The Hartford Financial Services Group, Inc.

2Q23 Earnings Review: Auto pressure persists

| CORE

HIG needs back-to-back years of about 20 pts of auto rate increases in '23 and '24 to achieve targeted profitability in early '25. The commercial pricing vs "stable" loss trend commentary points to margin expansion. Earned premiums in 2H should benefit from rate compounding.

We have been cautious about auto for 3 years. We think HIG is being realistic about the need to take greater rate in auto through '23 and '24. However, we are concerned that some regulators will experience fatigue, we are already seeing that in smaller states like GA and NC. The industry just has not been tested under a sticky inflationary environment so prior playbooks (i.e., 2015-2017) just do not work. HIG cited both sticky inflation pressures on physical damage as well as cautious views on bodily injury. Our view of the industry approaching rate adequacy for auto is late '24 (a tad earlier than HIG's early '25.) However, HIG's balanced business mix and niche type of focus on AARP means it is less weighted on auto.

Auto underlying combined ratio was 111.8%, up 11.8 pts y/y and was 5 pts above HIG's revised expectations shared on the 1Q earnings call (~4 - 6 points pressure on the FY2023 auto loss ratio if inflation doesn't abate). The 111.8% underlying auto combined ratio also includes 3 pts of inter-quarter adjustments (on 1Q). HIG is seeing a higher than anticipated number of large bodily injury and uninsured motorist claims.

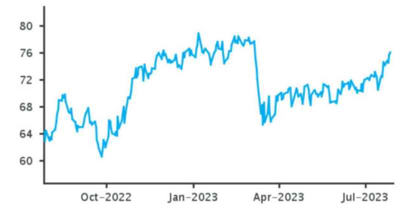
We don't consider HIG an outlier on PFAS as the company tends to write smaller policies. However, it is less comforting that older policies do not have explicit PFAS exclusions. HIG has a $256mn limit remaining on its A&E ADC with BRK which could cover the pollution portion but not the bodily injury piece of PFAS. However, in our 4Q22 earnings note we wrote that HIG could see some ADC recovery in 2024 with full gross A&E losses materializing in core earnings starting in 2025. However, we think HIG has a buffer in its WC reserves that could fortify its reserve position. We held an expert webinar on PFAS (Replay & Takeaways: Expert Meeting Emerging Risk and Mass Litigation Toll 22 June 2023). While this risk is not new, in our view, it is a risk that may be shifting from "emerging" to "emerged" and industry insured losses could be larger than asbestos (which was $100-130bn according to Milliman).

"Stable" loss cost trends is a longer term view: Medical severity trends have been lower than the 5% per its pricing/reserving assumptions. At the same time HIG is including variables that it may not be seeing as much today but is considered in long term trends like social inflation, propelled by litigation financing, in its reserves. We are not expecting the loss cost environment to

HIG	OVERWEIGHT Unchanged
U.S. Insurance/Non-Life	POSITIVE Unchanged
Price Target	USD 83.00 lowered -5% from USD 87.00
Price (27-Jul-23)	USD 76.07
Potential Upside/Downside	+9.1%
Market Cap (USD mn)	23263
Shares Outstanding (mn)	305.82
Free Float (%)	99.54
52 Wk Avg Daily Volume (mn)	1.8
Dividend Yield (%)	2.23
Return on Equity TTM (%)	12.75
Current BVPS (USD)	44.89

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 79.44-60.17



Source: IDC
Link to Barclays Live for interactive charting

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continue to be stable going forward; there will likely be new catalysts for the industry to push for further rate increases.

Elevated Non-Cat Losses within Commercial and $5mn of losses in run-off lines, aviation, and international added 0.5 points to the underlying combined ratio of 88.3%. HIG experienced worse non-cat losses within small commercial somewhat offset by more favorable non-cat losses within Middle & Large Commercial.

