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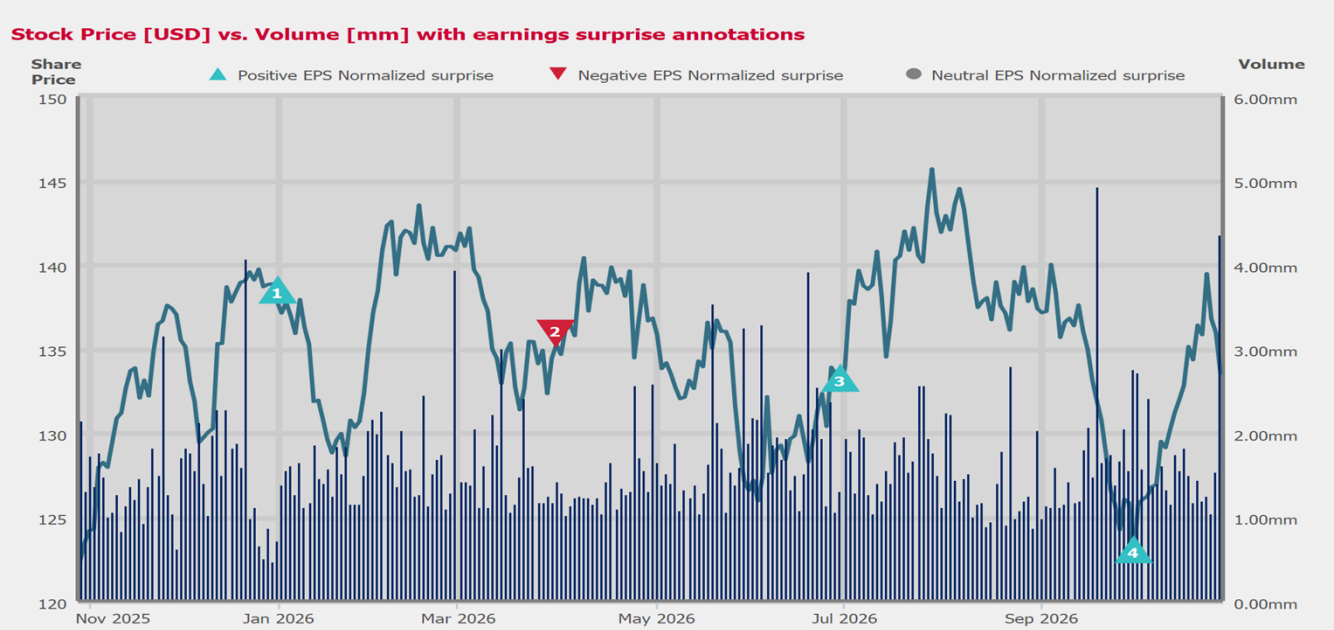
The Hartford Insurance Group, Inc. NYSE:HIG FQ3 2026 Earnings Call Transcripts

Tuesday, October 27, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.17	3.50	10.41	3.23	13.07	NA
Revenue (mm)	7407.09	7220.00	(2.53 %)	7246.78	28922.53	NA

Currency: USD
Consensus as of Oct-28-2026 1:49 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	3.22	4.06	1 26.09 %
FQ1 2026	3.39	3.09	2 (8.85 %)
FQ2 2026	3.14	3.42	3 8.92 %
FQ3 2026	3.17	3.50	4 10.41 %

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Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to The Hartford Third Quarter 2026 Financial Results Webcast. [Operator Instructions] I will now hand the conference over to Kate Jorens, Senior Vice President, Treasurer and Head of Investor Relations. Kate, please go ahead.

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Good morning, and thank you for joining us today for the Hartford's Third Quarter 2026 Earnings Call and Webcast. Yesterday, we reported results and posted all earnings-related materials on our website. Before we begin, please note that our presentation includes forward-looking statements, which are not guarantees of future performance and may differ materially from actual results. We do not assume any obligation to update these statements. Investors should consider the risks and uncertainties detailed in our recent SEC filings, news release and financial supplement, which are available on the Investor Relations section of thehartford.com. Our commentary includes non-GAAP financial measures with explanations and GAAP reconciliations available in our recent SEC filings, news release and financial supplement.

Now I'd like to introduce our speakers: Chris Swift, Chairman and Chief Executive Officer; and Beth Costello, Chief Financial Officer. After their remarks, we will take your questions assisted by several members of our management team.

And now I'll turn the call over to Chris.

Christopher Jerome Swift
Chairman & CEO

Good morning, and thank you for joining us today. The Hartford delivered another quarter of strong results, reflecting disciplined execution across the enterprise. Before turning to results, I'd like to say a few words about the leadership transition we announced last month. It has been an honor to serve this iconic company, first as CFO and then as CEO for nearly 13 years. Over that time, what the team has accomplished together reflects the talent and commitment of our employees and the trust that we have built with our agents, brokers and customers.

I have tremendous confidence in Mo's leadership. Since joining The Hartford in 2015, he has strengthened our underwriting and has expanded our products and risk appetite. More recently, as President, he has successfully led business performance, strategy and enterprise-wide execution. Mo is the right leader for The Hartford's next chapter. This was a thoughtful, planned succession, and The Hartford strategy, priorities and commitment to disciplined execution are unchanged. I remain fully engaged as CEO and look forward to supporting Mo and the entire team to ensure a seamless transition.

