BARCLAYS

Equity Research

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

29 July 2021

The Hartford Financial Services Group, Inc.

2Q EPS: As Good As It Gets?

Our first glance at the 2Q print showed higher NII, NPW growth and margin expansion all working together. Which begs the question: **is this as good as it gets?** Our take, **not yet but we are mindful that GDP growth moderation could temper the premium growth trajectory**. Still, management has done a nice job enhancing its franchise value as seen in the print and should have some staying power even when macro tailwinds taper off. We question how 'transitory' CPI type of inflation will be for P/C insurers bottom line. It will also take some time to assess the conservatism of HIG's accident year loss picks and higher pace of reserve releases. HIG attributed higher auto frequency trends, still below pre-pandemic levels, but unlike others it was silent on auto severity. We think bad driving habits were established during the pandemic. There is a lot riding on HIG's ultimate BSA payout to resemble the $650mn settlement that looks like may not hold up (disclosure approval hearing on Aug 12), otherwise we question if HIG's capital returns could be minimized. Still, it may take many years for the ultimate insurance payout to materialize conceivably beyond the time stamp of its current share repurchase authorization. We also think HIG has a greater ability to return capital relative to its peers who hold rating agency capital at a higher benchmark. HIG's financial plan is ambitious given some dependence on tailwinds, even so, our estimate updates are getting closer to HIG's targets given our growing conviction on management execution.

Workers Compensation – Positive Rate Contributor (+1%): HIG signaled it will learn more in the next 30-60 days how bureaus will treat 2020 pandemic trends on 2022 loss cost filings (see link: *NCCI*). Outside viewing a pandemic as catastrophe-like, the big debate is how regulators will perceive last year's WC frequency tailwind as it formulates indicated rate needs.

We reiterate our Overweight rating on HIG and maintain our $73 price target reflecting a 50/50 weighting of 11.2x our '22E EPS of $6.77 (from $6.58) and 1.3x our '22E BVPS ex AOCI of $54.5 (from $54.2). Our former valuation was based on 11.5x our '22E EPS and 1.3x our '22E BVPS ex AOCI.

HIG: Quarterly and Annual EPS (USD)

	2020	2021			2022			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2021	2022
Q1	1.34A	0.56A	0.56A	0.56A	1.63E	1.65E	1.71E	-58%	195%
Q2	1.22A	1.29E	2.33A	2.33A	1.51E	1.54E	1.58E	91%	-34%
Q3	1.46A	1.42E	1.48E	1.38E	1.65E	1.69E	1.66E	1%	14%
Q4	1.76A	1.59E	1.72E	1.60E	1.81E	1.90E	1.86E	-2%	10%
Year	5.78A	4.84E	6.01E	5.06E	6.58E	6.77E	6.77E	4%	13%
P/E	10.9		10.5			9.3			

Source: Barclays Research.

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

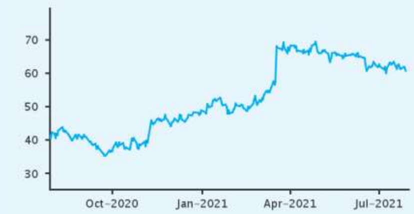
Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 73.00 Unchanged

Price (29-Jul-2021)	USD 63.21
Potential Upside/Downside	+15.5%
Tickers	HIG

Market Cap (USD mn)	21946
Shares Outstanding (mn)	347.19
Free Float (%)	99.59
52 Wk Avg Daily Volume (mn)	2.5
Dividend Yield (%)	2.21
Return on Equity TTM (%)	12.29
Current BVPS (USD)	51.32

Source: Bloomberg

Price Performance	Exchange-NYSE
52 Week range	USD 69.94-34.69



Source: IDC; Link to Barclays Live for interactive charting

U.S. Insurance/Non-Life

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

The Hartford Financial Services Group, Inc. (HIG)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2020A	2021E	2022E	2023E	CAGR
Net premiums earned	11,918	12,250	12,595	12,817	2.5%
Net investment income (NII)	1,846.0	1,997.2	1,885.0	1,988.9	2.5%
Underwriting income	431	715	880	977	31.4%
Operating income	2,086	2,126	2,265	2,434	5.3%
Net income	1,737	2,248	2,285	2,454	12.2%
Effective tax rate (%)	18.3	18.8	19.5	19.5	2.2%
Combined ratio (%)	96.4	94.2	93.0	92.4	-1.4%
Combined ratio (ex cats & py development) (%)	92.4	89.5	88.8	88.2	-1.6%

