The Hartford Financial Services Group, Inc.
October 23, 2017

The Hartford to Acquire Aetna's U. S. Group Life and Disability Business



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The discussion in this presentation includes financial measures that are not derived from generally accepted accounting principles (GAAP). Information regarding these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, is provided in the appendix.

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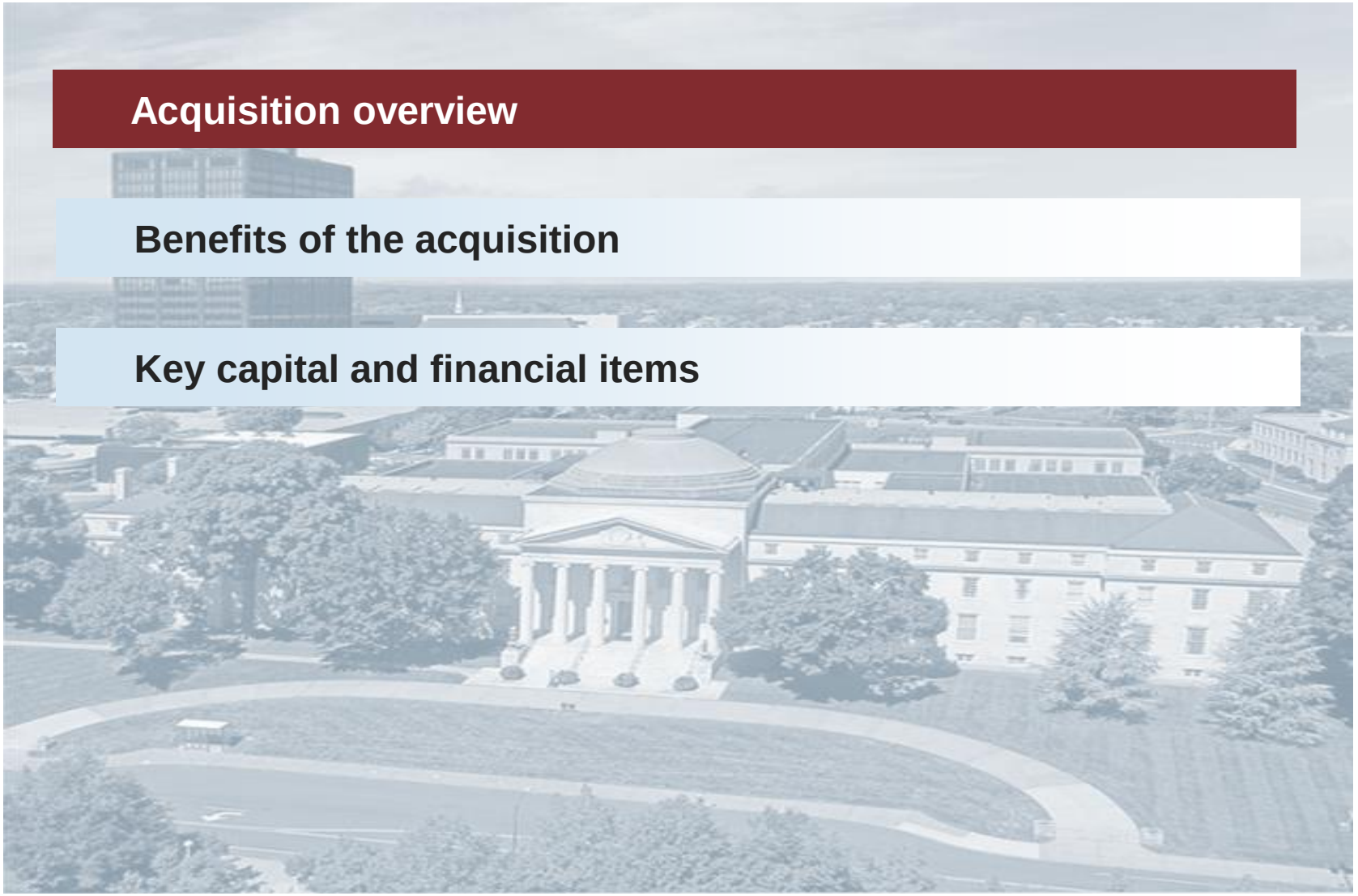
The Hartford to acquire Aetna's U.S. group life and disability business

- The Hartford to acquire Aetna's U.S. group life and disability business for $1.45 billion in cash
  - Acquisition structured as a reinsurance transaction
  - Purchase price largely allocated to intangibles, including value of business acquired and goodwill
  - $325 million net present value of tax benefit associated with the acquisition
- Based on current persistency and earnings margin outlooks, the acquisition is expected to be accretive in 2018 and beyond
  - The Hartford's 2018 net income, as a result of the acquisition, is expected to increase by $60 to $80 million
  - 2018 core earnings[1] expected to increase by $80 to $100 million, including amortization of intangibles of $20 to $30 million, after tax
  - Excluding amortization of intangibles, 2018 core earnings expected to increase by $110 to $120 million
- Cash consideration and capital funded from existing corporate resources
  - Additional Property & Casualty (P&C) dividends of $600 million and additional Talcott Resolution dividends of $800 million above 2017 prior plan
  - $250 million from holding company, including funds from suspension of 2017 equity repurchase plan effective October 13, 2017
  - No debt or equity to be issued in order to fund the acquisition
- Closing expected in early November, subject to regulatory approvals and customary closing conditions

