

The Hartford Financial Services Group, Inc. NYSE:HIG

Company Conference Presentation

Tuesday, September 12, 2017 3:30 PM GMT

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EXECUTIVES

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Chief Financial Officer and Executive Vice President

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Presentation

Jay H. Gelb
Barclays PLC, Research Division

Hello, everyone. I'm Jay Gelb from Barclays. I'm the senior equity research analyst covering the insurance stocks. The format of this track will be a fireside chat with Beth Bombara, who's the Chief Financial Officer of The Hartford. The Hartford is among the largest property-casualty insurers in the U.S. It also has a presence in group benefits and mutual funds. Its business also includes the Talcott unit, which largely consists of a runoff annuity business. Beth's previous roles at The Hartford include President of its Talcott unit and Controller of the company. Beth, thanks for joining us today.

Beth A. Bombara
Chief Financial Officer and Executive Vice President
Glad to be here.

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Question and Answer

Jay H. Gelb
Barclays PLC, Research Division

Let's start off by discussing probably a topic that's on top of everyone's minds given the events of the past couple weeks, and that would be Hartford's potential exposure to the 2 major hurricanes, Harvey and Irma. How would you frame the expected impact on Hartford for investors?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Great. Thank you. Yes. So obviously, 2 very large events and events that we're still in the process of assessing. But we will talk about Harvey first. As we look at that storm and given the unprecedented flooding that we saw with that, it really is taking probably a little bit longer than typical storms to really come up with an estimate that we'd feel comfortable sharing in total. What we've said previously is as we look at our exposures there, and I'll talk a little bit about where they are, we do not see the exposure to that storm as breaching our reinsurance layer, which kicks in after $350 million. The areas that we have coverage, just to put it in perspective, in the Personal Lines side, again from a flood perspective, when you think of homeowners' insurance, we would not have coverage for flood. That would not be part of our policy offering. But obviously, auto, you can see exposure. And when you look at our market share in Texas for both homeowners and auto, it's about 1%. On the commercial side, from a commercial multi-peril line, we've got about 8% market share. But when you look at Commercial Lines in total, it's about 2.5%. When you think about our commercial book, again just focusing on floods since that was such a large impact with that storm, in our Small Commercial book, we do not offer flood coverage in that book. We do, however, in our Middle Market book, offer flood endorsements, again depending on where a property is located because we do have risk tolerances relative to the coastal areas that, as we all know, the flooding went in deeper than even some of the more -- where the typical flood exposure you'd expect to see. So we would have it there. And we would also have some flood coverage in our Maxum unit, our E&S writer in Small Commercial, again based on where they participate and some of the sort of unique risks and in different layers. So that's kind of how we're looking at it. It's still -- our claims adjusters have been just doing a phenomenal job of getting in there, working with our policyholders. We definitely are starting to see the claim -- number of claim intakes decrease. So I think we're in a place now where we can really get -- start to get a better indication of what we think that exposure is.

Turning to Irma, which is obviously even newer. And in most cases, we really haven't even been able to observe any of the damage other than what people are seeing on television. Again with that storm, with the amount of evacuations that occurred, you have to wait until people get back into their areas. Our claims adjusters are poised and ready to go in. I had the opportunity to participate on a few calls over the weekend as our cat teams were getting prepared. And they're very eager to get in there and help our policyholders and see what the exposure is. But it's again a very unique storm. So it's obviously very premature to come up with an estimate, but we do model losses. And when we do some of the modeling, the models do indicate that potentially this, too, would be below our retention. But it's very early. You really have to go in and assess what's there. And you can do things via modeling and you can look at where the exposures were, but we've all seen from the news that it's pretty widespread across Florida. So a couple of things about our Florida exposure. So first of all, from a Personal Lines perspective, we haven't written new homeowners policies in Florida since 1995. So we've got about 21,000 policies that we still have in the homeowners book. And I would say, even back pre-'95, we were always very intentional and thoughtful about coastal exposures. But again, similar to Texas, all of our homeowners policies flood will not be covered. But obviously, there's a lot of wind damage that people see there. On the auto side, our market share in Florida is about 1.7%. Again, that's based on 2016 information. As you know, given some of the challenges that we had in our auto book, we've been doing a lot of rate increases and we've seen some of the retentions there fall, so the market share might be a little bit less than that. And again, we're going in and assessing that damage. And then on the commercial side, all-in, we're a little bit under 1%. And if you look at the CMP line, it's about 2.5%. And all the comments that I made about Small Commercial, Middle Market and Maxum would also pertain here. And the last thing I'll say about Florida