Per share data ($)					CAGR
EPS (adj)	5.78	6.01	6.77	7.59	9.5%
EPS (reported)	4.76	6.29	6.77	7.59	16.8%
DPS	1.30	1.40	1.51	1.62	7.7%
BVPS	50.39	52.11	56.24	61.62	6.9%
BVPS (ex AOCI)	47.16	50.45	54.50	59.81	8.2%

Balance sheet and capital return ($mn)					CAGR
Total investments	56,532	58,385	61,775	65,451	5.0%
Common shareholders' equity (ex AOCI)	17,052	17,236	17,846	18,765	3.2%
Share buybacks	150	1,500	1,000	1,000	88.2%
Dividends paid	466	489	497	513	3.3%

Balance sheet and capital return metrics					Average
Debt leverage (%)	19.0	19.4	18.8	18.1	18.8
Financial leverage (%)	20.5	20.8	20.3	19.5	20.3
Total capital return as a % of op. earnings	29.5	93.6	66.1	62.1	62.8

Valuation metrics					Average
P/BV (ex AOCI) (x)	1.34	1.25	1.16	1.06	1.20
P/E (adj) (x)	10.9	10.5	9.3	8.3	9.8
Dividend yield (%)	2.1	2.2	2.4	2.6	2.3
ROE (%)	10.2	12.7	12.7	13.1	12.2

Price (29-Jul-2021)	**USD 63.21**
Price Target	**USD 73.00**

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 80.00**

Our upside case of $80 reflects stronger than expected underwriting margin expansion and commercial P&C pricing levels. $80 reflects the weighted average of ~12x '22E EPS.

Downside case **USD 52.00**

Our downside case of $52 assumes unsuccessful underwriting margin expansion and expense savings as well as slowdown in the commercial P&C renewal rate environment. $52 reflects the weighted average of ~8x '22E EPS.

Upside/Downside scenarios

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

Growth & Margin Expansion

We are not seeing a consistent story with rates; standard commercial rate increased 4% in 2Q21, up from 3.6% in 1Q21 yet down from 4.2% in 4Q20. HIG's small commercial workers compensation pricing was directionally more positive this quarter. On an ex-WC basis, we can better see the rate moderation trend. Besides WC, NPW growth was most evident in small commercial package business (benefit from next gen Spectrum product), general liability, U.S. wholesale, U.S. financial lines and global reinsurance. See Figure 1 for rate trend.

PIF retention rates were mixed with Middle markets retention creeping up to 82% in 2Q21, from 80% in 1Q21, and 77% in 4Q20. Alternatively, small commercial retention has levelled off to 86% in both 2Q21 and 1Q21, from 84% in 4Q20.

Workers Compensation – Positive Rate Contributor (+1%): HIG signalled it will learn more in the next 30-60 days how bureaus will treat 2020 pandemic trends on 2022 loss cost filings (see link: *NCCI*). Our read is that COVID-19 will be treated as a catastrophe and excluded from underlying loss cost trends from Nov 21-Aug 22. NCCI also separately announced lower COVID-19 related claims than expectations. NCCI was silent on how they would treat the WC frequency tailwind in 2020.

FIGURE 1

HIG Average Pricing Change

HIG	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Standard Commercial	+3.6%	+4.4%	+3.9%	+4.1%	+4.2%	+3.6%	+4%
Standard Commercial ex WC	+6.7%	+8.0%	+8.2%	+8.6%	+8.4%	+7.1%	+6.6%
US Global Specialty	+12.0%	+11.4%	+19.2%	+20.5%	+18.5%	+15.5%	+11.4%
International Global Specialty			+47.4%	+53.3%	+48.8%	+26.6%	+23.8%
Small Commercial	+2.1%	+2.1%	+1.8%	+1.3%	+2.0%	+2.3%	+2.9%
Small Commercial ex WC	+5.6%	+6.0%	+6.3%	+6.3%	+6.0%	+5.5%	+5.4%
Middle Market	+5.7%	+7.2%	+7.4%	+7.6%	+7.3%	+6.2%	+6.1%
Middle Market ex WC	+7.9%	+9.4%	+10.3%	+10.3%	+10.9%	+9.3%	+8.2%
Personal lines - auto	+3.8%	+3.1%	+2.5%	+2.2%	+1.8%	+1.8%	+2.3%
Personal lines - home	+5.1%	+4.8%	+5.1%	+7.2%	+8.7%	+9.4%	+8.6%
Workers Comp							+1.0%

Source: Barclays Research, Company Data.