1. Denotes financial measures not calculated based on generally accepted accounting principles (GAAP)

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The Hartford to acquire Aetna's U.S. group life and disability business



Acquisition overview

Benefits of the acquisition

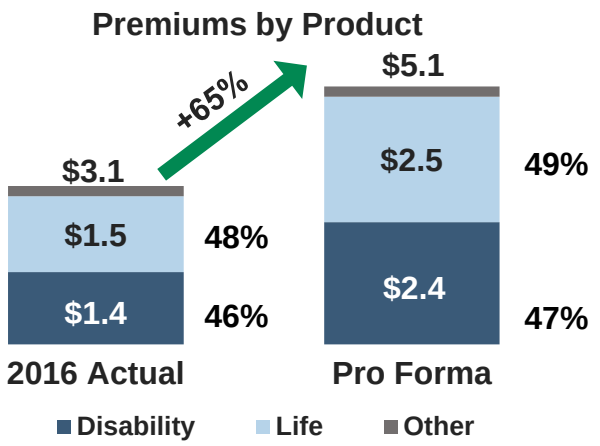
Key capital and financial items

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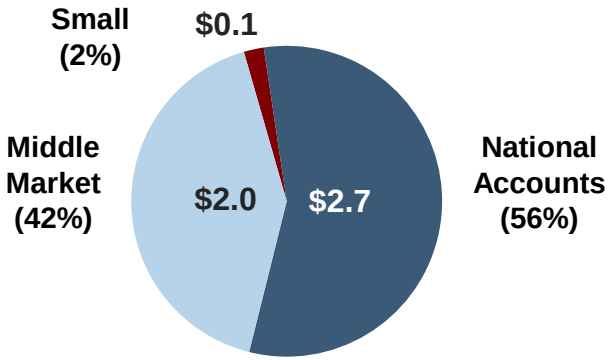
The Hartford to pay $1.45 billion to acquire Aetna's U.S. group life and disability business via reinsurance

- Hartford Life and Accident Insurance Company (HLA), the primary group benefits insurance operating subsidiary of The Hartford, will reinsure on a coinsurance basis Aetna's U.S. book of group life and disability insurance with premiums of approximately $2 billion
  - Acquisition does not include dental, vision or long-term care products
- Expected closing in early November, subject to regulatory approvals and customary closing conditions
  - Purchase price consists principally of a $1.38 billion ceding commission
- Financially accretive in 2018:
  - Expected to increase annual premium by approximately $2.0 billion plus investment income on transferred invested assets, less expenses
  - Core earnings expected to rise by $80 to $100 million, after tax, including amortization of intangibles of $20 to $30 million, after tax

Pro Forma Group Benefits Premium[1]
2016 Full Year
($ in billions)



Employer Group[2] Premiums by Employer Size



1. *Fully insured ongoing premium, excluding buyout premiums*
2. *Excludes The Hartford's non-Employer Group Specialty business*

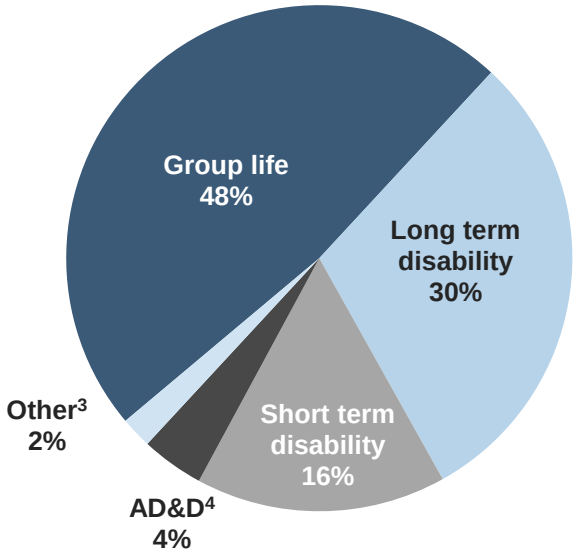
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Aetna Group Insurance overview

- Aetna Group Insurance (AGI) is a leading provider of large case employee benefits products and services in the U.S.
  - Annual premium of $2.0 billion in 2016
  - #7 in fully insured group disability in force[1]
  - #8 in group life in force[1]
- Streamlined customer/claimant experience
  - Integrated leave/short term disability/long term disability/group life waiver management
  - Over 160 clinical resources including nurses, behavioural health clinicians and doctors
  - Proprietary state-of-the-art absence and disability administration platform, Workability®
- Dedicated national distribution sales force and strong partnership with Aetna's medical sales team
- Strong historic profitability and growth trends on acquired book

Aetna Group Insurance by Product[2]

