

The Hartford Financial Services Group, Inc.

## 3Q23 Earnings Review: Best in class commercial underlying loss ratio

Group benefits record quarterly core earnings. Best in class commercial underlying loss ratio of 57.1% (3.5pts and 4.0pts better than TRV and CB, respectively) & commercial ex WC pricing remains above loss trends. While auto continues to be a drag on results, we saw q/q improvements and a near 20% increase in pricing.

Our key focus is on overall profitability. We expect continued improvements in underlying margin expansion (HIG believes commercial ex WC pricing remains on top of lost cost trends), especially as HIG grows property writings where we think rate is more robust than other lines. Still, we anticipate a slightly higher cat load from commercial property growth, less favorable PYD as WC margins erode over time and its A&E ADC limits beginning to exhaust (some recovery in 4Q24 and no recovery in 4Q25.) Still, auto robust rate increases are encouraging (will take longer to earn in on 12 month policies) and group disability is a standout. Likewise, NII continues to grow, especially from higher premium leverage. PT to \$85.

**Loss Cost Trends:** On the WC side, medical severity trends have been lower than the 5% per its pricing/reserving assumptions. We are expecting the loss cost environment to moderately worsen going forward; there will likely be new catalysts for the industry to push for further rate increases.

**Profitable growth areas:** 1.) Commercial property to approach \$2.5bn of premiums this year, we estimate representing ~20% of total commercial premiums. HIG's underweight position in commercial property and its YTD catastrophe loss experience below its market share makes increased catastrophe exposure manageable. Still, we are raising our estimated cat load slightly. 2.) Small commercial premiums to approach \$5bn in FY23, a 9% increase y/y. Within small commercial, E&S premiums to near \$200mn for FY23, while serving as a boost is not at scale in our view. Small commercial underlying combined ratio reached a trough at 83.9% back in 3Q21, has risen in recent quarters standing at 89.7% in 3Q23, although still strong. 3.) Group benefits ongoing premium growth of 8% driven by strong persistency, new business, and higher exposures.

**Middle Market** NPW up 5% y/y, a slower pace than 8% commercial NPW growth y/y. While exposure growth is positive, it is less robust than in 1H23, as seen by audit premiums. Middle market may become a more competitive environment (i.e. CB grew NPW 16.3% in middle market in 3Q y/y). HIG's discipline is intact as middle market & large commercial underlying

| CORE

HIG	<b>OVERWEIGHT</b>
	Unchanged
U.S. Insurance/Non-Life	<b>POSITIVE</b>
	Unchanged
Price Target	<b>USD 85.00</b>
	raised 2% from USD 83.00
Price (27-Oct-23)	<b>USD 70.41</b>
Potential Upside/Downside	<b>+20.7%</b>
Market Cap (USD mn)	<b>21177</b>
Shares Outstanding (mn)	<b>300.77</b>
Free Float (%)	<b>99.56</b>
52 Wk Avg Daily Volume (mn)	<b>1.7</b>
Dividend Yield (%)	<b>2.67</b>
Return on Equity TTM (%)	<b>14.37</b>
Current BVPS (USD)	<b>44.96</b>

Source: Bloomberg



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

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

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combined ratio is at 88.1% (improved 5.6 pts y/y) and is better than small commercial at 89.7% (although middle & large margins had benefited from favorable property losses.)

Favorable PYD of \$43mn mostly driven by WC and package releases somewhat offset by GL. On the latter, HIG is not seeing anything indicative of a new trend, a couple of large umbrella losses and one large national account spread over several years. TRV and CB also took GL reserve charges in the 3Q print. HIG conducts its asbestos review every 4Q. 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. (We are modeling \$120mn of net adverse PYD in 4Q24 and \$169mn in 4Q25, respectively.) We think HIG has a buffer in its WC reserves that could fortify its reserve position.