P&C premiums growth in commercial lines better than expected

P&C net written premiums were $3,254mn (12.1% y/y) vs. our estimate of $3,017mn (+4%) on higher than expected commercial ($2,494mn vs. our estimate of $2,263mn) and personal ($760mn vs. our estimate of $754mn). Middle markets retention is creeping up to 82% in 2Q21, from 80% in 1Q21, and 77% in 4Q20. Likewise, small commercial retention has leveled off to 86% in both 2Q21 and 1Q21, from 84% in 4Q20.

- **SME Market: Standard or E&S starting point?** The key debate is as new businesses open up will these new businesses need to shop at the E&S market for a couple of years before making their way into the standard market? Therefore, could there may be a lagged growth effect for SME writers? HIG commented that it has an E&S platform from Navigators to take advantage of E&S like new business at the smaller end of the market or may have capabilities on its own platform.

- **PIF growth in personal lines – on the margin**: We think HIG's ongoing rollout of its personal lines auto and home product is worth watching, though early contributions may be on the margin. The products are now available in Arizona and Illinois with 7 additional states coming online by year-end. The 10-year extension (details *here*) of the auto and home insurance program between HIG and AARP positioned HIG to make a long-term investment in modernizing product and improving user experience in a growing demographic. PIF growth directly stemming from the product modernization isn't likely to materialize until beyond 2022 when the product is more broadly rolled out across the country.

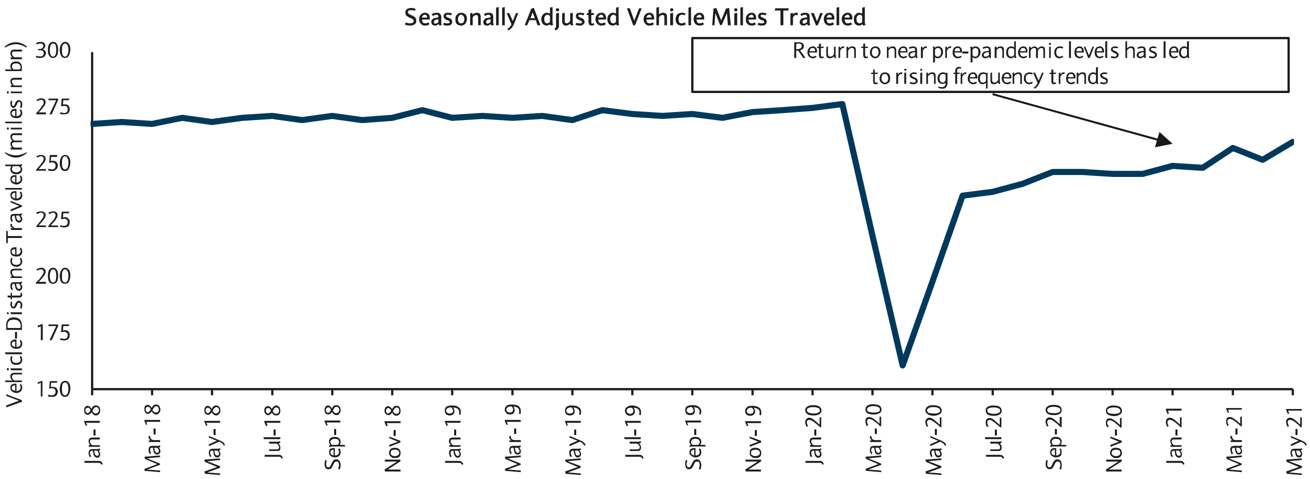
Auto Lost Trends – Noticeable Frequency Uptick Silent on Severity

Underlying Personal Lines loss ratio increased by 9.3 point to 60.6%. HIG attributes 6.2pts on its loss ratio to higher auto frequency trends. Higher building costs on the homeowners side contributed 2.7 points on the loss ratio.

Vehicle miles driven (Figure 2) **is approaching pre-pandemic levels**, an indicator of auto frequency trends. Quarter to date, we have evidence from PGR (*June '21: Harder Pricing in Sight?, 7/15/21*), TRV (*2Q21 Review: Dissecting Loss Trends, 7/20/21*) and now HIG of elevated underlying auto loss ratios. We expect HIG's personal lines underlying loss ratio to revert to the mid-60s, which is in line with pre-pandemic historical trend.