HIG: Quarterly and Annual EPS (USD)

	2022	2023			2024			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2023	2024
Q1	1.66A	1.68A	1.68A	1.68A	2.42E	2.23E	2.37E	1%	33%
Q2	2.16A	1.70E	1.88A	1.90A	2.29E	2.12E	2.34E	-13%	13%
Q3	1.45A	1.91E	1.86E	2.01E	2.47E	2.25E	2.38E	28%	21%
Q4	2.32A	2.32E	2.20E	2.41E	2.39E	2.20E	2.61E	-5%	0%
Year	7.58A	7.60E	7.60E	7.94E	9.56E	8.81E	9.67E	0.26%	16%
P/E	10.0		10.0			8.6			

Consensus numbers are from Bloomberg received on 28-Jul-2023; 12:50 GMT
Source: Barclays Research

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

The Hartford Financial Services Group, Inc. (HIG)

OVERWEIGHT

Income statement ($mn)	2022A	2023E	2024E	2025E	CAGR
Net premiums earned	13,520	14,673	15,788	16,925	7.8%
Net investment income (NII)	2,177.0	2,137.7	2,563.9	2,737.1	7.9%
Underwriting income	734	697	656	806	3.2%
Operating income	2,496	2,366	2,573	2,845	4.5%
Net income	1,819	2,334	2,593	2,865	16.4%
Effective tax rate (%)	20.6	19.3	19.5	19.5	-1.8%
Combined ratio (%)	94.6	95.2	95.8	95.2	0.2%
Combined ratio (ex cats & py development) (%)	89.5	90.5	90.6	89.8	0.1%
Per share data ($)	**2022A**	**2023E**	**2024E**	**2025E**	**CAGR**
EPS (adj)	7.58	7.60	8.81	10.40	11.1%
EPS (reported)	5.46	7.44	8.81	10.40	24.0%
DPS	1.55	1.75	1.96	2.13	11.2%
BVPS	41.67	46.71	52.00	58.94	12.3%
BVPS (ex AOCI)	53.66	58.40	64.47	72.26	10.4%
Diluted shares (mn)	329.5	311.1	292.1	273.6	-6.0%
Balance sheet and capital return ($mn)	**2022A**	**2023E**	**2024E**	**2025E**	**CAGR**
Total investments	52,560	54,456	57,151	60,231	4.6%
Common shareholders' equity (ex AOCI)	17,183	17,604	18,227	19,114	3.6%
Share buybacks	1,550	1,390	1,380	1,380	-3.8%
Dividends paid	503	537	566	574	4.5%
Balance sheet and capital return metrics	**2022A**	**2023E**	**2024E**	**2025E**	**Average**
Debt leverage (%)	24.2	23.2	22.5	21.5	22.8
Financial leverage (%)	26.0	25.0	24.2	23.1	24.6
Total capital return as a % of op. earnings	82.3	81.5	75.6	68.7	77.0
Valuation metrics	**2022A**	**2023E**	**2024E**	**2025E**	**Average**
P/BV (ex AOCI) (x)	1.42	1.30	1.18	1.05	1.24
P/E (adj) (x)	10.0	10.0	8.6	7.3	9.0
Dividend yield (%)	2.0	2.3	2.6	2.8	2.4
ROE (%)	10.2	13.1	14.1	15.0	13.1

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (27-Jul-2023)	**USD 76.07**
Price Target	**USD 83.00**

Why OVERWEIGHT?

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. 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 and improving group benefits margins. Our upside case is ~1.5x '24 BVPS ex AOCI.

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 and recessionary pressures. Our downside case is 1.0x '24 BVPS ex AOCI.