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is as we think about our underwriting appetite in Florida, again even for those lines where we are writing, we are always very intentional and looking at where our coastal exposure is. And so we're really seeing our exposure higher kind of in that central area kind of as you stand out to the top of the state, which, obviously, when we're looking at some of the storm path on Friday would have a very different impact, the fact that the storm did go more to the west then it's kind of straight up. So we're, as I said, in the process of assessing. I think that it's fair for investors to expect that given the size and magnitude of these 2 events that as we're able to refine our estimates and be able to provide a meaningful estimate of the exposure, that investors should expect that we will communicate that.

Jay H. Gelb
Barclays PLC, Research Division

Great. That's real helpful, Beth. I appreciate that.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

And then maybe -- do you want me to talk a little bit about how our reinsurance work? So because I know that, that's obviously also been an area of focus as it relates to our cat covers. So in our property cat occurrence-based cover, we retain the first $350 million of exposure for an occurrence. After that, we have several layers in our cat program. The first layer is for $150 million, and we retain 25% of that exposure. The second layer is for $300 million, and we retain 10%. And then we have a third $300 million layer for 10%. And then on top of that, we also have available to us a potential fourth layer for $50 million of coverage where we would -- we don't retain any piece of that. So that's kind of on an occurrence base. We also several years ago put in place an aggregate cover. And the reason we did that is we wanted protection from a year where you could have multiple events that maybe don't breach the occurrence level, but in the aggregate provide exposure. And the way that treaty works is we retain $850 million net. And the way to think about that $850 million of net exposure is every cat, any cat that PCS declares, any losses associated with that cat in a year will go to the aggregate cover up to a $350 million amount. So again, if we breach that $350 million, where we're participating in some of those other layers, that would not -- those losses would not go towards the aggregate. And then once we breach $850 million, we have anywhere from $150 million to $200 million of coverage. And the reason why it varies a bit is that fourth layer that I mentioned in our overall occurrence-based treaty. It can either stay in the occurrence-based treaty; or if we don't need it, so if we don't have an event that goes all the way through all those layers, we can drop that down to the aggregate, and that would give us the $200 million of coverage. So we feel really good about both of these programs. And then we also for the occurrence treaty, for the first 3 layers, we do have 1 reinstatement. And the reinstatement premium is at the same rate as the original placement. And then lastly, because I think this is important given what we've seen this year, is the way we've structured those first 3 layers of our cat program is they're multiyear. And we've locked in multiyears over a 3-year period. So we always have 1/3 of each layer kind of renewing each year and 2/3 carries over and there's no change in costs. So we did that again several years ago, looking at the favorable terms that we saw in the reinsurance market and wanted to lock in some of that favorability. I would say as terms continue to get more favorable, we sometimes would say, gosh, maybe it wouldn't have matter if we hadn't locked it in. But again, given the exposure here, we see that as a really attractive part of our program.

Jay H. Gelb
Barclays PLC, Research Division

Excellent. That's very helpful. So it seems like the message here is despite the significant magnitude of both Harvey and Irma, it's unlikely at this point that either would be large enough for Hartford to pierce the reinsurance program, which is $350 million pretax per.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. I would say a little -- I feel more confident in saying that about Harvey. With Irma, it's still early. But if we were to breach it, I don't think it would be significantly into the layers based on the modeling. But

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again, it's early. My comments are based on models. And I need my claim adjusters kind of on the ground and assessing the damage, but that's kind of where we sit today.