#### 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	1.68A	1.68A	1.68A	2.23E	2.30E	2.31E	1%	37%
Q2	2.16A	1.88A	1.88A	1.90A	2.12E	2.25E	2.33E	-13%	20%
Q3	1.45A	1.86E	2.29A	2.29A	2.25E	2.37E	2.40E	58%	3%
Q4	2.32A	2.20E	2.31E	2.31E	2.20E	2.26E	2.58E	-0.43%	-2%
Year	7.58A	7.60E	8.14E	7.92E	8.81E	9.19E	9.60E	7%	13%
P/E	9.3		8.7			7.7			

Consensus numbers are from Bloomberg received on 27-Oct-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 (27-Oct-2023)	USD 70.41
Net premiums earned	13,520	14,673	15,736	16,855	7.6%	Price Target	USD 85.00
Net investment income (NII)	2,177.0	2,248.9	2,606.4	2,757.5	8.2%	<b>Why OVERWEIGHT?</b>	
Underwriting income	734	750	725	658	-3.6%	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.	
Operating income	2,496	2,534	2,686	2,795	3.8%	<b>Upside case</b> 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.	USD 95.00
Net income	1,819	2,441	2,710	2,819	15.7%		
Effective tax rate (%)	20.6	19.3	19.5	19.5	-1.8%		
Combined ratio (%)	94.6	94.9	95.4	96.1	0.5%		
Combined ratio (ex cats & py development) (%)	89.5	90.6	89.9	89.8	0.1%		
<b>Per share data (\$)</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>CAGR</b>		
EPS (adj)	7.58	8.14	9.19	10.22	10.5%	<b>Downside case</b> 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.	USD 65.00
EPS (reported)	5.46	7.77	9.19	10.22	23.3%		
DPS	1.59	1.76	1.93	2.10	9.7%		
BVPS	41.67	44.89	50.50	57.19	11.1%		
BVPS (ex AOCI)	53.66	58.73	65.27	73.00	10.8%		
Diluted shares (mn)	329.5	311.3	292.3	273.5	-6.0%		
<b>Balance sheet and capital return (\$mn)</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>CAGR</b>		
Total investments	52,560	53,732	56,396	59,443	4.2%		
Common shareholders' equity (ex AOCI)	17,183	17,733	18,460	19,285	3.9%		
Share buybacks	1,550	1,400	1,400	1,400	-3.3%		
Dividends paid	516	539	555	565	3.1%		
<b>Balance sheet and capital return metrics</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>Average</b>		
Debt leverage (%)	24.2	23.9	23.0	22.0	23.3		
Financial leverage (%)	26.0	25.7	24.7	23.7	25.0		
Total capital return as a % of op. earnings	82.8	76.5	72.8	70.3	75.6		
<b>Valuation metrics</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>Average</b>		
P/BV (ex AOCI) (x)	1.31	1.20	1.08	0.96	1.14		
P/E (adj) (x)	9.3	8.7	7.7	6.9	8.2		
Dividend yield (%)	2.3	2.5	2.7	3.0	2.6		
ROE (%)	10.2	13.6	14.6	14.6	13.2		



Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

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

**Auto rates.** HIG achieved auto pricing increases of 19.7% in 3Q23 (from 13.7% in 2Q23) and expect similar rate increases in 4Q. HIG reiterated achieving 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** improved sequentially to 108.5% in 3Q23 from 111.8% in 2Q23, although deteriorated vs. 102.6% in 3Q22. While auto is a drag on results, HIG's balanced business mix and niche type of focus on AARP means it is less weighted on auto.

**Homeowners rates.** HIG continues to push for rate with a 14.1% written rate increase in 3Q23 (down from 14.4% 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 improving to 78.1% in 3Q23 from 79.6% in 2Q23 and improved from 80.4% in 3Q22.

The underlying loss ratio for **Personal Lines** decreased to 74.7% in 3Q23 from 76.1% in 2Q23, although up from 70.5% in 1Q23 and 68.8% in 3Q22. The expense ratio improved by 2.9 pts y/y due to lower marketing spend.