Upside/Downside scenarios

Personal Lines - Rates, Underlying Margins, and PIF

Auto rates. In 2Q23, auto written price increases were 13.8% (up from 9.9% last quarter). HIG mentioned it needs back-to-back years of about 20 pts of auto rate increases in ‘23 and ‘24 to achieve targeted profitability in early ‘25. 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 deteriorated sequentially to 111.8% in 2Q23 from 105.1% in 1Q23, and deteriorated vs. 100% in 2Q22. The auto underlying combined ratio for 2Q was 5 pts above HIG’s revised expectations shared on the 1Q earnings call (~4 - 6 points pressure on the FY2023 auto loss ratio if inflation doesn’t abate.) Likewise, the 111.8% underlying auto combined ratio also includes 3 pts of inter-quarter adjustments (on 1Q). HIG is seeing a higher than anticipated number of large bodily injury and uninsured motorist claims.

Homeowners rates. HIG continues to push for rate with a 14.4% written rate increase in 2Q23 (up from 13.9% last quarter) that is the combination of higher rate and inflation guard. HIG believes its homeowners pricing is better than lost trends.

Homeowners underlying combined ratio was within HIG’s expectations but deteriorated to 79.6% in 2Q23 from 78.9% in 1Q23 though improved from 82.0% in 2Q22.

The underlying loss ratio for **Personal Lines** increased to76.1% in 2Q23 from 70.5% in 1Q23 and 65.7% in 2Q22. The expense ratio improved by 2.7 pts y/y due to lower marketing spend.

Policies in Force (PIF) slightly down. PIF declined (1.4)% q/q for Auto (vs. down 1.4% q/q last quarter) and (1.1)% for Homeowners (down 1.2% q/q last quarter). Auto policy count retention for auto increased sequentially (86% in 2Q23 vs. 85% for 1Q23) despite price increases, which may mean that HIG could be charging even more for auto. IR explained to us the inverse movement between PIF growth and retention is explained by less new business. We view this PIF decline in auto positively as it means HIG is not actively growing a loss leading LOB.

FIGURE 1. Auto and homeowners PIF

Policies in Force (in thousands)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Auto	**1,410**	**1,416**	**1,392**	**1,369**	**1,357**	**1,339**	**1,328**	**1,317**	**1,315**	**1,315**	**1,331**	**1,323**	**1,305**	**1,287**
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%*	*-2.1%*
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%*	*-1.4%*
Homeowners	**868**	**865**	**846**	**826**	**815**	**799**	**786**	**773**	**765**	**756**	**749**	**740**	**731**	**723**
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%*	*-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%*	*-1.1%*

Source: Barclays Research, Company Data.

Commercial Lines - Spotlight on Rates and Underlying Margins

The commercial pricing vs "stable" loss trend commentary points to margin expansion. Earned premiums in 2H should benefit from rate compounding. Next, business mix should improve margins as HIG is expecting property to become a larger piece. Lastly, HIG is forecasting a better expense ratio in 2H23.

Commercial underlying combined ratio of 88.3% in 2Q23 includes 0.5 pts of less trendable items (non-cat, aviation losses, run-off, etc.) If we normalize that piece, HIG's underlying commercial combined ratio improved ~80 bps sequentially.

Commercial Lines pricing ex workers' compensation (WC) is re-accelerating slightly to 7.5% in 2Q23 from 6.8% in 1Q23 and 6.6% in 4Q22. Property pricing was well into the double digits with commercial auto in the high single digits. WC pricing remained slightly positive while public D&O pricing remains challenged.

FIGURE 2. **HIG Average Pricing Change**

HIG	4Q19	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Commercial	+3.6%	6.50%	+6.9%	+6.1%	+6.0%	+5.2%	+4.6%	+4.9%	+4.9%	+4.5%	+5.2%
Commercial ex WC	+6.7%	10.80%	9.60%	+8.2%	+8.0%	+7.2%	+6.1%	+6.1%	+6.4%	+6.8%	+7.5%
Global Specialty						+9.4%	+6.6%	+4.2%	+4.2%	+3.7%	+4.6%
Small Commercial	+2.1%	+2.4%	+3.1%	+3.3%	+3.5%	+3.2%	+3.5%	+4.1%	+4.7%	+3.7%	+4.2%
Middle Market	+5.7%	6.00%	+6.2%	+5.8%	+5.7%	+5%	+5.2%	+6.4%	+6.5%	+6.6%	+7.6%
Personal lines - auto	+3.8%	+1.8%	+2.3%	+2.1%	+2.7%	+2.9%	+4%	+5%	+6.2%	+10%	+13.8%
Personal lines - home	+5.1%	+9.4%	+8.5%	+8.1%	+8.1%	+8.8%	+9%	+11.8%	+13.3%	+13.9%	+14.4%
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.	Slightly Positive

