</b>	<b>1,406</b>	<b>2,049</b>	<b>1,525</b>	<b>1,865</b>	<b>2,292</b>	<b>2,450</b>
Adjustments (incl ATX net realized cap gain/(loss))	(313)	36	(522)	(18)	-	-
<b>P&amp;C Core Earnings</b>	<b>\$1,719</b>	<b>\$2,013</b>	<b>\$2,047</b>	<b>\$1,883</b>	<b>\$2,292</b>	<b>\$2,450</b>
<b>Core earnings Per Share</b>	<b>\$5.78</b>	<b>\$6.17</b>	<b>\$7.58</b>	<b>\$7.55</b>	<b>\$9.54</b>	<b>\$10.93</b>
<b>Shares</b>						
Wtd Average Diluted Shares Outstanding	360.6	354.1	329.5	311.6	292.7	274.2

Source: Barclays Research, Company Data.

**FIGURE 7. Model Summary (pg. 2)**

<b>(\$ in mn, except per share data)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b><u>Capital deployment</u></b>						
Assumed Repurchase Price Per Share	\$56	\$65	\$70	\$73	\$74	\$76
Shares Repurchased (in mn)	2.7	26.3	22.3	19.0	18.7	18.2
Dollar Amount Repurchased (in \$ mn)	150	1,702	1,550	1,385	1,380	1,380
Dividends Per Share	\$1.30	\$1.44	\$1.55	\$1.64	\$1.80	\$2.04
Shareholder dividends (in \$ mn)	466	501	503	503	519	551
Total capital returned	616	2,203	2,053	1,888	1,899	1,931
Total capital returned as % normalized earnings	30%	102%	82%	80%	68%	64%
<b><u>Other statistics</u></b>						
Effective Tax Rate	18.3%	18.6%	20.6%	19.4%	19.5%	19.5%
Catastrophe losses (P/T)	606	664	649	805	807	859
Prior year reserve development (fav)/unfav (P/T)	(136)	199	36	(88)	26	68
<b><u>Shareholders' Equity and Returns on Capital</u></b>						
Common stockholders' equity ex AOCI	17,052	17,337	17,183	17,557	18,446	19,507
Total stockholders' equity ex AOCI	17,386	17,671	17,517	17,891	18,780	19,841
Book value per diluted share ex AOCI	\$47.16	\$50.86	\$53.66	\$58.13	\$65.10	\$73.58
Core Earnings ROE	12.7%	12.5%	14.5%	13.5%	15.5%	15.8%
<b><u>Underwriting Margins - P&amp;C</u></b>						
Loss ratio	64.2%	64.9%	63.7%	64.6%	63.6%	63.5%
Expense ratio	31.9%	31.1%	30.7%	30.5%	31.1%	31.2%
Policyholder dividends	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Total P&C Combined ratio	96.4%	96.2%	94.6%	95.3%	94.9%	94.9%
<b><u>Underlying Combined Ratio</u></b>						
Catastrophe loss CR pts	5.1%	5.3%	4.8%	5.5%	5.1%	5.1%
Prior year reserve development CR pts	-1.1%	1.6%	0.3%	-0.6%	0.2%	0.4%
Underlying P&C Combined Ratio	92.4%	89.3%	89.5%	90.4%	89.6%	89.4%

Source: Barclays Research, Company Data.

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**Primary Stocks (Ticker, Date, Price)**

**The Hartford Financial Services Group, Inc.** (HIG, 28-Apr-2023, USD 70.99), Overweight/Positive, CD/CE/E/J/K/L/M

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

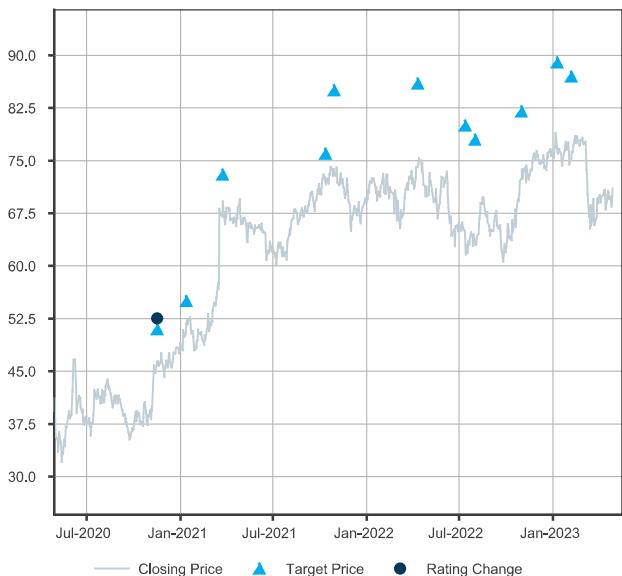
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

**USD 70.99** (28-Apr-2023)

### Rating and Price Target Chart - USD (as of 28-Apr-2023)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
06-Feb-2023	74.77		87.00
09-Jan-2023	78.90		89.00
31-Oct-2022	72.16		82.00
01-Aug-2022	64.47		78.00
13-Jul-2022	64.93		80.00
11-Apr-2022	74.13		86.00
29-Oct-2021	72.93		85.00
12-Oct-2021	71.96		76.00
24-Mar-2021	67.05		73.00
12-Jan-2021	51.86		55.00
16-Nov-2020	46.34	Overweight	51.00

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