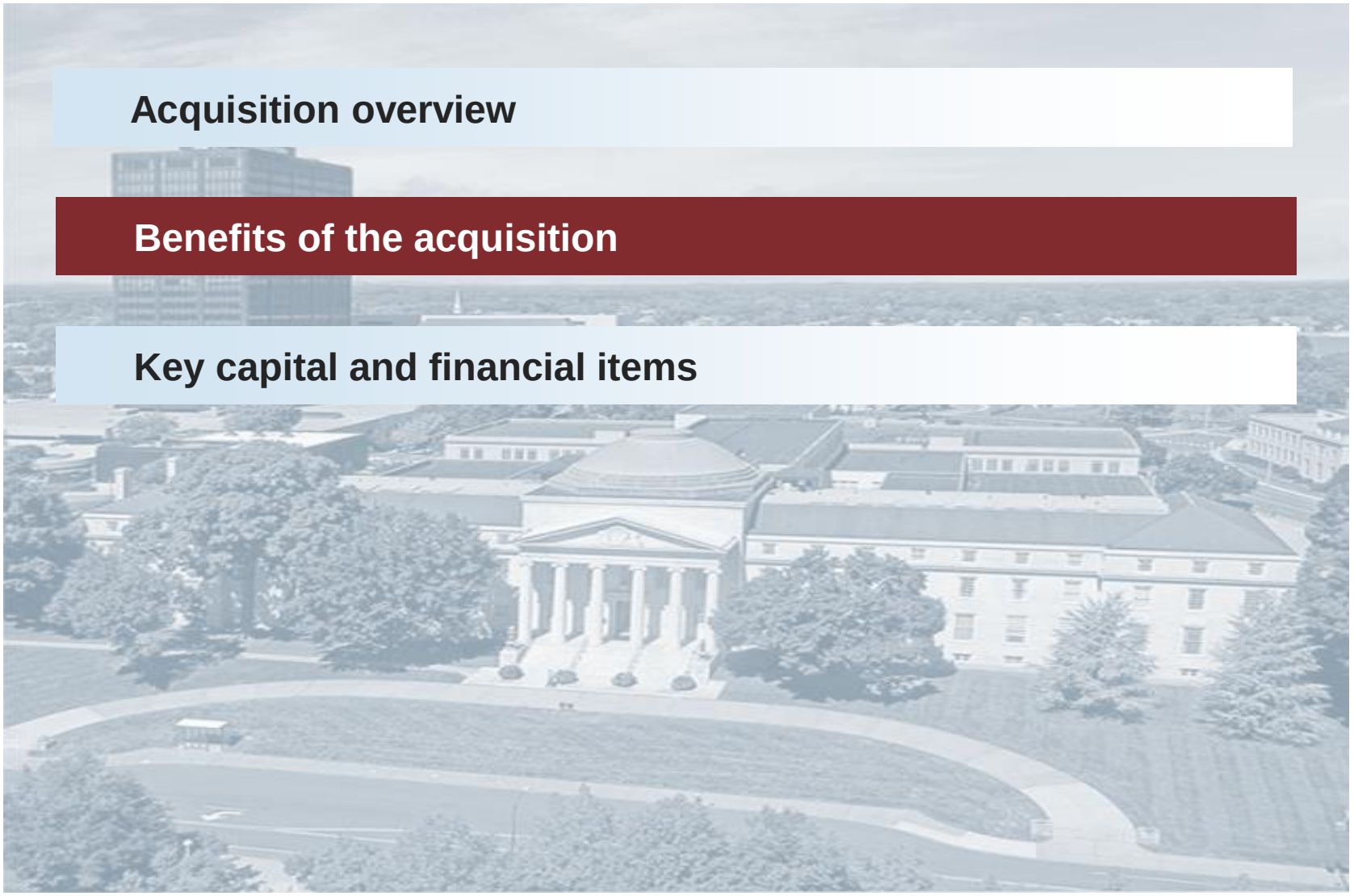
2016 Premiums: $2.0 billion



1. *Per LIMRA year end 2016 Top 10 Carrier report*
2. *Excludes long-term care products*
3. *Other includes Leave and Group universal life (GUL)*
4. *Accidental death and dismemberment (AD&D)*

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The acquisition is a unique opportunity and solidifies The Hartford's leading position in the Group Benefits market

Increases market presence

- The Hartford to become #2 insurer in the group life and disability market, up from #5[1]
- Combines two complementary franchises that are both committed to high-quality products and best-in-class customer and claims service

Accelerates technological strategy

- Accelerates our technology strategy by adding industry-leading digital capabilities and an integrated absence management and claims platform
- Reduces investment costs previously expected for digital initiatives and enhancements of legacy systems

Enhances distribution footprint

- Enhances The Hartford's distribution footprint and sales force
- Provides an exclusive, multi-year collaboration to sell The Hartford's group life and disability products through Aetna's medical sales team

Expands data and analytical capabilities

- Enables expanded data and advanced analytical capabilities
- Increases competitive advantage around recovery management, driving improved outcomes for customers

Financially accretive

- Expected to be accretive to net income and core earnings beginning in 2018
- Purchase price will be funded by dividends from insurance subsidiaries and holding company resources without issuance of debt or equity

1. Source: LIMRA, based on in-force master contracts, certificates, total premiums collected as of Dec. 31, 2016, and annualized premiums