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 Lloyd's Syndicate 1221 delegates underwriting authority to cover holders and other third parties
Source: Barclays Research, Company Data.

Commercial Lines underlying combined ratio of 88.3% (0.2 point improvement q/q and 0.2 point deterioration y/y) is at the middle of management's full-year 2023 guidance range of 87%-89%. Within commercial, small commercial underlying combined ratio is now higher than middle & large and global specialty. Middle & large commercial benefited from favorable non-cat. Broken down by segment:

- **Middle & Large Commercial** underlying combined ratio of 89.7% in 2Q23 improved from 89.9% in 1Q23.
- **Small Commercial** underlying combined ratio at 89.7% in 2Q23 deteriorated from 89.5% in 1Q23.
- **Global Specialty** underlying combined ratio of 85.0% in 2Q23 improved from 85.2% in 1Q23.

Group Benefits

Core earnings margin of 7.6% is better than our estimate of 7.1% and ahead of the company's 6%-7% target range for 2023. Group Benefits loss ratio deteriorated to 72.1% from 70.1% y/y. Group life loss ratio deteriorated to 84.1% from 78.6% y/y; recall in 2Q22 HIG released $24mn of IBNR. Recall, HIG expects excess mortality losses to improve y/y in 2023 yet stabilize above pre-pandemic levels, and is pricing accordingly.

1H23 vs. FY2023 Target Financial Plan

We track 1H23 progression against full-year 2023 guidance:

- HIG's personal lines underlying CR of 99.4% in 1H23. In April, management implied a higher guide for underlying combined ratio in FY2023 than what it shared in February (of 93%-95%) with the auto loss ratio potentially rising 4 to 6 pts higher than management's target for the full year.
- Commercial lines underlying CR of 88.4% in 1H23 was at the high end of the 2023 guide of 87%-89%.
- Group Benefits core earnings margin for 1H23 came in at 6.4%, in line with the company's 6%-7% target range for 2023.
- Core ROE of 13.6% vs. management's 14-15% target for 2023. We forecast 13.6% for 2023 and 14.4% for 2024. HIG reiterated meeting its target this year.

FIGURE 3. **HIG Targets vs. Barclays Estimates**

HIG Outlook	2022 Actual	1H23 Actual	2023E Outlook Range Shared in Feb '23			2023E Barclays	2024E Barclays
Core ROE	14.5%	13.6%	14%	-	15%	13.6%	14.4%
Portfolio Yield (ex LLP and Alternatives)	3.2%	3.9%	+50 bps	to	+60 bps	3.81%	4.03%
LLP and Alternatives: Portfolio Yield	14.4%	2.7%	4%	-	6%	4%	9%
Key Business Metrics							
Commercial Lines							
CR	90.2%	91.9%	90.5%	-	92.5%	91.5%	93.4%
Underlying CR	88.3%	88.4%	87.0%	-	89.0%	88.0%	88.6%
Personal Lines							
CR*	100.3%	110.5%	100.5%	-	102.5%	109.5%	106.4%
Underlying CR*	93.7%	99.4%	93.0%	-	95.0%	100.2%	99.1%
Group Benefits							
Core earnings margin	6.5%	6.4%	6.0%	-	7.0%	6.9%	6.9%
P&C CAY Cat ratio	4.8%	5.7%	4.2%			5.4%	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.