**Policies in Force (PIF) slightly down.** PIF declined (1.3)% q/q for Auto (vs. down 1.4% q/q last quarter) and (1.5)% for Homeowners (down 1.1% q/q last quarter). 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**

		<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>2Q23</b>	<b>3Q23</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>1,311</b>	<b>1,331</b>	<b>1,323</b>	<b>1,305</b>	<b>1,287</b>	<b>1,270</b>	
y/y % change	-5.1%	-3.3%	-3.7%	-3.7%	-3.8%	-4.6%	-5.4%	-5.4%	-3.8%	-3.1%	-1.8%	0.2%	0.5%	-0.8%	-2.1%	-4.6%	
q/q % change	-0.8%	0.4%	-1.7%	-1.7%	-0.9%	-1.3%	-0.8%	-0.8%	-0.8%	-0.2%	0.0%	1.2%	-0.6%	-1.4%	-1.4%	-1.3%	
<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>	<b>723</b>	<b>712</b>	
y/y % change	-4.9%	-4.2%	-5.3%	-5.8%	-6.1%	-7.6%	-7.1%	-7.1%	-6.4%	-6.1%	-5.4%	-4.7%	-4.3%	-4.4%	-4.4%	-4.9%	
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%	-1.2%	-1.1%	-1.5%	

Source: Barclays Research, Company Data.

## Commercial Lines - Spotlight on Rates and Underlying Margins

**Commercial Lines pricing** ex workers' compensation (WC) is accelerating slightly to 8.0% in 3Q23 from 7.5% in 2Q23 and 6.8% in 1Q23. Commercial lines pricing inc. Property pricing is up 14% while commercial auto and GL is approaching double digits. WC pricing remained slightly positive while public D&O pricing remains challenged. While WC pricing pressures persist, HIG is expecting continued improvements from frequency trends. Medical severity is performing better than HIG's loss picks.

**FIGURE 2. HIG Average Pricing Change**

HIG	4Q19	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
Commercial	+3.6%	6.50%	+6.9%	+6.1%	+6.0%	+5.2%	+4.6%	+4.9%	+4.9%	+4.5%	+5.2%	+5.4%
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%	+8.0%
Global Specialty						+9.4%	+6.6%	+4.2%	+4.2%	+3.7%	+4.6%	+3.9%
Small Commercial	+2.1%	+2.4%	+3.1%	+3.3%	+3.5%	+3.2%	+3.5%	+4.1%	+4.7%	+3.7%	+4.2%	+4.5%
Middle Market	+5.7%	6.00%	+6.2%	+5.8%	+5.7%	+5%	+5.2%	+6.4%	+6.5%	+6.6%	+7.6%	+7.6%
Personal lines - auto	+3.8%	+1.8%	+2.3%	+2.1%	+2.7%	+2.9%	+4%	+5%	+6.2%	+10%	+13.8%	+19.7%
Personal lines - home	+5.1%	+9.4%	+8.5%	+8.1%	+8.1%	+8.8%	+9%	+11.8%	+13.3%	+13.9%	+14.4%	+14.1%
Workers Comp	+1.0%	+1.0%	+1.2%	+1.2%	slight decline q/q	slight decline q/q	Positive, slight decline	Positive, slight decline	Positive, benefiting from wage rate growth.	Positive, benefiting from wage rate growth.	Slightly Positive	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 87.8% (0.5 point improvement q/q and 1.5 point deterioration y/y) is at the middle of management's full-year 2023 guidance range of 87%-89%. Broken down by segment:

- **Middle & Large Commercial** underlying combined ratio of 88.1% in 3Q23 improved by 5.6 pts y/y.
- **Small Commercial** underlying combined ratio at 89.7% in 3Q23 deteriorated 1.2pts y/y.
- **Global Specialty** underlying combined ratio of 84.3% in 3Q23 improved 0.2pts y/y. Property pricing has been >20% YTD, and international casualty is >10%.

**Outlook:** Business mix is shifting, with more commercial property writings we may see improved underlying margins in our view, though cat loads should increase somewhat.