Jay H. Gelb
Barclays PLC, Research Division

That's helpful. Okay. Bigger-picture question for The Hartford. The company's trailing return on equity over the past 4 quarters is 9%. And excluding Talcott, it's 11%. If the company stays in its current form, what do you feel a reasonable expectation is for a long-term return on equity for Hartford?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

So Jay, very consistent in the question that you ask in that regard, and I would say our answer is very similar to what we've talked about before. When we think about our returns, we really do think about them in the 2 pieces that you've discussed, both all-in and ex Talcott. And when you look at ex Talcott and when you look at the trailing 12 months, taking into consideration that, that trailing 12 months incorporate some of the adverse experience that we saw in Personal Lines and all of the things that we've been doing to improve that book, we feel very good about the trajectory on our return kind of on an ex Talcott basis. When you bring Talcott into the mix, the reality is the earnings base relative to the capital supporting it is going to generate a low ROE. It's been kind of in the mid-single digits. And absent a significant structural change, there isn't -- that will continue. The earnings power of Talcott is really being felt relative to the fees that we generate on our variable annuity book, the spread business that we have. Again, we continue to be very disciplined in managing expenses as the book continues to run off. But there's not a lot of levers to pull relative to that earnings base. And so we really continue to focus on things kind of from those 2 perspectives. It's why we've provided enhanced disclosures to make sure that investors can see that because, again, if you look at our ex Talcott businesses, I think the returns that they're generating are very strong. And obviously, cat will have an impact on those numbers as well.

Jay H. Gelb
Barclays PLC, Research Division

Of course. Right. All right, let's focus in on Talcott. What's the company's progress on winding down this business organically?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

So we've been on a path since 2012 of managing down our exposures. We've done it both through transactions and as in sales of businesses as well as in targeted initiatives as it relates to policyholders. And I think that, that has all progressed very well. And we continue to see our variable annuity contracts kind of lapse, again, at a lower rate, which you'd expect kind of as the book matures. You'd expect that people who haven't lapsed their policies are probably more likely to stay. And so we start to continue to see a decline in earnings because of that. I think it's commensurate with the reduction in the policies in force. We have been benefited by positive markets, so that's helped to improve some of those fees. And we're continuing on that process. We've said before that we would look for opportunities if they presented themselves as it relates to policyholder initiatives, but we look at sort of the cost benefit associated with doing that. I think, overall, the book continues to perform well. The earnings for the year are pretty much in line with what we expected. We've been taking capital out of Talcott. As you know, we anticipated taking $600 million out this year. We took $300 million out in January. And we got approval for the second $300 million last week, and so we'll be taking that out this week. So completely in line with what our expectation's been.

Jay H. Gelb
Barclays PLC, Research Division

That's good. There's been a pretty significant round of press speculation about the potential for Talcott to be sold. What can you tell us, if anything, about that?

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Beth A. Bombara
Chief Financial Officer and Executive Vice President

Well, as we consistently say, we're not going to comment on market rumors. I think we've been very clear from the beginning as to what our intention is with Talcott. And long term, we'd like to see it to be a smaller part of The Hartford, and we'll evaluate opportunities as they present themselves.

Jay H. Gelb
Barclays PLC, Research Division

Is there a point at which -- if we think about what Talcott is on the books for -- from a GAAP basis versus what some have thought the business might -- the business exit value might ultimately be, it seems like it's signaling a potentially quite significant dilution to book value per share. Is that something that Hartford takes into account as it goes through this process?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

No. When we think about Talcott, we really start with looking at overall value and value we can achieve today versus over time. And to me, it's more about cash flows and things of that sort. And that I think presents itself into some of the analysis that you would discuss, but our objective with Talcott is to run it off in a way that we think provides the most value to our shareholders.