Forward-Looking Commentary/Model Updates

- HIG reiterated meeting its 14-15% ROE for 2023. We are modeling 13.6% amid auto pressures.
- Private equity returns resilient, on track to achieve full year target of 4-6%.
- Commercial Lines earned premiums to increase 2H23 from rate compounding. Likewise commercial lines expense ratio to improve in 2H23.
- **Auto.** HIG mentioned it needs back-to-back years of about 20 pts of auto rate increases in '23 and '24 to achieve targeted profitability in early '25.
- Office CML: During 2Q two loans were fully repaid for ~$90mn. HIG believes 2H23 & FY2024 maturities are manageable.

We reiterate our Overweight rating on HIG. Our $83 (from $87) price target on HIG is based on a 50/50 weighted 9.5x (unchanged) '24E EPS and 1.3x (unchanged) 2024E book value per share ex AOCI. We lowered our estimates on personal auto performance, somewhat tempered by an improved outlook on commercial underlying margin expansion.

Q23 Variance

Core EPS. Operating EPS of $1.88 beat our $1.70 estimate and consensus estimate of $1.83.

FIGURE 4. **2Q23 Variance Analysis: Consolidated**

Consolidated Results (in $ mn, expect per share data)		Q/Q		Y/Y		Barclays Est.	
	2Q23A	1Q23	% Change	2Q22	% Change	2Q23E	% Var.
Net income avail to common shareholders	$542	$530	2.3%	$439	23.5%	$438	23.8%
Net income per diluted share	$1.73	$1.66	4.0%	$1.32	30.8%	$1.39	24.1%
Core earnings	$588	$536	9.7%	$716	(17.9%)	$534	10.1%
Core earnings per diluted share	$1.88	$1.68	11.7%	$2.16	(12.9%)	$1.70	10.6%
Net investment income	$540	$515	4.9%	$541	(0.2%)	$519	4.0%
Cat losses	$226	$185	22.2%	$123	83.7%	$245	(7.6%)
P&C - Combined ratio	96.2%	95.7%	51 bps	91.4%	482 bps	96.5%	(28 bps)
P&C - Underlying combined ratio	91.1%	90.4%	69 bps	89.4%	167 bps	90.5%	56 bps
Book value per diluted share	$44.43	$44.27	0.4%	$42.21	5.3%	$44.84	(0.9%)
Book value per diluted share (ex. AOCI)	$55.76	$54.55	2.2%	$52.12	7.0%	$55.28	0.9%
Core Earnings ROE	13.6%	14.3%	(70 bps)	14.0%	(40 bps)	13.3%	27 bps
Share Repurchases	$350	$350	0.0%	$450	(22.2%)	$345	1.4%

Source: Barclays Research, Company Data.