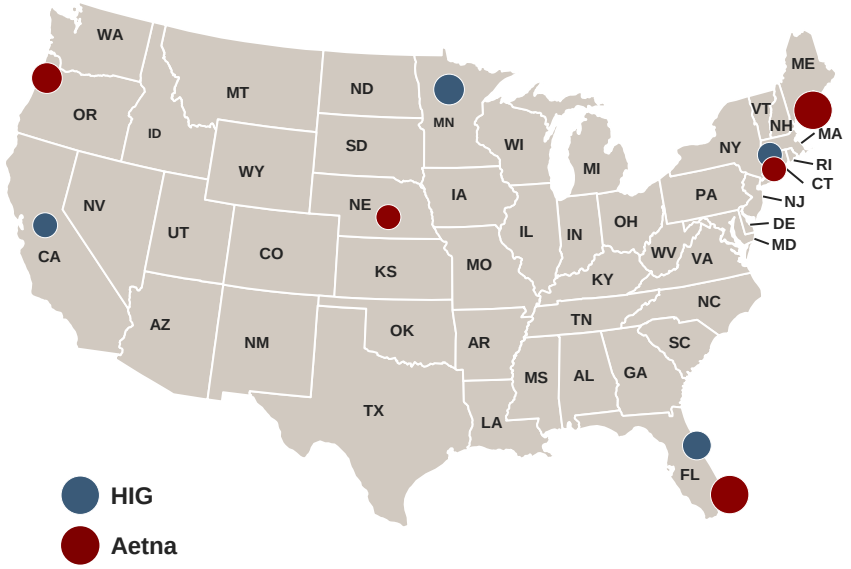
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Increases The Hartford's presence in the Group Benefits marketplace

- Provides a unique opportunity for The Hartford to become #2 insurer in the group life and disability market, up from #5
  - Further strengthens Group Benefits' position as a leader in the large employer market
  - Combines more than 20 million insured
- Combines two franchises that are both committed to high-quality products and best-in-class customer and claims service and strong distribution partnership
  - The Hartford to hire approximately 1,800 Aetna Group Insurance employees
- Strengthens our leadership position in National Accounts
- Significantly increases penetration and share in Middle Market

Combined Claims Service Centers

Geographic reach to execute on service delivery across the country with 9 claims service centers



Marker size reflects number of claims professionals at service center

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Accelerates The Hartford's technology strategy and digital capabilities

- Provides advanced absence management capabilities that will improve customer experience and can be leveraged across The Hartford
  - Fully integrated absence management system with the potential to handle additional products such as workers' compensation, accident and supplemental health
  - Robust claim system that allows for significant efficiencies through greater automation
  - Accelerates digital capabilities and data mining that can facilitate improved underwriting across a number of products
- Reduces investment costs previously expected for digital initiatives and enhancements or replacements of legacy claims and absence management platforms

Integrated Absence Management Platform

WorkAbility ®

Integrated Product Solutions

Absence

Track compliance with complex, ever changing absence laws/ policies

- FMLA[1]/ state leave laws
- Company policies
- Day 1 sick, paid family

Diverse suite of solutions

- Employer self administered
- Jointly-administered or fully-managed

Claims Management

State-of-the-art claim / clinical management

- Rules-based processing
- Claims risk
- Clinical resources and protocols
- Secure voice authorization

Automated

- Internal and external data feeds with employers and their vendors

Data Analytics

Real-time reporting

- Generate summary trend reports
- Perform on-demand reporting at all levels of the organization
- Ensures privacy practices

Organized, synchronized information for real-time accuracy

Customer Portal / Mobile

Employee portals

- Claims submission
- Claim status
- Direct Deposit
- Evidence of insurability
- Beneficiary management
- Electronic alerts
- Notice of return to work

Employer portal

- Claim status
- Return to work
- Access reports
- View available balances

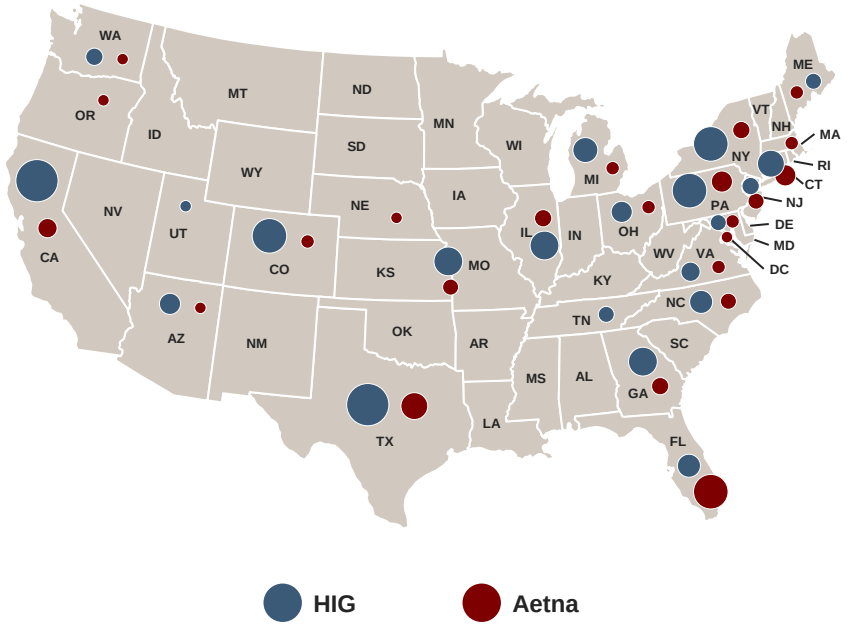
1. Family Medical Leave Act (FMLA)