Jay H. Gelb
Barclays PLC, Research Division

The company's ability continue to extract capital from Talcott, it's probably funded about half the annual share buybacks. If that were to go away, how is something like that taken into account versus cash upfront in an exit opportunity versus maintaining it and extracting it for ongoing buybacks?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

So when I -- again, I'll go back to what I've said previously that you start with sort of the overall economics and how can you maximize that value. Timing of capital management activities is -- I don't think is a significant part of that objective. And again, I also would point to when you think about our other businesses, they're also generating significant amount of cash flow to the holding company. The P&C business, dividends in the $800 million to $900 million range; Group Benefits, $200 million, $250 million, kind of depending on how we view their capital; Mutual Funds, pretty consistent, $75 million. So there are sources of capital to the holding company to fund its needs.

Jay H. Gelb
Barclays PLC, Research Division

That's helpful. The downward draft in interest rates over the past few months, is that for the potential for an exit opportunity? Does that have a large influence? Or it's...

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. I'm not going to -- again, I'm not going to comment on specific market conditions or market events or so forth. I'll go back to what I said previously.

Jay H. Gelb
Barclays PLC, Research Division

Okay. I'll stop there on Talcott. With regards to commercial P&C, can you discuss the top line and margin trends you're seeing in that business?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

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Yes. So when we came into 2017, we had talked about in our commercial business that we expected to see a bit of margin compression based on where we were the previous year. And I would say, all in all, that's kind of how things have played out. There's been pockets of outperformance, but we are seeing it as a very competitive marketplace. I would say the competition varies in different parts of our business. We probably feel it more in Middle Market than we do in Small Commercial. We continue to find opportunities to take rate in our commercial auto book, which we've talked about, and looking to improve our returns there. But we think that we are poised very well to compete in this environment. And we're very thoughtful about the risks that we're putting on the balance sheet and the price that we're getting and really looking to balance that tradeoff between loss cost trends and what we can get from a pricing perspective. And to be thoughtful in that, we don't believe that putting a lot of business on our books at levels that we know are not going to get us to our target returns will prove fruitful in the long term. And then the last thing, I think, I'll say on that, too, is that it means that we're always very focused on our retentions as we see it as very important in this type of marketplace. And again, overall, being pleased there, but the competition does exist and, as I said, feel it probably a little bit more in Middle Market than we do in Small Commercial.

Jay H. Gelb
Barclays PLC, Research Division

With regard to Small Commercial, we've seen a number of other insurers looking to expand their presence in that business, which, as I think Hartford has said, is probably monetized returning business units. What's Hartford doing to make sure it maintains a strong market position in Small Commercial?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Well, we are very pleased with our market position in Small Commercial, and we believe that across the board our capabilities are leaders. And we're very focused on maintaining that. So my answer to that question because it's something that we get asked a lot is that we're not sitting still. We're constantly looking at how we can improve our business model, our product offerings, how we can penetrate more agents, making sure that our technology is as up to speed as it should be so that we can take advantage of if trends change as far as how consumers look to purchase their insurance. So I feel that we are poised very well, and it continues to be a focus of ours to make sure that we maintain those leading capabilities.

Jay H. Gelb
Barclays PLC, Research Division

Okay. Just kind of turning back to the low interest rate question. With regard to the overall businesses, the core property-casualty, that's been a drag on investment income. What's Hartford doing in its investment portfolio to try and offset that headwind?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. So that's been an area of continued focus for us, and our investment operation, I think, has performed really well relative to managing this environment. And I think that the best way to really characterize it is they're constantly evaluating our portfolio and looking for ways that we can enhance yield but managing that relative to not taking on undue risk. And so where we see pockets of opportunities, we'll do that. We've been able to -- even though we're a P&C company, but given our legacy life business, we have some capabilities that maybe you typically wouldn't see in a P&C business, so our capabilities in the mortgage loans area in particular. And so because even on our P&C businesses some of our liabilities are longer in duration, we're able to take advantage of sometimes the liquidity premium you get for investing in kind of those asset classes where you don't have the liquidity that you might have in others. And that has helped us to enhance our overall yields. But it's something that we continue to focus on because, on average, what we see our investments maturing at or being sold at and the yield that they have is lower than where we can reinvest it. We've benefited from returns in our limited partnerships that have been very favorable, not every quarter but the last several quarters. So that has helped us from a yield perspective. We have benefited from what we refer to as onetimers, where people are

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maybe refinancing or calling or tendering their bonds, and we get additional yield from that but those are onetimers. And so we're -- again, the investment team led by Brion Johnson is constantly looking for ways that we can kind of maximize that tradeoff between yield and risk.