FIGURE 5. **2Q23 Variance Analysis: Segments**

Business Results (in $ mn, expect per share data)	Q/Q			Y/Y		Barclays Est.	
	2Q23A	1Q23	% Change	2Q22	% Change	2Q23E	% Var.
Commercial Lines							
Net written premiums	$3,177	$3,109	2.2%	$2,836	12.0%	$3,111	2.1%
Underwriting gain (loss)	$254	$202	25.7%	$333	23.7%	$193	31.6%
Underlying underwriting gain	$339	$317	6.9%	$312	8.7%	$338	0.3%
Underlying Loss ratio	56.8%	56.5%	26 bps	56.1%	70 bps	57.0%	(20 bps)
Cat and PYD pts	3.0%	4.2%	(116 bps)	(0.8%)	380 bps	5.0%	(200 bps)
Expense ratio	31.3%	31.7%	(44 bps)	31.7%	(40 bps)	31.1%	25 bps
Policyholder dividends	0.2%	0.3%	(5 bps)	0.3%	(7 bps)	0.3%	(8 bps)
Combined ratio	91.2%	92.7%	(150 bps)	87.3%	393 bps	93.3%	(213 bps)
Underlying combined ratio	88.3%	88.5%	(24 bps)	88.1%	23 bps	88.3%	(3 bps)
Personal Lines							
Net written premiums	$802	$747	7.4%	$756	6.1%	$773	3.7%
Underwriting gain (loss)	($113)	($45)	151.1%	($13)	769.2%	($65)	73.3%
Underlying underwriting gain	($13)	$22	(159.1%)	$43	(130.2%)	$6	(329.6%)
Underlying Loss ratio	76.1%	70.5%	560 bps	65.7%	1040 bps	71.5%	460 bps
Personal Lines Cat and PYD pts	13.6%	9.1%	453 bps	7.7%	589 bps	9.7%	394 bps
Expense ratio	25.7%	26.5%	(82 bps)	28.4%	(267 bps)	27.7%	(203 bps)
Combined ratio	114.9%	106.1%	881 bps	101.8%	1311 bps	108.9%	601 bps
Underlying combined ratio	101.7%	97.0%	468 bps	94.1%	762 bps	99.2%	247 bps
Group Benefits							
Net income	$121	$92	31.5%	$106	(14.2%)	$123	(1.5%)
Core earnings	$133	$90	47.8%	$163	(18.4%)	$124	7.1%
Fully insured ongoing premiums (ex. buyout premiums)	$1,574	$1,558	1.0%	$1,469	7.1%	$1,572	0.1%
Loss ratio	72.1%	75.2%	(310 bps)	70.1%	203 bps	73.2%	(110 bps)
Expense ratio	24.5%	24.7%	(21 bps)	25.5%	(96 bps)	25.2%	(69 bps)
Net income margin	7.0%	5.3%	166 bps	6.7%	28 bps	7.0%	(4 bps)
Core earnings margin	7.6%	5.2%	238 bps	9.8%	(220 bps)	7.1%	49 bps
Hartford Funds							
Net income	$45	$41	9.8%	$34	32.4%	$45	(0.6%)
Core earnings	$44	$37	18.9%	$44	0.0%	$45	(2.8%)
Mutual Fund and ETP net flows	($1,256)	($1,179)	(6.5%)	($2,011)	37.5%	$116	(1187.4%)
Total Hartford AUM	$129,906	$127,180	2.1%	$127,398	2.0%	$130,285	(0.3%)

Source: Barclays Research, Company Data.

Model Summary

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

($ in mn, except per share data)	2020	2021	2022	2023E	2024E	2025E
P&C Net written premiums	11,905	12,949	14,119	15,455	16,682	17,889
P&C Revenues:						
P&C net earned premiums	11,918	12,495	13,520	14,673	15,788	16,925
Fee Income	64	66	69	70	70	70
Total revenues	**11,982**	**12,561**	**13,589**	**14,743**	**15,858**	**16,995**
P&C Expenses:						
Loss & loss adjustment expenses	7,653	8,110	8,613	9,481	10,183	10,798
Amortization of DAC	1,641	1,628	1,793	1,971	2,139	2,311
Underwriting Expenses	2,228	2,330	2,420	2,563	2,845	3,042
Dividends to policyholders	29	24	29	31	36	39
Total expenses	**11,551**	**12,092**	**12,855**	**14,045**	**15,202**	**16,189**
Underwriting Income	**431**	**469**	**734**	**697**	**656**	**806**
P&C Net investment income	1,372	1,734	1,618	1,621	1,929	2,059
Other	(83)	315	(431)	(67)	-	-
P&C Income before income taxes	**1,720**	**2,518**	**1,921**	**2,252**	**2,585**	**2,866**
Income tax expense	314	469	396	434	504	559
P&C Net Income (loss)	1,406	2,049	1,525	1,818	2,081	2,307
Adjustments (incl ATX net realized cap gain/(loss))	(313)	36	(522)	(57)	-	-
P&C Core Earnings	**$1,719**	**$2,013**	**$2,047**	**$1,875**	**$2,081**	**$2,307**
Core earnings Per Share	**$5.78**	**$6.17**	**$7.58**	**$7.60**	**$8.81**	**$10.40**
Shares						
Wtd Average Diluted Shares Outstanding	360.6	354.1	329.5	311.1	292.1	273.6

Source: Barclays Research, Company Data.