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Enhances The Hartford's distribution footprint

- Increases sales force by 45% to over 250 employees, including sales representatives and account managers
- Increases penetration in majority of brokers
- Enables expansion of product offerings to current Aetna policyholders
  - Ability to sell voluntary and other Hartford products to more than 20 million policyholders
- Provides an exclusive, multi-year collaboration to sell The Hartford's group life and disability products through Aetna's medical sales team

Sales Force by Location

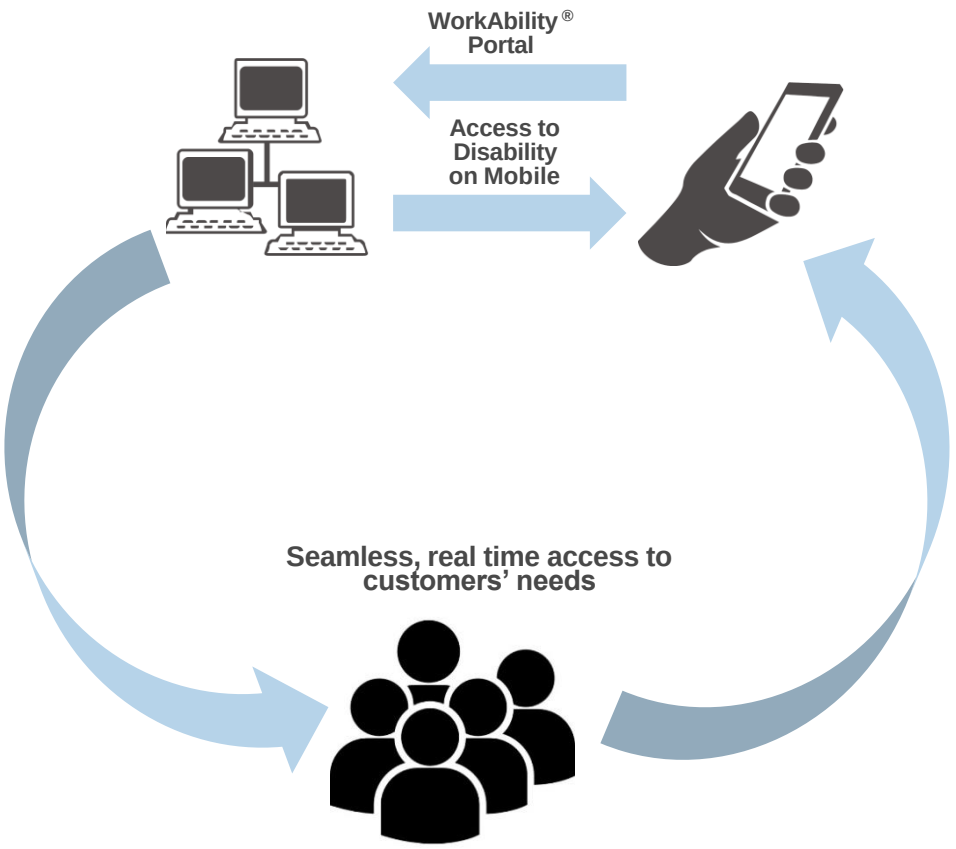


Marker size reflects the number of sales representatives and managers per state

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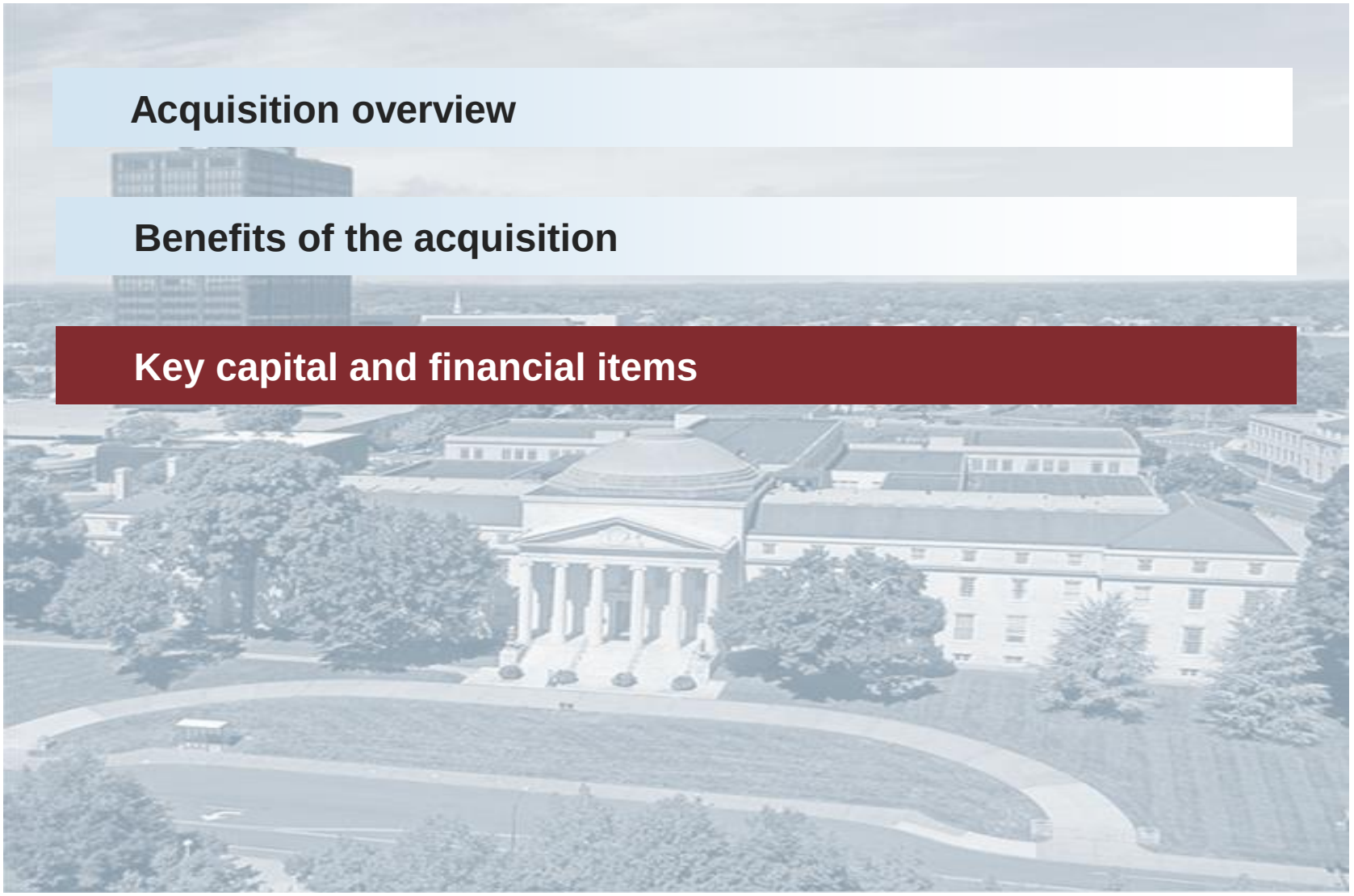
Expands data and advanced analytical capabilities for better recovery management

- As #2 workers' compensation insurer, and now, the #2 group life and disability insurer, we can capitalize on our competitive advantages around recovery management
- With the expanded data and advanced analytical capabilities, The Hartford's claims organization will be able to drive better recovery outcomes for customers in both workers' compensation and group disability businesses
  - Integrated absence and disability administration platform with robust web portal and mobile capabilities with text messaging integration
  - Integrated data shared between leave, STD, LTD and life waiver
  - Centralized, coordinated data in one system



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Summary estimated financial impacts of the acquisition, subject to market values at closing

Cash consideration:	**$1.45 billion**
Ceding commission	**~$1.38 billion**
Purchase price for operating assets (software, equipment, etc.)	**~$0.07 billion**
2018 estimates of earnings accretion[1]:	