## Best in Class Commercial Underlying Loss Ratio

FIGURE 3. HIG underlying commercial loss ratio better than peers but expense ratio is lagging

Ratios	HIG	TRV	vs HIG	CB	vs HIG
Underlying combined ratio	87.8%	89.7%	-1.9%	81.1%	6.7%
Underlying Loss Ratio	57.1%	60.6%	-3.5%	61.1%	-4.0%
Expense Ratio	30.7%	29.1%	1.6%	20.3%	10.4%

TRV division: Business Insurance, CB division: NA Commercial Lines

Source: Barclays Research, Co. Reports

## Group Benefits

Core earnings margin of 9.8% is better than our estimate of 7.3% and ahead of the company's 6%-7% target range for 2023. Group Benefits total loss ratio improved to 70.2% in 3Q23 from 72.8% in 3Q22. Group life loss ratio improved to 80.2% from 83.1% y/y improving reflecting mortality trends though remaining above pre-pandemic levels. Group disability loss ratio improved to 67.3% in 3Q23 from 68.4% in 3Q22 reflecting historically low long-term disability incidence trends and favorable claim recoveries.

## YTD3Q23 vs. FY2023 Target Financial Plan

We track YTD3Q23 progression against full-year 2023 guidance:

- HIG's personal lines underlying CR of 99.3% in YTD3Q23. 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 88.2% in YTD3Q23 was at the high end of the 2023 guide of 87%-89%.
- Group Benefits core earnings margin for YTD3Q23 came in at 7.6%, above the company's 6%-7% target range for 2023.
- Core ROE of 14.9% vs. management's 14-15% target for 2023. We forecast 14.5% for 2023 and 14.8% for 2024.

**FIGURE 4. HIG Targets vs. Barclays Estimates**

HIG Outlook	2022 Actual	3Q23 Actual	2023E Outlook Range Shared in Feb '23			2023E Barclays	2024E Barclays
Core ROE	14.5%	14.9%	14%	-	15%	14.5%	14.8%
Portfolio Yield (ex LLP and Alternatives)	3.2%	4.1%	+50 bps	to	+60 bps	4.03%	4.28%
LLP and Alternatives: Portfolio Yield	14.4%	6.3%	4%	-	6%	4.5%	9.0%
<b>Key Business Metrics</b>							
Commercial Lines							
CR	90.2%	90.2%	90.5%	-	92.5%	91.0%	92.8%
Underlying CR	88.3%	87.8%	87.0%	-	89.0%	88.1%	87.7%
Personal Lines							
CR*	100.3%	107.9%	100.5%	-	102.5%	109.5%	106.4%
Underlying CR*	93.7%	99.0%	93.0%	-	95.0%	100.0%	99.1%
Group Benefits							
Core earnings margin	6.5%	9.8%	6.0%	-	7.0%	7.8%	7.2%
P&C CAY Cat ratio	4.8%	4.9%	4.2%			5.1%	5.3%

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

- Small commercial premiums to approach \$5bn in FY23, a 9% increase y/y. Within small commercial, E&S premiums to near \$200mn for FY23.
- Commercial property premiums approaching \$2.5bn for FY23 or a 25% y/y increase. As such, we raised our commercial at load expectations by 25bps in our forecast period.
- Commercial ex WC pricing remains on top of lost cost trends, reinforcing HIG's confidence of achieving margin expansion for 2023.
- Personal auto pricing increases of nearly 20% in 3Q - should continue in 4Q. In 4Q, HIG expects to achieve auto new business rate adequacy in over half the states, representing two-thirds of new business premium. HIG reiterated achieving auto profitability by 2025.

- Personal lines seasonality: Auto underlying combined ratio in 4Q tends to be 6-8 pts worse than YTD3Q, conversely, homeowners underlying combined ratio in 4Q tends to be 5-6 pts better than YTD3Q.
- HIG expects FY23 yield ex LPs to be 80bps better than FY22; FY24 should be 25bps better than FY23.
- Buybacks: \$350mn in 4Q23E, same as 3Q23.
- HIG reiterated meeting its 14-15% ROE for 2023. We forecast 14.5% for 2023 and 14.8% for 2024.

**We reiterate our Overweight rating on HIG.** Our \$85 (up from \$83) 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.

## 3Q23 Variance

**Core EPS.** Operating EPS of \$2.29 beat our \$1.86 estimate and beat consensus estimate of \$1.97, driven by better catastrophe losses, NII and core group benefits margin vs. our estimates.