FIGURE 2

Vehicle miles driven approaching pre-pandemic levels



Source: Barclays Research, Company Data.

HIG's senior demographic might be more insulated than the general population from higher auto frequency trends based on historical miles driven by age group (Figure 3). (Less driving like going to Church, grocery store, etc.). HIG was silent on auto severity experience while others acknowledged it was taking a toll post pandemic. It may be tougher to ask a senior to pay more for auto insurance. If the industry is beginning to raise auto rates, would HIG lag behind as it did the last time we saw auto rate hardening in 2015-2017.

FIGURE 3

Average Annual Miles per Driver by Age Group

Age	Male	Female	Total
16-19	8,206	6,873	7,624
20-34	17,976	12,004	15,098
35-54	18,858	11,464	15,291
55-64	15,859	7,780	11,972
65+	10,304	4,785	7,646
Average	16,550	10,142	13,476

Source: US Department of Transportation.

Note: The data presented above was last modified on the US Department of Transportation's website as of March 29, 2018.

Group Benefits – Turning a Corner?

Group benefits business was a positive contributor to earnings in 2Q, a nice reprise from its 1Q21 drag. Group benefits core margin of 9.5% trended higher than management's '21 range of 3.7-4.7%, (including COVID) and 6-7% range (ex-COVID). HIG is still seeing excess mortality from younger claimants with higher face values (MET said this in 1Q) but is benefiting from favorable disability and elevated NII. We had expected lower excess mortality and short-term disability, but the quarter's results beat our expectations with a 71.4% loss ratio relative to our 78.5% estimates.

Boy Scout Association

In the 10Q, HIG mentioned that it thinks $650mn is the right number but there are risks. There is a lot riding on HIG approaching its ambitious 13-14% ROE target by 2022-2023. With less BSA finality, future capital needs could impede HIG's $2.5bn buyback goalpost, which we view was partly a defense measure to a takeout story. Even so, we think it could take years for the industry to come to terms with the ultimate BSA insurable payout.

Our Take on HIG's Financial Target Plan

Financial plan is ambitious given some dependence on tailwinds: Key tenets include the worse of COVID-19 in the rear view mirror, near-term economic recovery including rapidly improving unemployment rates that will disproportionately benefit small businesses, rising interest rates and continued P&C price firming. Even so, our estimate updates are getting closer to HIG's financial targets given our growing conviction on management execution. Our ROE outlook is 12.9% (+30bps) in '22 and 13.3% (+10bps) in '23, compared to management's target of 13-14% in 2022 and 2023.

We got a few nuggets of information on HIG's forward looking performance relative to its financial plan on the 2Q21 earnings call:

- **COVID-19 related claims evolving; excess mortality should continue improving through remainder of 2021:** Excess mortality primarily caused by direct and indirect impacts from COVID-19 claims fell in 2Q vs. 1Q. Worth noting is that as the pandemic has evolved, so has the average age of its COVID-19 claimants – younger age cohorts being impacted carry higher face amounts and have increased HIG's average COVID-19 claim severity relative to earlier periods in the pandemic. Variant strains and the unvaccinated particularly among younger age cohorts remain COVID-19 related risks worth monitoring on the path back to normalcy.

- **Commercial Lines top line growth target reiterated but 3Q and 4Q won't look like 2Q21:** We're modelling ~4.5% y/y net written premium growth per quarter from 3Q21-4Q22. Worth noting that HIG has grown more bullish since 1Q on its 4-5% written premium multi-year CAGR target in commercial lines through 2022. We don't expect 2Q21 growth to repeat in 3Q or 4Q, but this is primarily related to 2Q20 being a weak comp and GDP growth moderation.

- **Hartford Next plan tracking:** No change to expected expense savings targets (below). We expect expense savings coming from its Hartford Next Plan to drive the P&C expense ratio slightly below 30% by YE22.

  - 2021E: $390mn (current)
  - 2022E: $540mn (current)
  - 2023E: $625mn (current)

We still seek more clarity where expense savings are coming from with the Hartford Next plan vs. lower operating costs recognized during shelter in place.

- **Capital deployment – our view of timing**: We expect HIG's $2.5bn repurchase authorization to be more heavily weighted toward the near term with $1.5bn in 2021 and $1.0bn in 2022. HIG has ~$1.7bn remaining after repurchasing $116mn from July 1, 2021 through July 27, 2021. Funding buybacks is a combination of holding company resources of $1.7bn as of June 30, 2021. HIG expects subsidiary dividends to range from $725mn to $900mn during the 2nd half of 2021.