As I reflect on the last 13 years, The Hartford broadened its capabilities by investing in transformative technology while expanding product offerings and geographic footprint. Growth and innovation have been central to The Hartford's transformation. Over this time, we modernized core platforms, moved applications and data to the cloud and built the foundation that now allows us to embed AI in underwriting, claims and service across the businesses. It is no coincidence that over the same period, The Hartford has become a company that consistently delivers outstanding returns.

We have the scale to keep investing with a significant share of our spend directed to strategic initiatives. Small business is where that work is most visible. Agents and customers want speed and simplicity, and our digital capabilities continue to outpace competitors by a wide margin. Today, 78% of small business submissions are bindable straight through. In addition, Keynova recently shared with us that The Hartford ranked first for small business digital experience for the eighth year in a row with a 20-point lead over the next carrier. This is translating into performance with small business growth at twice industry levels, combined with excellent margins.

We have extended those same strengths across the enterprise, making it easier for agents, brokers and employers to do business with us. Customers' buying habits will continue to evolve, and we are ready, combining the speed of technology with the underwriting expertise and advice customers value. We are well positioned to compete, grow and deliver attractive returns as the market changes.

With that, let me share a few details from the quarter. Business Insurance delivered strong written premium growth of 6% with an underlying combined ratio of 90.1%. In Personal Insurance, the underlying combined ratio improved 2.9 points year-over-year with growth impacted by a competitive market. Employee Benefits had another quarter of strong premium growth with a core earnings

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margin of 6.4%. The investment portfolio generated excellent net investment income and earnings and capital generation supported a 12% increase in the common quarterly dividend effective January 2027. All these factors contributed to core earnings of $956 million and an outstanding core earnings ROE of 17.9% over the trailing 12 months.

Let's take a closer look at third quarter performance. Business Insurance delivered a solid quarter. In Small Business, written premium grew 7% with an exceptional underlying combined ratio of 85.2%, which outperformed our long-term average. Growth was led by package, our largest product line, and E&S binding, which is on pace to reach $500 million by year-end, up from less than $100 million 5 years ago. Deep underwriting expertise, combined with market-leading service capabilities positioned Small Business to continue generating profitable growth.

Moving to Middle & Large. Written premium growth was 3%, driven by solid growth in Middle Market, partially offset by lower written premium in national accounts. The underlying combined ratio of 99.5% reflected higher non-CAT property and workers' compensation loss ratios. The team is actively managing the book in a competitive market with thoughtful risk selection and pricing.

Turning to Global Specialty. Results remained strong with written premium growth of 7%, driven by Global Re and an underlying combined ratio in the mid-80s. The diversity of the Global Specialty products and underwriting capabilities enables us to capitalize on business opportunities and pursue profitable growth across the portfolio in changing market conditions.

Turning to pricing. Business Insurance renewal written pricing, excluding workers' compensation, declined by 40 basis points to 5.3% in the quarter. Pricing in commercial auto remained strong and above loss trend. General liability, including primary, umbrella and excess, continue to generate some of the highest price increases across the portfolio, although down from the prior quarter and slightly below loss trend. In property, aggregate pricing in Small Business package and Middle Market general industries remained relatively stable in the mid-single-digit range and price decreases in large property and E&S binding eased modestly.

All in, Business Insurance renewal written pricing declined 40 basis points to 4%, with workers' compensation pricing improving slightly and remaining positive. Shifting to Personal Insurance, the underlying combined ratio was excellent at 87.1%, reflecting earned pricing that continues to exceed loss trend in both auto and homeowners. The team remains focused on matching price with risk and maintaining target margins. Competition for new business in auto remained intense and impacted overall premium growth. In homeowners, new business growth of 20% reflects the positive reaction to the rollout of our new product to the agency channel.

Agency is an important lever for profitable growth, and we are building on deep relationships developed over many years across the enterprise. Before moving on to Employee Benefits, I'd like to briefly touch upon The Council of Insurance Agents & Brokers Insurance Leadership Forum earlier this month. Overall, feedback continued to emphasize the importance of our investments in digital and AI-enabled capabilities and highlighted the strength of The Hartford's position as the market continues to evolve. In addition, conversations increasingly expanded beyond P&C to include employee benefits and broader enterprise capabilities, reinforcing the value of a more connected enterprise approach.

Turning to Employee Benefits. The core earnings margin was 6.4%, within our long-term range of 6% to 7% as underlying business trends revert to historical levels. Fully insured premiums grew 4%, supported by strong year-to-date sales growth and book persistency in excess of 90%, all while maintaining pricing and underwriting discipline. At the same time, continued investments in technology and service are strengthening the business, allowing us to meet evolving customer needs. Earlier this month, we closed the acquisition of Equitable's Employee Benefits business, which complements our already leading franchise and accelerates growth in the small and midsized employer segment, which represents a significant portion of the overall employee benefits market.

The acquired business brings approximately $500 million in annual premium and expands the product portfolio to include dental and vision. We are excited about the modern integrated technology that we are acquiring, making it easier for employers and brokers to do business with us in the small and midsized employer market. Over time, we see opportunities to bring more of The Hartford to these customers. In terms of capital management, yesterday, we announced a 12% increase in the common quarterly dividend, continuing a track record of annual dividend increases, supported by earnings power and strong capital generation.