**FIGURE 5. 3Q23 Variance Analysis: Consolidated**

<b>Consolidated Results</b> <b>(in \$ mn, except per share data)</b>	<b>Q/Q</b>		<b>Y/Y</b>		<b>Barclays Est.</b>		
	<b>3Q23A</b>	<b>2Q23</b>	<b>% Change</b>	<b>3Q22</b>	<b>% Change</b>	<b>3Q23E</b>	<b>% Var.</b>
Net income avail to common shareholders	\$645	\$542	19.0%	\$334	93.1%	\$572	12.7%
Net income per diluted share	\$2.09	\$1.73	20.8%	\$1.02	104.2%	\$1.85	12.7%
Core earnings	\$708	\$588	20.4%	\$472	50.0%	\$572	23.7%
Core earnings per diluted share	\$2.29	\$1.88	22.0%	\$1.45	58.3%	\$1.85	23.5%
Net investment income	\$597	\$540	10.6%	\$487	22.6%	\$532	12.3%
Cat losses	\$184	\$226	(18.6%)	\$293	(37.2%)	\$238	(22.8%)
P&C - Combined ratio	94.0%	96.2%	(224 bps)	97.7%	(371 bps)	95.8%	(183 bps)
P&C - Underlying combined ratio	90.3%	91.1%	(81 bps)	90.8%	(46 bps)	90.2%	7 bps
Book value per diluted share	\$43.50	\$44.43	(2.1%)	\$38.99	11.6%	\$45.38	(4.1%)
Book value per diluted share (ex. AOCI)	\$57.12	\$55.76	2.4%	\$52.63	8.5%	\$56.89	0.4%
Core Earnings ROE	14.9%	13.6%	130 bps	14.3%	60 bps	14.2%	71 bps
Share Repurchases	\$350	\$350	0.0%	\$350	0.0%	\$345	1.4%

Source: Barclays Research, Company Data.

**FIGURE 6. 3Q23 Variance Analysis: Segments**

Business Results (in \$ mn, expect per share data)	Q/Q			Y/Y		Barclays Est.	
	3Q23A	2Q23	% Change	3Q22	% Change	3Q23E	% Var.
<b>Commercial Lines</b>							
Net written premiums	\$3,003	\$3,177	(5.5%)	\$2,780	8.0%	\$3,049	(1.5%)
Underwriting gain (loss)	\$290	\$254	14.2%	\$153	(89.5%)	\$221	31.4%
Underlying underwriting gain	\$359	\$339	5.9%	\$290	23.8%	\$370	(2.9%)
Underlying Loss ratio	56.6%	56.8%	(16 bps)	57.5%	(93 bps)	56.3%	34 bps
Cat and PYD pts	2.3%	2.9%	(65 bps)	5.1%	(277 bps)	5.0%	(270 bps)
Expense ratio	30.7%	31.3%	(55 bps)	31.5%	(78 bps)	31.1%	(36 bps)
Policyholder dividends	0.5%	0.2%	26 bps	0.3%	24 bps	0.3%	22 bps
Combined ratio	90.2%	91.2%	(100 bps)	94.3%	(414 bps)	92.6%	(240 bps)
Underlying combined ratio	87.8%	88.3%	(45 bps)	89.3%	(147 bps)	87.6%	20 bps
<b>Personal Lines</b>							
Net written premiums	\$869	\$802	8.4%	\$803	8.2%	\$843	3.1%
Underwriting gain (loss)	(\$62)	(\$113)	(45.1%)	(\$72)	(13.9%)	(\$65)	(5.1%)
Underlying underwriting gain	\$8	(\$13)	161.5%	\$31	(74.2%)	(\$6)	132.7%
Underlying Loss ratio	74.7%	76.1%	(135 bps)	68.8%	594 bps	73.1%	160 bps
Personal Lines Cat and PYD pts	8.9%	13.2%	(426 bps)	13.8%	(485 bps)	8.0%	90 bps
Expense ratio	24.2%	25.7%	(146 bps)	27.1%	(290 bps)	27.7%	(351 bps)
Combined ratio	107.9%	114.9%	(697 bps)	109.6%	(171 bps)	108.8%	(91 bps)
Underlying combined ratio	99.0%	101.7%	(271 bps)	95.9%	314 bps	100.8%	(181 bps)
<b>Group Benefits</b>							
Net income	\$146	\$121	20.7%	\$86	(69.8%)	\$124	18.1%
Core earnings	\$170	\$133	27.8%	\$117	45.3%	\$125	36.1%
Fully insured ongoing premiums (ex. buyout premiums)	\$1,569	\$1,574	(0.3%)	\$1,458	7.6%	\$1,545	1.5%
Loss ratio	70.2%	72.1%	(189 bps)	72.9%	(267 bps)	73.3%	(308 bps)
Expense ratio	24.0%	25.0%	(103 bps)	25.4%	(141 bps)	24.9%	(87 bps)
Net income margin	8.5%	7.0%	148 bps	5.4%	307 bps	7.2%	131 bps
Core earnings margin	9.8%	7.7%	209 bps	7.4%	241 bps	7.3%	254 bps
<b>Hartford Funds</b>							
Net income	\$41	\$45	(8.9%)	\$41	0.0%	\$46	(11.0%)
Core earnings	\$45	\$44	2.3%	\$47	(4.3%)	\$46	(2.3%)
Mutual Fund and ETP net flows	(\$1,629)	(\$1,256)	(29.7%)	(\$2,223)	26.7%	\$118	(1479.3%)
Total Hartford AUM	\$128,786	\$129,906	(0.9%)	\$117,827	9.3%	\$131,982	(2.4%)