Net income, after tax	**+ $60 to $80 million**
Core earnings, after tax	**+ $80 to $100 million**
Estimated annual amortization of intangibles, after tax	**+ $20 to $30 million**
Pro forma impact to 9/30/17:	
Book value per diluted share (BVPS), ex. AOCI[2]	**No impact**
Tangible BVPS ex. AOCI[2]	**$(3.38) or (8%) dilutive**
Leverage ratio[3]	**No impact**
Present value of tax benefits as a result of the acquisition[4]	**~$325 million**
Estimated savings beginning in 2018 on run-rate operating expenses, expected to be largely achieved within 2 years (before tax)[5]	**~$100 million**
Estimated transaction and integration related costs over the next 24 months[6]	**~$80 million, before tax** **~$50 million, after tax**

1. *Intangible amortization included in net income and core earnings; transaction and integration related costs included in net income*
2. *Denotes financial measures not calculated based on generally accepted accounting principles (GAAP)*
3. *Total rating agency adjusted debt to capitalization ratio (based on Moody's methodology)*
4. *Includes ~$260 million net present value, discounted at 8%, from ceding commission and ~$65 million from accelerated utilization of existing tax attributes*
5. *Largest portion of the estimated total operating expense savings of ~$100 million, before tax, is ~$60 million, before tax, expected to be achieved in 2018, which is reflected in earnings estimates*
6. *Transaction and integration related costs estimated to be ~$15 million, before tax, in 4Q17, ~$25 million, before tax, in 2018 and ~$40 million, before tax, in 2019, or ~$10 million, after tax, in 4Q17, ~$15 million, after tax, in 2018 and ~$25 million, after tax, in 2019*

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Purchase price and capital funded through corporate resources, including insurance subsidiary dividends and holding company resources