In closing, third quarter results demonstrate the continued momentum and execution of our strategy. In Business Insurance, a diversified portfolio, strong distribution relationships, disciplined underwriting and technology-enabled execution continue to drive profitable growth at attractive returns. In Personal Insurance, the focus remains on thoughtful expansion in the mature market, supported by the continued rollout of our modern platform in the agency channel. Employee Benefits remains a high-quality, accretive business enabled by differentiated technology and a leadership position in the absence and leave marketplace. These strengths position us well at the large end of the market, while the recent acquisition expands our ability to serve small and midsized customers.

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Investment income continues to be supported by a diversified and durable portfolio and higher reinvestment rates will benefit net investment income going forward. With another strong quarter, I am confident in The Hartford's ability to continue delivering outstanding ROEs and attractive returns for shareholders.

Now I'll turn the call over to Beth to provide more detailed commentary on the quarter.

Beth A. Costello
Executive VP & CFO

Thank you, Chris. Before I begin, I want to thank Chris for his leadership and partnership. The company we are today reflects his vision and discipline, and I look forward to continuing our work together through the transition and supporting Mo as we begin our next chapter. Third quarter core earnings were $956 million or $3.50 per diluted share with a trailing 12-month core earnings ROE of 17.9%. Book value per share, excluding AOCI, of $82.47 increased 12% from year-end and 16% from a year ago, reflecting the earnings power of our businesses and disciplined approach to capital management.

In addition, the trailing 12-month net income ROE was 25%, which includes earnings from Hartford Funds. As it relates to the sale of Hartford Funds, we are progressing towards closing, which could occur as early as December 1, subject to standard regulatory and fund approvals. And as a reminder, once we close, distributions from Hartford Funds will occur quarterly and will be recorded in realized gains within net income.

Moving to results. In Business Insurance, core earnings were $731 million with written premium growth of 6% and an underlying combined ratio of 90.1%. Small Business continues to deliver excellent results with written premium growth of 7% and an underlying combined ratio of 85.2%. The underlying combined ratio improved 4.6 points from the prior year, primarily due to lower non-CAT property losses and a lower expense ratio. Middle & Large business delivered written premium growth of 3%, including 5% in Middle Market with an underlying combined ratio of 99.5%. The underlying combined ratio increased from prior year, equally impacted by higher loss ratios from non-CAT property and workers' compensation.

Non-CAT property losses reflect normal volatility with a few large fire and nonweather water losses this quarter. The increase in workers' compensation relates to a broad-based uptick in claim frequency, which we have been observing and reacting to throughout the course of the year. Global Specialty's third quarter was strong with written premium growth of 7% and an underlying combined ratio of 86.1%, which was relatively consistent with the prior year. The Business Insurance expense ratio of 30% improved 1.1 points from the prior year, driven by the impact of earned premium growth and lower staffing costs, partially offset by higher technology costs.

In Personal Insurance, core earnings were $105 million with an underlying combined ratio of 87.1%. Written premium declined 4% with a 9% decline in auto and 6% growth in home. The underlying combined ratio improved 2.9 points in the quarter, driven by earned pricing increases outpacing loss cost trends in both auto and home. The Personal Insurance expense ratio of 26% was relatively flat compared with 25.8% in third quarter 2025.

Turning to reserves. Favorable prior year development of $594 million before tax included a $497 million benefit from the impact of commuting the A&E adverse development cover. This benefit is not included in core earnings. Core favorable prior year development was $97 million, driven by reserve reductions in workers' compensation, commercial property and personal insurance. With respect to catastrophes, P&C current accident year losses were $198 million before tax or 4.2 points, primarily from tornado, wind and hail events. This compares to $70 million or 1.6 points in the third quarter of 2025, which was a historically light catastrophe quarter.

Moving to Employee Benefits. Core earnings of $120 million and a core earnings margin of 6.4% reflect higher group life and disability loss ratios, partially offset by an improved expense ratio and higher net investment income. Fully insured ongoing premium grew 4%, reflecting strong new business sales, increased exposure on existing accounts and book persistency above 90%. The group life loss ratio of 77.8% increased 3.6 points as compared to an unusually favorable prior year period. The group disability loss ratio of 76.3% increased 5.7 points, driven by higher claim incidence across short- and long-term disability and less favorable long-term disability recoveries.

Long-term disability loss ratios, while elevated on a year-over-year basis, remained within expectations, while short-term disability loss ratios were slightly above expectations. The employee benefits expense ratio of 25.4% improved 1.3 points, driven by lower staffing costs and the impact of earned premium growth, partially offset by higher technology costs. As Chris mentioned, we closed the acquisition of Equitable's Employee Benefits business earlier this month and expect $500 million in annual premium across group life, disability and other supplemental products, including dental and vision.

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Consistent with the smaller end of employee benefits, we expect loss ratios for this business to be lower than our existing book, though offset by a higher expense ratio due in part to approximately $30 million of annual intangible asset amortization. Excluding the amortization, we expect the core earnings impact of the acquisition to be modestly dilutive in 2027 and to improve each year as the business integrates and scales.

Turning to investments. Our diversified portfolio delivered strong results in the third quarter. Net investment income was $850 million, up $95 million or 13% from the third quarter of 2025, driven by higher income from limited partnerships and other alternative investments and a higher level of invested assets. Excluding limited partnerships, the annualized portfolio yield was 4.6% before tax. Annualized limited partnership returns were 10.2% before tax and 7.8% year-to-date. Results benefited from particularly strong performance in infrastructure and energy transition funds.