Jay H. Gelb
Barclays PLC, Research Division

Right. Okay. In terms of share buybacks, that's been a very important part of Hartford's investment thesis. How should investors think about the sources of funds available for buybacks in 2017 and beyond?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. So again, for 2017, we were executing on our current plan through last Friday, we had bought in the quarter about $261 million of shares and expect to complete the roughly $325 million that we've allocated per quarter. And then given -- based on market conditions, we'll look to complete that in the fourth quarter. And again, the sources of funding for that, we know we laid out at the beginning of the year relative to our expectations for dividends. As we go into 2018...

Jay H. Gelb
Barclays PLC, Research Division

Sorry to interrupt, so the company's not seeking buybacks because of the storm for the quarter?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. No, not at this point. And again, given where we are in our estimates, we feel very comfortable completing the third quarter. We'll evaluate fourth quarter if our estimates change significantly and that causes us to think differently about it. But sitting here today based on what our expectations are, completing through the fourth quarter is our current expectation. So then as we go into '18, the areas I already mentioned relative to the dividends that we get from our operating companies would stand true. And then we obviously also get capital, as you pointed out, from Talcott. We've got $600 million this year. Last year, we took out $750 million. The year before that, it was $1 billion. So we definitely see the potential to continue to extract capital but probably at a declining rate. And as we've also said, too, as we think about uses of excess capital, we start with looking for ways that we can invest in our businesses. We've talked about the fact that we do have an appetite to look at acquisitions. But obviously, if we don't have better uses to deploy that capital, we see returning that to shareholders as continuing to be very attractive.

Jay H. Gelb
Barclays PLC, Research Division

Of course. Well, that's a good segue into the M&A discussion. Perhaps you can tell us a little bit more about the recent deals that The Hartford's announced and completed and where you see future opportunities in terms of potential debt.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Great. Yes, so last year, I think it was like the last day in July, actually, we closed on our E&S carrier, Maxum. That's in our Small Commercial book. And that really came about because we saw that we had a need for that type of product set and product capabilities. And so it fit in really nicely with some of the things that we were trying to do in the Small Commercial area. Relatively small acquisition, but I think that's an example of when we think about a strategy around M&A. We really see it as an opportunity to accelerate in those areas that we know that we want to focus on. So it really -- we start with any acquisition as having to start with fitting into our overall strategy and then a way to accelerate it relative to sort of building it -- building on your own. And then the second component obviously of looking at any M&A transaction is to evaluate the financial fit and can we justify to our shareholders that using capital in that way is the best use and will position us well going forward. We also did a very small acquisition

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in our Mutual Funds business as they look to expand the products that they have, kind of a smart beta shop. It's relatively small, all funded by Mutual Funds, their cash on hand. It was not something that the holding company contributed to in any way. And again, we look at what Mutual Funds has been able to do is they've diversified their platform. They've been having a very strong year this year with very strong net flows, and very pleased with how all of that has come about. And future M&A activities that we would entertain would really again fall in those areas, focused most likely on our Commercial Lines business, our Group Benefits business, probably a little bit of a de-emphasis on Personal Lines right now as we continue to improve the overall profitability there and, as I said, really see it as a means to accelerate our strategy and improve either the types of products that we can offer to our customers, industry verticals and so forth or potential ways to increase scale as well.