FIGURE 4

HIG Targets vs. Barclays Estimates

HIG Outlook Key Business Metrics	2020 Actual	2021E Outlook Range	2021E Barclays	2021E Outlook Range ex COVID	2022E Outlook Range	2022E Barclays	2023E Barclays
Commercial Lines Underlying CR	95.5%	90.0% - 92.0%	90.0%	88.5% - 90.5%	86.5% - 88.5%	88.1%	87.4%
Personal Lines Underlying CR	83.1%	87.0% - 89.0%	87.9%		90.9%	90.9%	90.5%
Group Benefits Core Earnings Margin	6.4%	3.7% - 4.7%	5.6%	6.0% - 7.0%	6.0% - 7.0%	7.0%	7.3%
Core ROE	12.7%	N/A N/A	12.4%	N/A N/A	13.0% - 14.0%	12.9%	13.3%
Share Repurchases		$1.5bn	$1.5bn		$1bn	$1.5bn	$1.0bn

Source: Barclays Research and Company Data

Model Updates: Our key model updates include higher near-term premium growth, steeper personal lines loss ratios (albeit still showing improvement from 2019) and somewhat better group benefits loss ratio performance. HIG's higher buyback activity in 2Q relative to our expectations resulted in us lowering our buyback assumptions in 3Q21 and 4Q21, but the cumulative sum of $2.5bn has not changed.

FIGURE 5

HIG 2Q21 full variance analysis

Consolidated Results (in $ mn, expect per share data)	2Q21A	Q/Q 1Q21	Q/Q % Change	Y/Y 2Q20	Y/Y % Change	Barclays Est. 2Q21E	Barclays Est. % Var.
Net income avail to common shareholders	$900	$244	268.9%	$463	94.4%	$462	95.0%
Net income per diluted share	$2.51	$0.67	272.7%	$1.29	94.8%	$1.29	94.7%
Core earnings	$836	$203	311.8%	$438	90.9%	$463	80.5%
Core earnings per diluted share	$2.33	$0.56	316.1%	$1.22	91.3%	$1.29	80.2%
Cat losses	$128	$214	(40.2%)	$248	(48.4%)	$170	(24.5%)
P&C - Combined ratio	88.5%	104.3%	(1586 bps)	96.9%	(840 bps)	95.7%	(721 bps)
P&C - Underlying combined ratio	89.2%	89.4%	(26 bps)	97.6%	(842 bps)	90.1%	(98 bps)
Book value per diluted share	$50.62	$48.04	5.4%	$46.59	8.7%	$49.60	2.1%
Book value per diluted share (ex. AOCI)	$49.01	$47.31	3.6%	$45.25	8.3%	$48.86	0.3%
Net income avail to common shareholders' ROE, TTM	12.4%	10.5%	197 bps	11.2%	122 bps	9.9%	255 bps
Core Earnings ROE	13.1%	10.9%	215 bps	12.7%	35 bps	10.7%	237 bps
Share Repurchases	$568	$123	361.8%	$0	NM	$459	23.7%