Turning to capital management. Holding company resources totaled $1.5 billion at quarter end. As Chris mentioned, we increased our common quarterly dividend by 12% to $0.67 per share payable on January 5, 2027. Over the past decade, our annual dividend increases have averaged approximately 11%, demonstrating our confidence in the sustained earnings power and capital generation of the organization. During the quarter, we repurchased 3.4 million shares under our share repurchase program for $475 million. As of September 30, we had $4.37 billion remaining on our share repurchase authorization. In summary, we are very pleased with our strong performance for the third quarter and believe we are well positioned to continue to enhance value for our stakeholders.

I will now turn the call back to Kate.

Kate Jorens
SVP, Treasurer & Head of Investor Relations
Thank you, Beth. We will now take your questions. Operator, please repeat the instructions for asking a question.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I guess first question, I was hoping to unpack the underlying combined ratio a little bit on the Middle Market. And particularly, what was the impact of the, call it, unusual losses on the underlying loss ratio in the quarter for the total Business Insurance? And then maybe talk a little bit about what you're doing with comp in order to kind of fix some of this increased frequency and underwriting that you're doing there.

Christopher Jerome Swift
Chairman & CEO

Brian, thanks for joining us. I'm going to ask Beth to sort of break down and give an attribution of the combined ratios for the 2 items that we called out, right? I mean non-CAT weather was a little elevated. I can give you the quarterly impacts and the year-to-date impacts after she's done. But I think the comp, we've been watching very closely here in '26 as far as the emerging trend of higher frequency. So Beth, would you break down those components?

Beth A. Costello
Executive VP & CFO

Yes, I will. And Brian, I'm going to take some time and just go through the various components as it relates to MLC and then the impact just when we think of total BI. But as I said in my prepared remarks, when we look at the underlying combined ratio for MLC for the quarter, we definitely saw a little bit of improvement in expense. So think of that about 1 point kind of consistent with what we're seeing in Small Commercial. And then the rest relates to loss ratio movements. And so the 2 items that we called out, comp and non-CAT property, I would say both contributed a little less than 4 points to the change from the prior year. And again, all my comments are related to the prior year.

In addition, similar to what we've seen during the course of the year, although we didn't call it out because it was not as large as those 2 items, we continue to see a little less than 1 point related to mix. And I think we've talked about that before as some of the growth that we saw in national accounts has earned into the book. And then like a lot of other things that make up the difference there.

Going back to the 2 items, comp and non-CAT property. On non-CAT property, what I would say, and I said this in my remarks, is as we look at the results there, we see this as normal volatility. It is another quarter of seeing an uptick there. But if you go back and look over several quarters, we've had more quarters where non-CAT property has been favorable in ML than unfavorable. So we do see that as normal volatility. And then on the comp side, as I said, we've been seeing an increase in frequency during the course of the year. Increases in frequency quarter-to-quarter can happen, so you don't necessarily react to that. But as we evaluated where we were year-to-date, felt that was appropriate to increase the loss ratio there.

So a component of just under 4 points of underlying combined loss ratio points this quarter, a little bit of that does relate to prior quarters, just to put that in context. So then when you go to the all-in Business Insurance and what the impact of all of that is, I would say on non-CAT property, it's really not a driver. We had favorability in small and that offset some of the unfavorability that we saw in Middle. And then the comp piece pulling that through to the all-in BI loss ratio is a little over 1 point. And then again, we have some small sort of items as it relates to mix and other things.

And then more importantly, if I look at things on a year-to-date basis, we're probably a little under 1 point off to where we were year-to-date last year for all-in BI. The comp piece that I referenced is a little less than 0.5 point. And then the remainder of the items are things like mix and some of the other things that I discussed. So when I step back from all of it, looking at where Middle came out, how small performed, the contribution to the total, where we are year-to-date, I feel really good about the overall performance in Business Insurance as we continue to perform, I think, in a competitive marketplace.

But I can stop there, Brian, if you have any questions, but I was going to turn it to Mo to talk about some of the actions that we've been taking.

Adin Morris Tooker

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President & Director

Yes, Brian, just to build on where Beth was. I think as we've looked at the frequency throughout the year, I think it's really important to understand, we see it across the book in all segments. It's not specific to any industry. It's not specific to any geography. It's not specific to size of risk, not specific to injury type. So really, what we're seeing, we think, is a broad-based move in frequency that's not unique to our book. And we really -- when we look at the contributing factors, we are looking at the increase in health care costs in this country, the expiration of the ACA subsidies, and broadly, just thinking about the affordability challenge for many workers across this country, and we feel like the -- some of those losses that might have been in the health care costs are coming back into the workers' compensation system, which is why we feel it's so broad-based.

And to your point on underwriting, as Beth talked about on the property side, we really don't think there's anything going on in our book. As Beth said, 8 of the past 10 quarters, we've been better than expected on property losses in Middle & Large. So we really feel like this is just a second quarter of adverse results relative to expectations. And on the workers' compensation side, we've been working on it all year. We're making sure the quality of the new business is strong, the new business pricing. We're pulling the levers that we can in terms of segmentation. And certainly, we're working to get price increases into our filings in for '27. So just think about broad-based underwriting reaction to all that we just described.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. That's really helpful, very thorough. I appreciate it. And then maybe just my next question, switching over to the disability loss ratio. Thanks for some description. But I know Mike last quarter mentioned a couple of things going on with long and short-term disability. I wonder if those are continuing, i.e., maybe the Family and Medical Leave Act, maybe some mental health claims you're seeing coming through.