Source: Barclays Research, Company Data.

## Model Summary

**FIGURE 7. 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	15,452	16,803	18,123
<b>P&amp;C Revenues:</b>						
P&C net earned premiums	11,918	12,495	13,520	14,673	15,736	16,855
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>14,743</b>	<b>15,806</b>	<b>16,925</b>
<b>P&amp;C Expenses:</b>						
Loss & loss adjustment expenses	7,653	8,110	8,613	9,457	10,194	11,023
Amortization of DAC	1,641	1,628	1,793	1,987	2,129	2,300
Underwriting Expenses	2,228	2,330	2,420	2,511	2,722	2,905
Dividends to policyholders	29	24	29	39	36	39
<b>Total expenses</b>	<b>11,551</b>	<b>12,092</b>	<b>12,855</b>	<b>13,993</b>	<b>15,081</b>	<b>16,267</b>
<b>Underwriting Income</b>	<b>431</b>	<b>469</b>	<b>734</b>	<b>750</b>	<b>725</b>	<b>658</b>
P&C Net investment income	1,372	1,734	1,618	1,716	1,961	2,075
Other	(83)	315	(431)	(107)	-	-
<b>P&amp;C Income before income taxes</b>	<b>1,720</b>	<b>2,518</b>	<b>1,921</b>	<b>2,359</b>	<b>2,686</b>	<b>2,732</b>
Income tax expense	314	469	396	456	524	533
<b>P&amp;C Net Income (loss)</b>	<b>1,406</b>	<b>2,049</b>	<b>1,525</b>	<b>1,903</b>	<b>2,162</b>	<b>2,199</b>
Adjustments (incl ATX net realized cap gain/(loss))	(313)	36	(522)	(86)	-	-
<b>P&amp;C Core Earnings</b>	<b>\$1,719</b>	<b>\$2,013</b>	<b>\$2,047</b>	<b>\$1,989</b>	<b>\$2,162</b>	<b>\$2,199</b>
<b>Core earnings Per Share</b>	<b>\$5.78</b>	<b>\$6.17</b>	<b>\$7.58</b>	<b>\$8.14</b>	<b>\$9.19</b>	<b>\$10.22</b>
<b>Shares</b>						
Wtd Average Diluted Shares Outstanding	360.6	354.1	329.5	311.3	292.3	273.5

Source: Barclays Research, Company Data.