Jay H. Gelb
Barclays PLC, Research Division

Do you feel it would be anything bigger than a bolt-on in terms of acquisitions?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

So I never like to say never. Again, I go back to when we really think about some of the things that we're doing, it's got to fit in with our strategy. It doesn't mean that we wouldn't have an appetite for something larger. But again, I start with kind of what our core strategies are and how M&A can help us accelerate that.

Jay H. Gelb
Barclays PLC, Research Division

Okay. We haven't talked about The Hartford's group business -- Group Benefits business. Can you tell us about the growth potential there and the potential for earnings improvement?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Well, I think Group Benefits has shown the ability to improve their earnings. If you go back over the last several years, we've done a lot to improve the profitability in that book and very pleased with how it's performing. And we went through a process of reunderwriting the book. As you know, oftentimes, that business is written over -- with a 3-year rate lock. So if you find yourself in a situation where you're underpriced, it takes a bit to work through that. And we did that, and we've definitely been seeing the earnings grow there. In addition, we're also looking at expanding our product set, so kind of thinking about sort of the voluntary market, A&H and so forth. Again, it takes time when you're doing those things kind of organically and building your product set, but the team, I think, is poised very well to compete in those markets. So performance overall in the book, I think, continues to be strong. And the claims experience that we've had -- one of the things that we did a few years ago is we moved the Group Benefits claims operation within the broader claims operation of The Hartford, the P&C side. And we've definitely seen, when we look at our workers' comp experience and our group experience on the disability side, some synergies there and learnings. And we highlighted that last year when we talked about our claims operation. So we definitely see the ability to continue to benefit from those learnings on both sides and capitalize on that experience that we have.

Jay H. Gelb
Barclays PLC, Research Division

That's helpful. Let's go to the audience responses. So the first question we have for the audience is if you don't currently own the shares of Hartford or are underweight, what would cause you to change your mind? If we can start the countdown. It's either tighter property-casualty insurance market conditions, improved P&C insurance underwriting results, higher return on equity including the divestiture of Talcott, more share buybacks, lower valuation or increased potential for industry consolidation.

[Voting]

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Jay H. Gelb
Barclays PLC, Research Division

And the audience responses are coming in -- by far the most, 59% saying higher return on equity, including the divestiture of Talcott.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Am I supposed to comment?

Jay H. Gelb
Barclays PLC, Research Division

If you like to. And the second highest being 24%, a tighter property-casualty insurance market. It probably gives you some perspective for the market's perspective of that. Okay, next question, please. My confidence in Hartford's ability to fix its personal auto insurance underwriting results in the next 12 months ranging from very high to very low. Give you about 10 seconds to key in here.

[Voting]

Jay H. Gelb
Barclays PLC, Research Division

Okay, just winding down. And the results, 50% saying very high and...

Beth A. Bombara
Chief Financial Officer and Executive Vice President

High.

Jay H. Gelb
Barclays PLC, Research Division

I'm sorry. You're right. Sorry. 50% saying high and just under 40% saying neutral. I'll count that as a not sure. What's your perspective on that, Beth?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. So -- and I'm glad you asked because you didn't ask about Personal Lines. And I think you asked this question last year and that we may have gotten a different result. But we're very pleased with the improvement that we've seen in our Personal Lines results. I mean, we've said it was going to take time, and it is taking time. But I think we've been able to show the progress that we're making in looking at our results for first and second quarter. I'll also say that as we continue to evaluate activity related to prior years, that, that activity is coming in, in line with our expectations and the reserves that we set. So we're very pleased to see that as well. As we -- we remind people, when you look at our printed results for third and fourth quarter, if you just compare it to first and second, you have to keep in mind the seasonality that we see within the auto books. So we typically see higher loss costs in the third and fourth quarter. But again, I think when you -- our expectation would be that when you adjust last year's third and fourth quarter for our reserve actions that we took and compare it to our expectations for third and fourth quarter this year, that will continue to show improvement. And the last thing I'll comment on, too, is when we think about the improvement, we're really focused on loss cost. We've definitely seen improvement in the expense ratio, but that's because we've been -- we had been turning off some of our marketing efforts as we work to correct the book and put more rate in the book. Our expectation would not be to run it at those lower expense ratios that we would turn on our marketing spend as the book got back to profitability. And we do anticipate seeing some uptick in the latter half of this year on that. Again, all of which was incorporated when we talked about the -- our expectations for the year. And kind of putting cats aside because obviously that is a variable, feel very good about the ex cat, ex prior year development that we're seeing.