Business Results (in $ mn, expect per share data)	2Q21A	Q/Q 1Q21	Q/Q % Change	Y/Y 2Q20	Y/Y % Change	Barclays Est. 2Q21E	Barclays Est. % Var.
Commercial Lines							
Net written premiums	$2,494	$2,503	(0.4%)	$2,165	15.2%	$2,263	10.2%
Underwriting gain	$261	($216)	220.8%	($332)	178.6%	$105	149.2%
Underlying underwriting gain	$249	$197	26.4%	($62)	501.6%	$211	17.9%
Underlying Loss ratio	57.1%	58.0%	(86 bps)	68.2%	(1112 bps)	58.3%	(113 bps)
Cat and PYD pts	(0.5%)	18.5%	(1899 bps)	12.5%	(1303 bps)	4.7%	(521 bps)
Expense ratio	32.0%	32.9%	(93 bps)	34.3%	(231 bps)	32.1%	(10 bps)
Policyholder dividends	0.3%	0.3%	(1 bps)	0.3%	(7 bps)	0.3%	(7 bps)
Combined ratio	88.9%	109.7%	(2080 bps)	115.4%	(2653 bps)	95.4%	(651 bps)
Underlying combined ratio	89.4%	91.2%	(181 bps)	102.9%	(1350 bps)	90.7%	(130 bps)
Personal Lines							
Net written premiums	$760	$715	6.3%	$738	3.0%	$754	0.8%
Underwriting gain	$96	$124	(22.6%)	$428	(77.6%)	$23	315.6%
Underwriting underwriting gain	$87	$121	(28.1%)	$134	(35.1%)	$81	7.0%
Underlying Loss ratio	60.6%	56.4%	417 bps	51.3%	927 bps	62.0%	(143 bps)
Cat and PYD pts	(1.2%)	(0.4%)	(81 bps)	(42.4%)	4114 bps	8.3%	(952 bps)
Expense ratio	27.6%	27.0%	67 bps	29.4%	(175 bps)	26.4%	124 bps
Combined ratio	87.0%	83.1%	392 bps	38.3%	4866 bps	96.7%	(971 bps)
Underlying combined ratio	88.2%	83.5%	473 bps	80.7%	752 bps	88.4%	(19 bps)
Group Benefits							
Net income	$170	$9	1788.9%	$101	68.3%	$49	244.3%
Core earnings	$149	($3)	5066.7%	$102	46.1%	$51	191.4%
Fully insured ongoing premiums (ex. buyout premiums)	$1,378	$1,374	0.3%	$1,377	0.1%	$1,364	1.0%
Loss ratio	71.4%	84.3%	(1294 bps)	72.6%	(118 bps)	78.5%	(704 bps)
Expense ratio	25.4%	25.5%	(7 bps)	25.6%	(22 bps)	25.0%	45 bps
Net income margin	10.7%	0.6%	1011 bps	6.7%	403 bps	3.3%	743 bps
Core earnings margin	9.5%	(0.2%)	966 bps	6.7%	275 bps	3.4%	610 bps
Hartford Funds							
Net income	$52	$47	10.6%	$39	33.3%	$46	14.2%
Core earnings	$51	$45	13.3%	$33	54.5%	$46	12.0%
Mutual Fund and ETP net flows	$2,440	$774	215.2%	($675)	461.5%	$130	1773.3%
Total Hartford AUM	$153,793	$145,198	5.9%	$117,844	30.5%	$151,392	1.6%

Source: Company reports and Barclays Research estimates

FIGURE 6

HIG summary model (page 1)

($ in mn, except per share data)	2018	2019	2020	2021E	2022E	2023E
P&C Net written premiums	10,412	11,583	11,905	12,545	12,980	13,172
P&C Revenues:						
P&C net earned premiums	10,446	11,490	11,918	12,250	12,595	12,817
Fee Income	74	72	64	65	64	64
Total revenues	**10,520**	**11,562**	**11,982**	**12,315**	**12,659**	**12,880**
P&C Expenses:						
Loss & loss adjustment expenses	6,940	7,398	7,653	7,718	7,945	8,076
Amortization of DAC	1,323	1,555	1,641	1,626	1,660	1,660
Underwriting Expenses	2,000	2,261	2,228	2,229	2,143	2,136
Dividends to policyholders	23	30	29	27	31	32
Total expenses	**10,286**	**11,244**	**11,551**	**11,600**	**11,779**	**11,903**
Underwriting Income	**234**	**318**	**431**	**715**	**880**	**977**
P&C Net investment income	1,242	1,392	1,372	1,516	1,435	1,500
Other	(40)	219	(83)	103	-	-
P&C Income before income taxes	**1,436**	**1,929**	**1,720**	**2,334**	**2,315**	**2,477**
Income tax expense	241	358	314	438	451	483
P&C Net Income (loss)	1,195	1,571	1,406	1,896	1,864	1,994
Adjustments (incl ATX net realized cap gain/(loss))	(35)	67	(313)	46	-	-
P&C Core Earnings	**$1,230**	**$1,504**	**$1,719**	**$1,850**	**$1,864**	**$1,994**
Total P&C net written premiums (y/y % growth)		**11.2%**	**2.8%**	**5.4%**	**3.5%**	**1.5%**
Total P&C net earned premiums (y/y % growth)		**10.0%**	**3.7%**	**2.8%**	**2.8%**	**1.8%**
Core Earnings by Segment						
Group Benefits	427	539	382	341	431	460
Mutual Funds	151	145	163	176	172	182
Corporate expenses and other adjustments	(233)	(126)	(178)	(241)	(202)	(202)
Total Core Earnings	**$1,575**	**$2,062**	**$2,086**	**$2,126**	**$2,265**	**$2,434**
Core earnings Per Share	**$4.33**	**$5.65**	**$5.78**	**$6.01**	**$6.77**	**$7.59**
Shares						
Wtd Average Diluted Shares Outstanding	364.1	364.9	360.6	354.0	334.5	320.6
Capital deployment						
Assumed Repurchase Price Per Share	NM	$59	$56	$65	$70	$73
Shares Repurchased (in mn)	-	3.4	2.7	23.1	14.2	13.7
Dollar Amount Repurchased (in $ mn)	-	200	150	1,500	1,000	1,000
Dividends Per Share	$1.10	$1.20	$1.30	$1.40	$1.51	$1.62
Shareholder dividends (in $ mn)	394	433	466	489	497	513
Total capital returned	394	633	616	1,989	1,497	1,513
Total capital returned as % normalized earnings	25%	31%	30%	94%	66%	62%

