

allows agents to get nearly instant pricing from us and view claims history and account balances.

For more than twenty years, we have been the exclusive provider of auto and home insurance to many of the 35 million members of AARP, the largest association of people over 50 years old in the United States. We are focused on increasing sales in this rapidly growing market through direct-sale television advertising and by increasing our number of Spanish-speaking customer representatives.

The acquisition of CNA's group disability, life, and accident insurance business in December 2003 moved The Hartford into the No. 2 position for total insurance premiums in group disability insurance nationally, and our insurance premiums in group benefits increased by 57 percent. I am proud of how quickly our integration team set about the challenging task of identifying and implementing best practices from each business consistently across the group benefits organization.

In each of our leadership businesses, we are growing organically by relentlessly focusing on superior execution. This requires our continued commitment to product excellence, responsive service, innovative technology, and effective distribution. At the same time, pricing discipline and sound risk management will sustain our profitability and create continued strong earnings.

The Hartford has the products to capture market growth resulting from the retirement needs of aging baby boomers, whether in the United States or select international markets. We are focused on developing our relatively new product lines such as mutual funds and 401(k) products; emerging markets such as Japan; the agency business in personal insurance lines; and extending the reach of our small business insurance market. In 2004, we had strong growth in each of the aforementioned areas—a powerful affirmation of our strategy and its future potential. The infrastructure that supports our

successful annuity and life insurance businesses enabled us, in the late 1990s, to enter the mutual fund and 401(k) markets, both strong growth areas that reflect a need of customers to build wealth and secure their financial future.

In the mutual fund business, we created a dedicated wholesale team to market our fund family through multiple distribution channels. Overall, our results were strong—mutual fund sales grew in 2004 by 23 percent to \$5.9 billion.

When we decided to enter the competitive 401(k) market, we focused on expanding services for small business customers. From our success in working with this customer segment in other product lines, we've learned the needs of small businesses and are well-known for our strong service and distribution. To increase our 401(k) business, we nearly doubled the number of

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our retirement plan specialists to almost 80 and focused our wholesale team on marketing our retirement products. We also support small- and mid-sized company-sponsored retirement plans by offering employers the opportunity to have us administer the program.

Our service in the 401(k) segment also received praise from customers. In its annual survey, *PlanSponsor* magazine ranked feedback on major 401(k) providers, and in the micro plan market and small plan market, The Hartford earned “Best in Class” for sponsor and participant services. The 401(k) business results reflect this positive feedback and show year-over-year sales growth of 37 percent to \$1.9 billion.

We've also discovered that our annuity product, service, and distribution model is very transferable to select international

Book value per share increased

19% from 2003 to \$43.55

Excludes accumulated other comprehensive income