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Jay H. Gelb
Barclays PLC, Research Division

Excellent. Okay. Next question, please. Should Hartford maintain its current business mix? We're going to start the countdown. Option 1 is yes, Hartford should remain in its current form. Option 2, no, Hartford should explore options to divest businesses including Talcott. And option 3 is not sure. Don't pick option 3.

[Voting]

Jay H. Gelb
Barclays PLC, Research Division

All right. Those of you on the webcast, 95% said Hartford should explore options to divest businesses including Talcott.

Next question, please. My confidence level on the potential for -- oh, my confidence -- did I write this one? My confidence level on the potential for Hartford to divest its Talcott unit, ranging from very high, neutral, very low. Get some investor perspective here.

[Voting]

Jay H. Gelb
Barclays PLC, Research Division

Okay. Interestingly, 23% saying very high confidence on the potential to divest, 41% saying high and then kind of trailing off from there. So I'd say sentiment is hoping for it and largely expecting it.

Do we have a final question? If Hartford would sell Talcott, our preference for using the proceeds after funds required for debt repurchase would be, if we can start the countdown here, all share buybacks, acquisitions, mix of share buybacks and acquisitions or others?

[Voting]

Jay H. Gelb
Barclays PLC, Research Division

And the highest response coming in at 50%, a mix of share buybacks and acquisitions; and 1/3 saying all share buybacks; with around 10% each all acquisitions or some other form. I hope there's not another Talcott question. That's going to -- you'll not be happy with me. Is that it? Okay. Good. Let's -- we've got a couple minutes left if there's any questions from the audience. Any questions from the audience? Right over here, please, on the left. [Bernie]?

Unknown Analyst

Beth, just a quick question. Do you have a Florida hurricane catastrophe fund coverage as part of -- exclusive from this insurance program?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. I didn't cover on that. But yes, we disclosed that in our 10-K.

Unknown Analyst

And would that get -- would it -- would that get it first, I guess? Would the loss go there first and then whatever is not used up would go to the reinsurance?

Beth A. Bombara
Chief Financial Officer and Executive Vice President

I don't believe that's how it works. And it's relatively small, what we get. But -- so I think it's -- but again, I know it's disclosed in our 10-K. And obviously, I focused more on our larger protection.

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Jay H. Gelb
Barclays PLC, Research Division

Next question up right here, please. Joel?

Unknown Analyst

Just a quick question. You mentioned that your reinsurance programs are multiyear. Is it -- did I hear that right, it's 1/3, 1/3, 1/3? So you'd have 1-year term, a 2-year term and a 3-year term...

Beth A. Bombara
Chief Financial Officer and Executive Vice President

No, so it's 3-year terms that we staggered in over time. So when you look at it, what we've done is in the 3 layers that we have, the first, second and third layer, there's tranches in each of those kind of. And so think of 1/3 of it would expire every 3 years. And so that's why there's only like 1/3 that's coming up for renewal next year. Does that make it clear?

Unknown Analyst

That's what I was getting at. Yes, the maturities will be sort of staggered.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Yes. So we staggered them. So it's not like it's all at once.

Jay H. Gelb
Barclays PLC, Research Division

Next question, please. Any finals? Okay, excellent. With that, please join me in thanking Beth Bombara from The Hartford.

Beth A. Bombara
Chief Financial Officer and Executive Vice President

Thanks.

Jay H. Gelb
Barclays PLC, Research Division

We'll have the breakout session in the Madison Suite. And up next on this track is Allstate.
Thank you so much.

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