- $1.45 billion cash consideration paid principally with P&C and Talcott Resolution dividends totaling $1.4 billion
  - $600 million extraordinary dividend from P&C, reducing expected 2018 P&C dividends to $300 million
  - $800 million extraordinary dividend from Talcott Resolution, reducing expected 2018 dividends to $200 million
  - Extraordinary dividend approval from Connecticut Department of Insurance has been received and will be paid to holding company by the end of October
- In addition, holding company cash remaining for the 2017 equity repurchase plan will be used to fund total cash requirements associated with the acquisition
  - Holding company will use $250 million for the transaction; $50 million for the purchase price and $200 million for additional capital investment in HLA to support capital requirements of the acquired book of business
  - $1.027 billion repurchased under 2017 equity repurchase plan through October 12, 2017 for a remaining balance of $273 million
- The Hartford does not currently expect to authorize a 2018 equity repurchase plan
  - As a result of the additional P&C and Talcott Resolution extraordinary dividends, 2018 dividends will be significantly reduced for P&C and Talcott Resolution
  - No HLA dividends planned in 4Q17 and 2018
  - Continue to plan to pay down $500 million of junior subordinated debt in 2018

Funding Sources and Uses
($ in millions)

Uses:	
Cash consideration	$1,450
Capital contributions to HLA	200
Total cash uses	**$1,650**
Sources:	
Talcott Resolution dividend	$800
P&C dividends	600
HFSG[1] holding company	250
Total cash sources	**$1,650**

1. Hartford Financial Services Group (HFSG)

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Pro forma impacts on The Hartford's consolidated balance sheet

- In addition to the in-force premium, The Hartford will receive an estimated $3.4[2] billion of invested assets and approximately $3.3[2] billion of policyholder benefits reserves, at fair value, subject to adjustment in closing date balance sheet
- Approximately $1.2 billion of the $1.45 billion purchase price will be accounted for as goodwill and intangible assets, subject to final closing balance sheet
  - Approximately $600 million classified as non-amortizable intangible goodwill
  - Approximately $630 million classified as value of customer relationships and business acquired, which will be amortized through income over approximately 15 years
- Approximately $1.42 billion of the $1.45 billion cash consideration is estimated to be deductible for federal tax purposes
  - Present value of tax benefits of about $325 million; includes $260 million of estimated present value of ceding commission and $65 million estimated for accelerated utilization of existing tax attributes for The Hartford

Consolidated Pro Forma GAAP Balance Sheet[1]

($ in billions)	9/30/17 As Reported	Pro Forma Transaction Impacts	9/30/17 Pro Forma
Cash and invested assets	$73.3	$1.9 [2]	$75.3
Reinsurance recoverables	23.3	-	23.3
Goodwill and intangible assets[3]	0.6	1.2	1.8
Other assets	11.4	0.2	11.6
Separate account assets	115.6	-	115.6
Total assets	**$224.2**	**$3.4**	**$227.6**
Reserves and policyholder funds	$72.6	$3.3 [2]	$75.9
Other liabilities	18.7	0.1	18.8
Separate account liabilities	115.6	-	115.6
Total liabilities	**$207.0**	**$3.4**	**$210.4**
Shareholders' equity	17.2	-	17.2
Total liabilities and shareholders' equity	**$224.2**	**$3.4**	**$227.6**

1. *Pro forma impacts, including estimated purchase accounting adjustments, to be finalized to actual values as of the closing balance sheet; totals may not add due to rounding*
2. *Approximately $3.4 billion of investment assets at fair value, net of ceding commission paid of $1.45 billion, and approximately $3.3 billion of policyholder benefits reserves based upon GAAP balance sheet values as of June 30, 2017, taking into account estimated purchase accounting adjustments*
3. *The excess of the purchase price over the fair value of net assets acquired will be accounted for as intangible assets, including value of customer relationships and business acquired and goodwill*

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Estimated pro forma impacts on year-end 2017 HLA statutory balance sheet

- HLA to assume approximately $2.0 billion of annual premium, $3.0 billion of statutory policyholder benefit reserves and $3.3 billion of statutory invested assets
  - The Hartford to contribute $200 million in capital to support acquired book
- Estimated Dec. 31, 2017 RBC[1] for HLA expected to decrease, but remain consistent with financial strength and claims-paying ability ratings
  - Estimated RBC decreases from approximately 460% to pro forma 330% as a result of the acquisition
  - Estimated RBC levels expected to increase through retained earnings to approximately 380% by year-end 2018, based on projected net income, as HLA does not expect to pay dividends for balance of 2017 and 2018
- HLA does not expect to pay dividends for balance of 2017 and 2018
- Pro forma loss and expense ratios expected to be generally consistent with The Hartford's Group Benefits segment
  - Acquired reserves fair valued at acquisition and discounted based on current interest rates
- Also expect approximately $105 to $115 million, before tax, of annual incremental net investment income on additional invested assets from acquired invested assets and reserves