Christopher Jerome Swift
Chairman & CEO

Yes. I'll ask Mike to add his color.

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

Yes. So Brian, I think similar to what I discussed last quarter, both those items you pointed out, we're seeing a bit of elevation in behavioral health. We're seeing that both in short- and long-term disability products. In addition to sort of that from a diagnosis perspective, we're also seeing some higher claims with higher wage earners. So I think the individuals who are going out on claim, we're seeing in terms of a little bit on the higher end of the salary level. So I'd say those are a couple of underlying trends within the short- and long-term disability lines.

Paid family leave in the quarter was modestly improved -- I should say, modestly improved relative to 3Q of '25. But on a year-to-date basis, still elevated. And I'd say -- I'd just end with saying we continue to put rate into the paid family and medical leave product line. We've been successful through the year. So think mid-double-digit rate increases we're putting into that book. We are seeing utilization continue to trend up. So again, as long as that utilization level continues to rise, we'll put rate increases in that product line.

Operator

Your next question comes from the line of Andrew Kligerman with TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

Mo, congratulations on the well-deserved new role. And Chris, spare me 30 seconds. I've covered this company throughout your tenure. So before my question, I just want to say congratulations on an exceptional run. You made some bold, unpopular calls from acquiring Aetna Benefits and Navigators to reportedly rejecting a $65 offer in 2021 and your conviction proved right. Underwriting has excelled. The stock has nearly quadrupled since you became CEO. And most importantly, you restored The Hartford to its place as an iconic industry leader, only better. That's an incredible legacy, Chris, and I just want to congratulate you on that.

And now I'll shift into my questions. First one, Beth, you didn't call out anything on general liability and commercial auto in the reserve adjustment. So I just -- I went through the Q, I didn't see anything in there. Just want to make sure I understand that right or if there were some big moves in prior accident years. And generally, just how are you thinking about the reserves going forward for commercial auto and GL?

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Beth A. Costello
Executive VP & CFO

Yes, Andrew. So your review is correct. We did conduct our reserve review during the quarter, and we did not adjust our booked reserves as we looked at the activity. It was consistent with the actions that we had previously taken. So we did not make any adjustments there.

Andrew Scott Kligerman
TD Cowen, Research Division

And you're feeling good going forward?

Beth A. Costello
Executive VP & CFO

Yes. We are feeling good going forward. Obviously, we do our reserve review every quarter. And if we felt that we needed to increase our reserves, we would have. Again, our reserve review substantiated where we stood relative to our book reserves.

Andrew Scott Kligerman
TD Cowen, Research Division

Yes. And on Small Business, the 85.2% underlying was quite exceptional and certainly materially stronger than your other Business Insurance segment. So I just want to get a sense, historically, have you always done much better in Small Business? And how do you feel about the sustainability of that combined ratio amidst pricing pressures?

Beth A. Costello
Executive VP & CFO

I'll start, and if Mo or Chris want to add anything. I think we've consistently talked about the strong performance in Small Business, which has been there quarter after quarter and year after year. Obviously, this quarter, printing the combined ratio that we did was impacted by favorable non-CAT property as we called out. And so obviously, that can move around from period to period. But when we look at the underlying performance, feel very good. So the question may be where would we expect fourth quarter to be. It's a little bit of kind of what happens with non-CAT property. But again, I think the performance of Small Business stands on its own.

Christopher Jerome Swift
Chairman & CEO

Andrew, I would just add, we're very proud, obviously, as I called out in our prepared commentary that Keynova is recognized as, again, for the eighth consecutive year of leading with digital capabilities. And I think that just reflects our mindset of continuing to invest in Small Commercial to be easier to interface with faster, make lives easier for our agents and brokers and customers. So yes, we're going to continue investing in this franchise to differentiate it as the world changes going forward. But Mo, what would you add?

Adin Morris Tooker
President & Director

Maybe just one more anecdote, Andrew. The 78% straight through on the entire portfolio that Chris called out, that's an all-time high for us, and we think it's probably 5 to 10 points better than our leading competitor, let alone our average competitor. So we expect that 78% with all the technology investments we're making, including AI, to continue to improve, and that just creates a better experience for our agents and brokers.

Operator

Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is going back to the discussion on workers' comp. So I think you said you guys gave a lot of color on the impact of Middle & Large, but then said, right, it was around 1 point, right, on overall BI in the quarter. So just given it sounds like you expect perhaps this elevated frequency to persist, should we continue to think about like an ongoing 1 point drag from comp on BI for at least in the near term?

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Christopher Jerome Swift
Chairman & CEO

I would say not necessarily, and Beth can add her point of view. Obviously, we're focused on 2026 trends and finishing the year strong. Obviously, we'll talk about 2027 at the right time and give you any additional color. But again, I think this is a step change given some of the activities Mo talked about, particularly health care. And we'll see how it's going to play out beyond this year-end. But I think this is a year of sort of, as I said, a step change. And hopefully, then things at least calm down a little bit. But Beth, what would you say?