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

($ in mn, except per share data)	2020	2021	2022	2023E	2024E	2025E
Capital deployment						
Assumed Repurchase Price Per Share	$56	$65	$70	$72	$74	$76
Shares Repurchased (in mn)	2.7	26.3	22.3	19.3	18.7	18.2
Dollar Amount Repurchased (in $ mn)	150	1,702	1,550	1,390	1,380	1,380
Dividends Per Share	$1.30	$1.44	$1.55	$1.75	$1.96	$2.13
Shareholder dividends (in $ mn)	466	501	503	537	566	574
Total capital returned	616	2,203	2,053	1,927	1,946	1,954
Total capital returned as % normalized earnings	30%	102%	82%	81%	76%	69%
Other statistics						
Effective Tax Rate	18.3%	18.6%	20.6%	19.3%	19.5%	19.5%
Catastrophe losses (P/T)	606	664	649	793	809	860
Prior year reserve development (fav)/unfav (P/T)	(136)	199	36	(99)	25	67
Shareholders' Equity and Returns on Capital						
Common stockholders' equity ex AOCI	17,052	17,337	17,183	17,604	18,227	19,114
Total stockholders' equity ex AOCI	17,386	17,671	17,517	17,938	18,561	19,448
Book value per diluted share ex AOCI	$47.16	$50.86	$53.66	$58.40	$64.47	$72.26
Core Earnings ROE	12.7%	12.5%	14.5%	13.6%	14.4%	15.2%
Underwriting Margins - P&C						
Loss ratio	64.2%	64.9%	63.7%	64.6%	64.5%	63.8%
Expense ratio	31.9%	31.1%	30.7%	30.4%	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%	95.2%	95.8%	95.2%
Underlying Combined Ratio						
Catastrophe loss CR pts	5.1%	5.3%	4.8%	5.4%	5.1%	5.1%
Prior year reserve development CR pts	-1.1%	1.6%	0.3%	-0.7%	0.2%	0.4%
Underlying P&C Combined Ratio	92.4%	89.3%	89.5%	90.5%	90.6%	89.8%

Source: Barclays Research, Company Data.

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Primary Stocks (Ticker, Date, Price)
The Hartford Financial Services Group, Inc. (HIG, 27-Jul-2023, USD 76.07), Overweight/Positive, CD/CE/E/J/K/L/M

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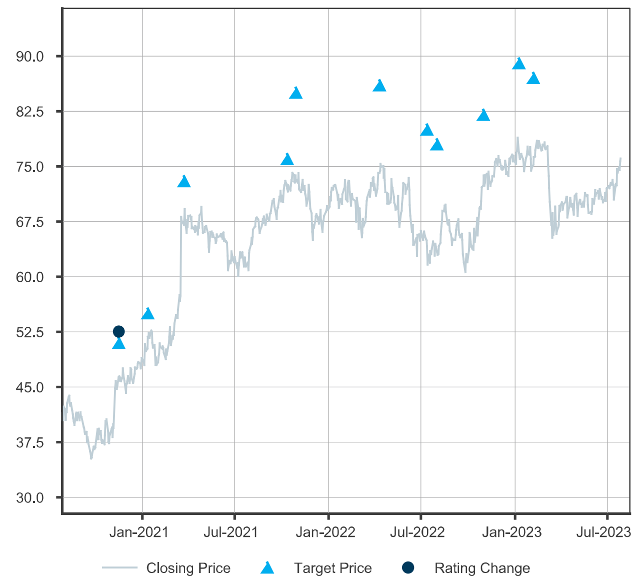
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **USD 76.07** (27-Jul-2023)

Rating and Price Target Chart - USD (as of 27-Jul-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

Source: Bloomberg, Barclays Research

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