HLA Statutory Balance Sheet

($ in billions)	Previous 12/31/17 Outlook	12/31/17 Pro Forma
Invested assets	$8.6	$12.3
Other than invested assets	0.6	0.8
Total assets	**$9.2**	**$13.1**
Reserves	$5.9	$9.0
Other liabilities	1.8	2.2
Total liabilities	7.6	11.2
Capital and surplus	1.6	1.9
Total liabilities, capital and surplus	**$9.2**	**$13.1**
Estimated RBC[1] Ratio	**460%**	**330%**

1. Company action level risk-based capital requirements (RBC)

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Appendix – Discussion and reconciliation of GAAP to non-GAAP financial measures



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Discussion of non-GAAP financial measures

The Hartford uses non-GAAP financial measures in this presentation to assist investors in analyzing the projected impact of the transaction described herein on the company's operating performance for the periods presented. Because The Hartford's calculation of these measures may differ from similar measures used by other companies, investors should be careful when comparing The Hartford's non-GAAP financial measures to those of other companies. Definitions of non-GAAP and other financial measures used in this presentation can be found below and in The Hartford's Press Releases, issued on October 23, 2017 and The Hartford's Investor Financial Supplement for third quarter 2017, which are available on The Hartford's website, https://ir.thehartford.com.

Core Earnings: The Hartford uses the non-GAAP measure core earnings as an important measure of the company's operating performance. The Hartford believes that the measure core earnings provides investors with a valuable measure of the performance of the company's ongoing businesses because it reveals trends in our insurance and financial services businesses that may be obscured by including the net effect of certain realized capital gains and losses, certain restructuring charges, pension settlements, loss on extinguishment of debt, reinsurance gains and losses on business disposition transactions, income tax benefit from reduction in valuation allowance, discontinued operations, and the impact of Unlocks to deferred policy acquisition costs ("DAC"), sales inducement assets, unearned revenue reserves and death and other insurance benefit reserve balances. Some realized capital gains and losses are primarily driven by investment decisions and external economic developments, the nature and timing of which are unrelated to the insurance and underwriting aspects of our business.

Accordingly, core earnings excludes the effect of all realized gains and losses (net of tax and the effects of DAC) that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so core earnings includes net realized gains and losses such as net periodic settlements on credit derivatives. These net realized gains and losses are directly related to an offsetting item included in the income statement such as net investment income. Net income (loss) is the most directly comparable U.S. GAAP measure. Core earnings should not be considered as a substitute for net income (loss) and does not reflect the overall profitability of the company's business. Therefore, The Hartford believes that it is useful for investors to evaluate both net income (loss) and core earnings when reviewing the company's performance. A quantitative reconciliation net income (loss) to core earnings (loss) is not calculable on a forward-looking basis because it is not possible to provide a reliable forecast of realized capital gains and losses, which typically vary substantially from period to period.

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Discussion of non-GAAP financial measures - continued

Book value per diluted share excluding accumulated other comprehensive income ("AOCI"): Book value per diluted share excluding AOCI is a non-GAAP financial measure based on a GAAP financial measure. It is calculated by dividing (a) common stockholders' equity excluding AOCI, after tax, by (b) common shares outstanding and dilutive potential common shares. The Hartford provides book value per diluted share excluding AOCI to enable investors to analyze the company's stockholders' equity excluding the effect of changes in the value of the company's investment portfolio and other assets due to interest rates, currency and other factors. The Hartford believes book value per diluted share excluding AOCI is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period, primarily based on changes in market value. Book value per diluted share is the most directly comparable GAAP measure. A reconciliation of book value per diluted share, including AOCI to book value per diluted share, excluding AOCI is set forth below.

	As of 9/30/17
Book value per diluted share, including AOCI	$47.33
Less: Per diluted share impact of AOCI	1.61
Book value per diluted share, excluding AOCI	**$45.72**

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Discussion of non-GAAP financial measures - continued

Tangible book value per diluted share excluding accumulated other comprehensive income ("AOCI"): Tangible book value per diluted share excluding AOCI is a non-GAAP financial measure based on a GAAP financial measure. It is calculated by dividing (a) common stockholders' equity excluding goodwill and other purchase intangible assets and AOCI, after tax, by (b) common shares outstanding and dilutive potential common shares. The Hartford provides tangible book value per diluted share excluding AOCI to enable investors to analyze the company's stockholders' equity excluding the effect of changes in the value of the company's goodwill, other purchase intangible assets and investment portfolio and other assets due to interest rates, currency and other factors. The Hartford believes tangible book value per diluted share excluding AOCI is useful to investors because it eliminates the effect of goodwill, other purchase intangibles and items that can fluctuate significantly from period to period, primarily based on changes in market value. Book value per diluted share is the most directly comparable GAAP measure. A reconciliation of book value per diluted share, including AOCI to Tangible book value per diluted share, excluding AOCI is set forth below.

	As of 9/30/17		
	As Reported	**Impact of Acquisition**	**Pro Forma**
Book value per diluted share, including AOCI	$47.33		$47.33
Less: Per diluted share impact of			
Goodwill and other purchase intangibles	1.56	3.38	4.94
AOCI	1.61	-	1.61
Tangible Book value per diluted share, excluding AOCI	**$44.16**	**$3.38**	**$40.78**

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