Beth A. Costello
Executive VP & CFO

Yes. The only thing I would point out, Elyse, is when we talked about the impact on comp for the quarter being a little over 1 point, that is for the quarter, which included a bit of a true-up for first and second quarter. So when I think more of the run rate and I kind of look at the 9 months kind of where we are year-to-date, the impact on comp from that perspective is about 0.5 point. So again, just I don't want you to lose sight of the fact that there is a bit of a true-up that happens in the quarter if you just look at the quarterly number.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question is on Employee Benefits. You guys gave some guidance on just bringing on the Equitable deal. Also, it sounds like maybe some normalization, right, in disability should persist. So as we think about those 2 forces, right, bringing on Equitable, which at least, right, you said will be dilutive, right, in '27. Can you guys -- do you still expect to be within the 6% to 7% margin guide for benefits with all those factors taken into consideration?

Christopher Jerome Swift
Chairman & CEO

Yes, it's a great question. I would say, yes. We still think in terms of this business as 6% to 7%. But I would point out there's 3 moving parts here that you inherently know. One, obviously, we got to integrate, and we're going to spend some money on integrating probably in the $30 million-ish range, maybe $40 million. That -- those costs will be sort of below the line on core. So it's excluded from core like we've done all our deals. We also called out that there's probably $30 million of annual intangible amortization that will be part of core earnings.

So -- and then we're going to obviously continue to be as efficient as possible and continue to invest in the business. But when you put it all together, we still see this business as the 6% to 7%. We called out that there's going to be a modest dilution in '27, particularly as we scale. I mean, the technology we're acquiring is really actually very, very good and industry-leading in our judgment, but it's going to take some time to sort of scale and get all the things moving forward. But when we get to that point, and if you really think about the moving parts, 6% to 7% is still our long-term view.

Operator

Your next question comes from the line of Alex Scott with Barclays.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

I wanted to see if you could give us a better sense of what to expect out of the core margin in Group Benefits. I know you probably don't want to give guidance for '27 and that kind of thing. But just given there's more moving parts there around the acquisition and disability and maybe even Paid Family and Medical Leave. I just wanted to see if you'd help us out with thinking through that.

Christopher Jerome Swift
Chairman & CEO

Yes, you're right. We're not going to give you guidance on '27. That's what I tried to do a little bit just on the prior question of just the acquisition impacts. I still think this is a 6% to 7% business for us. It's going to take maybe just a little bit of time to scale and sort of earn into the activities that we expect. But $500 million of premium and if we could grow that at a healthy rate, we'll get to where we want to be. But -- and that's why I said in my prepared remarks, Alex, that this is still a highly accretive business for us, particularly when you look at it on a tangible return on equity basis. It's in the 15%, 16% return on tangible. If you look at margin on a 9-month basis, I think it's 6.9% compared to the 6.4% for the quarter. So it's contributing meaningfully. And as we alluded to, particularly with

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their technology, bringing more of The Hartford to that small to midsized customer base in benefits would be a strategic objective. I know Mo and the team have.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

That's all helpful. Second question I had is on growth in BI. As we look at Small Commercial, could you talk a bit about the competitive landscape you're seeing there? Do you expect to be able to sustain these levels of growth even as the market continues to get more competitive? And are you seeing any of your competitors that are maybe more geared towards the larger market influencing things in the small...

Christopher Jerome Swift
Chairman & CEO

I'm going to let Mo -- sorry, Alex, I stepped on you. I'm going to let Mo add. But again, I think all our businesses fit together well. We've constructed the portfolio here of Small, Middle, Large, Specialty, International, EB, Personal Lines. So it's actually a diversified portfolio that is -- all the businesses are contributing to our overall results, both from a growth side and the profitability side. But Mo, what would you add?

Adin Morris Tooker
President & Director

Yes, Alex, let me just maybe go a layer below that for you. So I think the messaging is going to be fairly consistent with what we've talked about in prior quarters. In small, we're very confident about our abilities to grow at a similar pace. I think what we're bringing to the marketplace, the digital and technology capabilities continue to make a real impact for our agents and brokers. I think I cited the 78% straight through, which is nowhere near our competitors. And obviously, Chris talked about Keynova. That being said, there was an incremental step change in the competitiveness in small in the quarter.

You'll see our new business went negative or nonpositive for the first time probably in 20-something quarters. It's the first time we didn't grow our new business. So there is a competitiveness. That team is staying very disciplined and making good choices. In Middle and Global, again, we've talked about it, that is incrementally more competitive as well, and we're really trying to pick our spots. And I talked about it last quarter about having an increasingly divergent view from some of our competitors who are talking about stability.

We're not necessarily feeling stability. We're feeling it incrementally more competitive, and that's coming through in the new business numbers that we show in the supplement in both Middle and Global. So on those businesses, we are going to continue to make choices that are really dependent on what the market is doing from a rate perspective. We are protecting our renewals. You can see that in the retention numbers. So our growth in Middle and Global, as we talked about last quarter, will be very dependent on how market conditions evolve, especially in the general liability and workers' compensation space.

Operator

Your next question comes from the line of Gregory Peters with Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Congrats, Chris, and congrats to you, Mo, as well. Can we -- considering the strong levels of profitability inside Business Insurance, can you speak for a second on the impact of contingent commissions on your expense ratio? Just curious, as we look forward, it seems like the outlook for your business remains really strong. So it seems like there could be the potential for some elevated pressure there going forward just on contingents alone, but maybe you could talk a little bit about policy acquisition costs.