FIGURE 8. Model Summary (pg. 2)

(\$ in mn, except per share data)	2020	2021	2022	2023E	2024E	2025E
<b>Capital deployment</b>						
Assumed Repurchase Price Per Share	\$56	\$65	\$70	\$72	\$73	\$75
Shares Repurchased (in mn)	2.7	26.3	22.3	19.5	19.1	18.6
Dollar Amount Repurchased (in \$ mn)	150	1,702	1,550	1,400	1,400	1,400
Dividends Per Share	\$1.30	\$1.44	\$1.59	\$1.76	\$1.93	\$2.10
Shareholder dividends (in \$ mn)	466	501	516	539	555	565
Total capital returned	616	2,203	2,066	1,939	1,955	1,965
Total capital returned as % normalized earnings	30%	102%	83%	77%	73%	70%
<b>Other statistics</b>						
Effective Tax Rate	18.3%	18.6%	20.6%	19.3%	19.5%	19.5%
Catastrophe losses (P/T)	606	664	649	746	839	893
Prior year reserve development (fav)/unfav (P/T)	(136)	199	36	(112)	25	169
<b>Shareholders' Equity and Returns on Capital</b>						
Common stockholders' equity ex AOCI	17,052	17,337	17,183	17,733	18,460	19,285
Total stockholders' equity ex AOCI	17,386	17,671	17,517	18,067	18,794	19,619
Book value per diluted share ex AOCI	\$47.16	\$50.86	\$53.66	\$58.73	\$65.27	\$73.00
Core Earnings ROE	12.7%	12.5%	14.5%	14.5%	14.8%	14.8%
<b>Underwriting Margins - P&amp;C</b>						
Loss ratio	64.2%	64.9%	63.7%	64.4%	64.8%	65.4%
Expense ratio	31.9%	31.1%	30.7%	30.2%	30.4%	30.5%
Policyholder dividends	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%
Total P&C Combined ratio	96.4%	96.2%	94.6%	94.9%	95.4%	96.1%
<b>Underlying Combined Ratio</b>						
Catastrophe loss CR pts	5.1%	5.3%	4.8%	5.1%	5.3%	5.3%
Prior year reserve development CR pts	-1.1%	1.6%	0.3%	-0.8%	0.2%	1.0%
Underlying P&C Combined Ratio	92.4%	89.3%	89.5%	90.6%	89.9%	89.8%

Source: Barclays Research, Company Data.

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

**The Hartford Financial Services Group, Inc.** (HIG, 27-Oct-2023, USD 70.41), Overweight/Positive, CD/CE/E/J/K/L/M

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

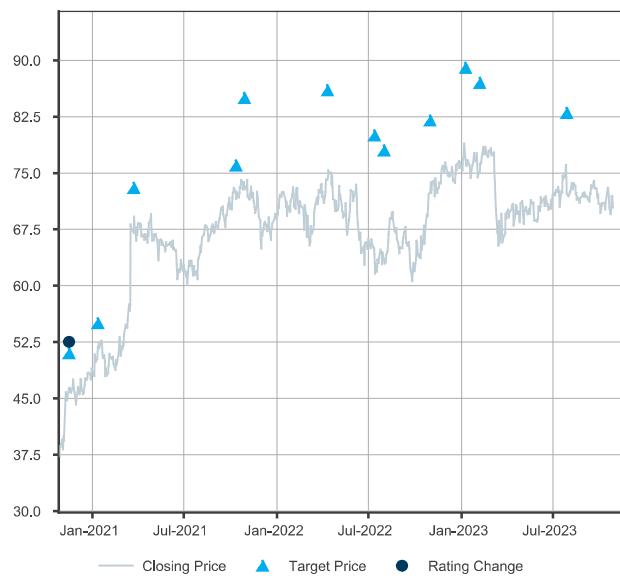
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **USD 70.41** (27-Oct-2023)

### Rating and Price Target Chart - USD (as of 27-Oct-2023)

Currency=USD



Source: IDC, Barclays Research

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

Publication Date	Closing Price*	Rating	Adjusted Price Target
28-Jul-2023	76.07		83.00
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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