Source: Company reports and Barclays Research estimates

FIGURE 7

HIG summary model (page 2)

($ in mn, except per share data)	2018	2019	2020	2021E	2022E	2023E
Other statistics						
Effective Tax Rate	16.8%	18.6%	18.3%	18.8%	19.5%	19.5%
Catastrophe losses (P/T)	821	463	606	596	554	563
Prior year reserve development (fav)/unfav (P/T)	(167)	(65)	(136)	(24)	(21)	(21)
Shareholders' Equity and Returns on Capital						
Common stockholders' equity ex AOCI	14,346	15,884	17,052	17,236	17,846	18,765
Total stockholders' equity ex AOCI	14,680	16,218	17,386	17,570	18,180	19,099
Book value per diluted share ex AOCI	$39.40	$43.71	$47.16	$50.45	$54.50	$59.81
Core Earnings ROE	11.6%	13.6%	12.7%	12.4%	12.9%	13.3%
Underwriting Margins - P&C						
Loss ratio	66.4%	64.4%	64.2%	63.0%	63.1%	63.0%
Expense ratio	31.1%	32.6%	31.9%	30.9%	29.7%	29.1%
Policyholder dividends	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%
Total P&C Combined ratio	97.8%	97.2%	96.4%	94.2%	93.0%	92.4%
Underlying Combined Ratio						
Catastrophe loss CR pts	7.9%	4.0%	5.1%	4.9%	4.4%	4.4%
Prior year reserve development CR pts	-1.6%	-0.6%	-1.1%	-0.2%	-0.2%	-0.2%
Underlying P&C Combined Ratio	91.5%	93.5%	92.4%	89.5%	88.8%	88.2%

Source: Company reports and Barclays Research estimates

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Primary Stocks (Ticker, Date, Price)

The Hartford Financial Services Group, Inc. (HIG, 29-Jul-2021, USD 63.21), Overweight/Positive, CD/CE/E/J/K/L/M

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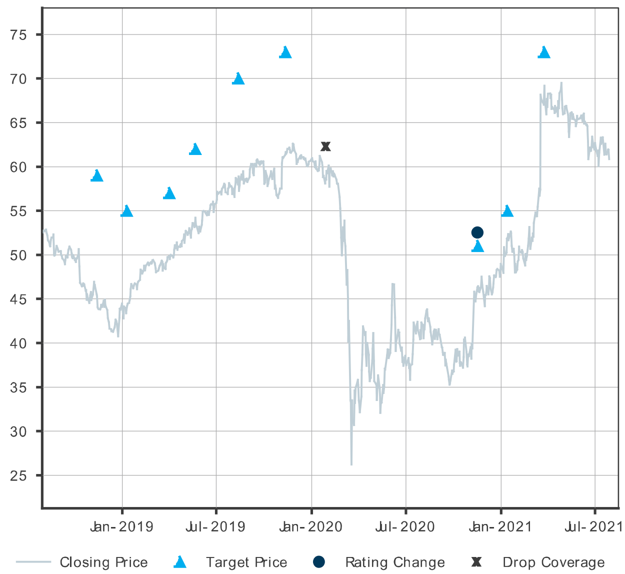
	Stock Rating	Industry View
USD 63.21 (29-Jul-2021)	**OVERWEIGHT**	**POSITIVE**

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



Source: IDC, Barclays Research

Currency=USD

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

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

Source: Bloomberg, Barclays Research

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