Adin Morris Tooker
President & Director

Yes, Greg, it's Mo. We expect a lot of stability there. We've worked really hard with our partners to make sure that we've got equitable deals, deals that are equitable on both the benefits and the P&C side. We -- as we look forward, we don't anticipate any significant change there.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

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Okay. I guess since it hasn't come up yet, at least in the Q&A, I'll pivot to the Personal Insurance business, where your results have recovered quite nicely, but growth is becoming an issue. So I'm just curious how you think about your price competitiveness, both in auto and home and then both in agency and direct as we think about the potential for growth going forward.

Christopher Jerome Swift
Chairman & CEO

Yes. I would ask Melinda to add her color. But I'm overall pleased where we're at. Obviously, in this business, we've worked hard to restore margins and profitability, both in auto and home. We're keeping up with the trend. We're growing home, particularly in our agency. But yes, the auto market is, as I said in my prepared comments, intense. And I think it will continue to be that way with still elevated shopping. But Melinda, what would you add?

Melinda Thompson
Head of Personal Lines

Yes, I would say our growth trajectory has been improving as retention benefits from lower rate and through the customer experience efforts that we have been deploying in market. You can see that clearly in our retention up year-over-year and sequentially. Agency, as Chris mentioned, is scaling, which is also supporting top line. And other than that, I would just say, Greg, we're going to be disciplined. We're not trying to manufacture a growth crossover as much as we are trying to be thoughtful about making sure that we are in the market growing in a disciplined and appropriate way.

Operator

Your next question comes from the line of Rob Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Thanks for the comments on Small Commercial, noting that you said it's getting a little bit more competitive there. But we just noticed there continues to be strong policy additions in Small Commercial. And just curious if there's any particular parts of the economy or geographically where you're seeing the growth there? Or is it pretty broad-based?

Adin Morris Tooker
President & Director

Rob, it's Mo. I would say very broad-based. When we look across industries, the Small Business formations, when you look at the government data is still very strong. We're actually really optimistic as in a world of AI-enabled businesses that actually it's going to be a Small Business revival in some ways, and we think that more and more entrepreneurs will be equipped and able to start up companies with AI than more of those in the past. So we actually think the capabilities in the technology perspective are coming towards us in the Small Business. And it's one of the reasons we're so excited about the Equitable transaction because we're going to bring the same speed, ease of transaction that we've got on the P&C side to the benefits side. And we just feel like we are the full-service firm for every small business in this country.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Just a follow-up on the expense ratio. You guys highlighted a decrease in staffing costs across the business. Maybe you could just help us unpack really what's going on there and where you're driving some of those efficiencies.

Christopher Jerome Swift
Chairman & CEO

Yes. I would say, Rob, it's sort of broad-based. I mean, obviously, we're continuing to invest in our franchise, but we do have expectations on returns and efficiency gains there and continuous improvement. So it's just not one thing. I think it's everything sort of working in concert. And as we talked about at the beginning of the year, we thought the back half of '26 here, we would start to demonstrate the efficiencies. And yes, we called out, in essence, salaries and overall total compensation, but that's what it means. It's just our overall, I'll call it, cost per head is coming down.

Operator

Your next question comes from the line of David Motemaden with Evercore.

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David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I was hoping, Chris and Mo, you guys can maybe elaborate a little bit more on pricing in the workers' comp book. I heard you guys say that it improved a little bit this quarter and remained positive. But I'm wondering how you're thinking about putting price through the book now just given the frequency increase that you guys are now assuming in your loss picks?

Christopher Jerome Swift
Chairman & CEO

Yes. I know Mo will add his color. I would say there is a California dynamic and then another 49-state dynamic where the other 49 as much as we're saying, it's positive, it's slightly positive. So I wouldn't say there's a step change in the economics that's emerging yet in our book. And then California has its own ecosystem, Mo, so maybe you add the overall point of view.

Adin Morris Tooker
President & Director

Yes. David, I would say a couple of things. One, we are constrained by the marketplace. That comes through more in the Small Business space where we just see the filings as a more important part of the pricing process. But just know that in the Small Business, we feel like the frequency improvement -- the frequency change we've seen is within our loss pick, and we feel like we can cater for what we're seeing within the pricing parameters we have today in Small Business. When you get to Middle & Large, we have much more flexibility in terms of the day-to-day decisions from our underwriters. So think about segmentation, think about book mix shifts, and we've been working on that all year. So the team is working really hard to pull all the levers from an underwriting perspective, I think less about pricing and more in underwriting to make sure that we can shape the book in response to the frequency changes we're seeing in Middle & Large.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Okay. That makes sense. And then maybe just for Beth. So just on the underlying loss ratio in Business Insurance, the roughly 200 basis points deterioration year-on-year. 100 basis points of that coming from the workers' comp changes, but then 100 basis points from mix and a few other small items. I guess could you sort of unpack those mix and other small items that contributed to, I guess, 100 basis points of the 200 basis points deterioration? And should we think about those? I would think that the mix dynamic would just continue as written premium earns in, but interested in how we should think about that going forward.

Beth A. Costello
Executive VP & CFO

Yes. So one thing just to correct in what you said is that if we're talking about total Business Insurance, the mix piece would be less than 0.5 point. The point -- roughly less than 1 point was what I meant with Middle & Large. So again, if you are in the total BI piece, I'd say it's more in the 0.3, 0.4 range. And then the other items that make up the difference really is just a lot of little tenths of points here and there kind of across the various lines, which I think is more just reflective of a little bit of the pricing environment. So you feel a little bit in financial lines, as we've talked about in the past and some of the other things. So not any one large item that I would point to.

And sorry, the last question you had on mix. I would expect some of that mix to continue as we continue to see that the higher written premiums that we saw in national accounts continue to earn into the book.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And that's a 30 to 40 basis points just on all-in underlying loss ratio in BI?

Beth A. Costello
Executive VP & CFO

All-in, yes.

Operator

Your next question comes from the line of Katie Sakys with Autonomous Research.

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Katie Sakys
Autonomous Research US LP

I wanted to ask one more question on the workers' comp book. We talked a lot about the change you have observed in claims frequency. I wanted to sort of ask about claims severity. I think earlier this year, you guys described that as trending around 3%, 3.5% and still within your 5% pricing and reserving assumption. Has that changed as the year has progressed? And is there any impact from a shift in claims severity embedded in your changed loss picks this quarter?

Beth A. Costello
Executive VP & CFO

Yes. So our starting point still as we think about severity, and I think you're referring to the medical severity, still starts with that 5% and that still continues to be our starting point. And no real change I would highlight relative to kind of what we've been observing. Obviously, as frequency changes, that obviously can have some impact on how it pulls through. But the starting point of the 5% has not changed.

Katie Sakys
Autonomous Research US LP

Okay. And then perhaps shifting over to the Small Commercial business. We saw a lot of hubbub from the launch of Meta's Muse product in September. I guess more broadly, how are you guys thinking about the impact of agentic AI on your Small Commercial business? And wondering if you could update us on your views about the way that you source risks there as agentic AI becomes more commonplace.

Adin Morris Tooker
President & Director

Yes, Katie, it's Mo. I would say it's very early days. We're monitoring adoption, privacy, security. I mean there's lots of issues that go on with this technology that we're monitoring closely. And we haven't seen any real changes of real note. And we see continued strong customer engagement through our existing channels. So we're just not seeing the shift at the moment. That being said, our technology agenda, we're prepared for wherever the market goes. As a reminder, we've talked about it publicly, 3% of our Small Business book is direct today. That number has been fairly static for years now. And again, we don't see a change there. We still find that our Small Business customers really value an agent in the transaction that they don't spend a lot of time on throughout the course of the year. So the advice and trusted adviser continues to be a really important feedback when we go to small business owners and ask them for their feedback. So we're ready. The technology is on the shelf. We're ready to go, but we just haven't seen any real adoption coming through today.

Operator

Your next question comes from the line of Ryan Tunis with Cantor.

Ryan James Tunis
Cantor Fitzgerald & Co., Research Division

So you guys shared your assessment, I guess, your early assessment on the incidence tick as kind of a step function. I guess my concern is -- so coming from the perspective, and correct me if I'm wrong, we're at pretty low absolute frequency levels in both group disability and workers' comp. I guess my concern would be just from an absolute perspective, there could be quite a bit harder for that to mean revert. So just, I guess, just interested in your thoughts on that and where we are in absolute terms on that frequency variable in both businesses.

Christopher Jerome Swift
Chairman & CEO

Yes. I would say on both comp and disability, we've -- particularly in disability, we've enjoyed some strong results going back 4 or 5 years. So I think it's -- in my language, it's mean reverting now. Our customer base is very sophisticated. So they know how their book has performed. We've basically kept pricing flat to maybe slightly negative over the last couple of years. So I still think it is a profitable book. There are some dynamics, particularly related to mental health, related to paid family leave, where utilization tends to be higher. So all those are the things that we could eventually price for and get back to profitability.

I think on the comp side, it's a little different, right? It's less mental health, maybe more, as we said, the environment related to health care, ACA, that's driving. I do think it is right now, our belief is it's a one-time step change here in 2026, and we'll have to see how

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things play out in 2027, but we're not expecting sort of another year of elevated frequency in '27 as we sit here today. But that's what I would say, Ryan. So hopefully, I scratched your itch.

Ryan James Tunis
Cantor Fitzgerald & Co., Research Division

Yes, that's helpful. And then I'm just curious, obviously, when we've had incidence or frequency increases in the past, it could be somewhat economically correlated. It sounds like there might have been a little bit of that. I think Mo mentioned more white-collar knowledge economy type claims. Are you seeing anything rhyming between the increase in incidence in disability and frequency in workers' comp? Is there anything rhyming in terms of the type of claims that are coming in?

Christopher Jerome Swift
Chairman & CEO

No. And I don't think Mo said -- mentioned white collar at all. So maybe there was another call you're multitasking on. But yes, I think the only thing we'll say it again is there is a premise on health care-related activities, the cost, high deductible plans. And you've seen -- when we've seen spikes in frequency in the past, it tended to be an economic shock more than anything. Maybe you could say that the health care system is a minor adjustment or a minor disruptor that's creating some of the frequency issues. Time will tell, but we'll continue to use all our data and analytics and AI power to really try to uncover what is exactly happening in our 50 states.

Operator

We have reached the end of the question-and-answer session. I will now turn the call back to Kate Jorens for closing remarks.

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Thanks for joining us today. As always, feel free to follow up with any additional questions, and have a nice day.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

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