The Hartford Financial Services Group, Inc.
December 4, 2017

The Hartford Announces Agreement To Sell Talcott Resolution, Completes Exit From Run-Off Life and Annuity Business

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The discussion in this presentation of The Hartford's financial performance 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 Appendix B.

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The Hartford to sell Talcott Resolution, completing exit from run-off life and annuity business, for estimated total transaction value of $3.0 billion[1]

- Sale provides better economics for shareholders compared with continued run-off
  - Thorough and robust process with multiple bidders
  - Total transaction value of $3.0 billion, including estimated retained tax benefits of $950 million[2]
- Concentrates focus on our market-leading P&C[3], Group Benefits and Mutual Funds businesses
- Improves ROE[4] and earnings growth profile
- Reduces capital market tail risk and balance sheet and earnings volatility
- Increases financial flexibility
- Estimated loss on sale of $3.2 billion, or $8.79 per diluted share outstanding as of Sept. 30, 2017

Benefits of the Sale to The Hartford



1. *Total value of transaction of $3.0 billion includes total consideration of $2,050 million and estimated retained Talcott Resolution tax benefits of $950 million; total consideration comprised of $1,443 million in cash, $300 million in pre-closing dividends (subject to approval by Connecticut Insurance Department), equity interest valued at $164 million and $143 million in existing Hartford Life, Inc. (HLI) debt included in the sale*
2. *Available for realization subject to the level and timing of The Hartford's taxable income. The GAAP book value of the estimated retained tax benefits and our ability to realize such benefits are based on current tax law and subject to a final determination of the tax basis of the operations sold*
3. *Property and Casualty (P&C)*
4. *Return on equity (ROE)*

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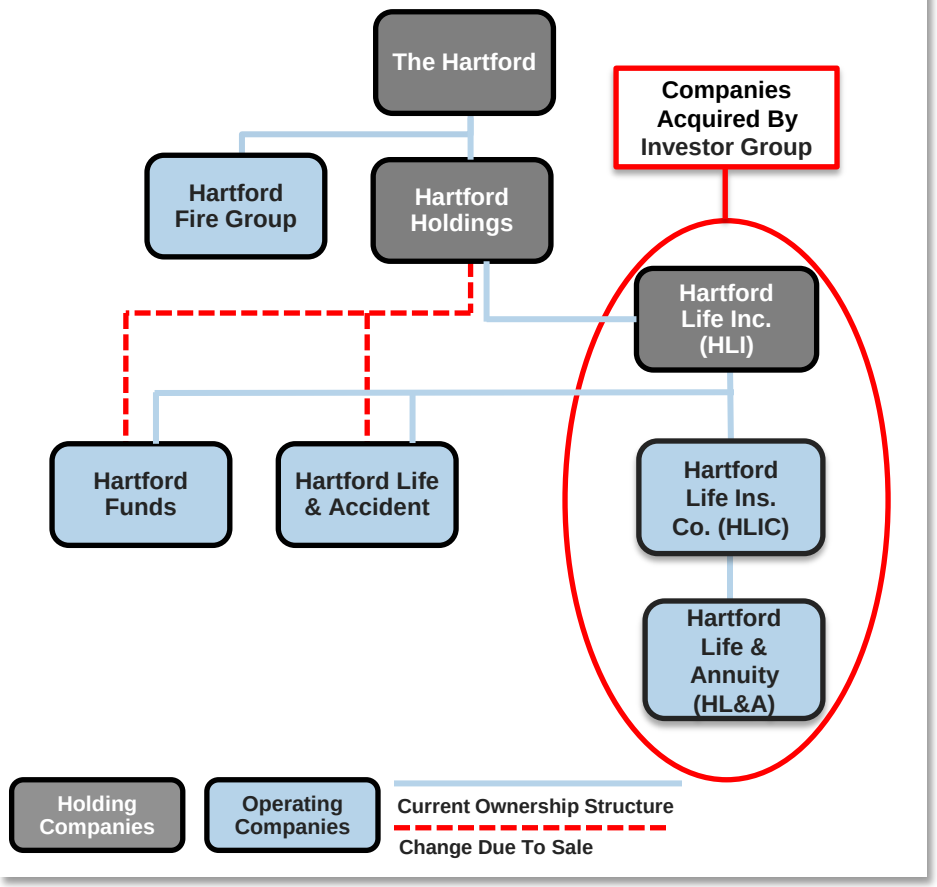
Talcott Resolution to be purchased by an investor group with significant experience in insurance industry

- Investor group is led by Cornell Capital, Atlas Merchant Capital, TRB Advisors, Global Atlantic Financial Group (GAFG), Pine Brook and J. Safra Group
  - Significant experience as owners of insurance companies, including life, annuity and P&C
  - The Hartford will receive a 9.7% equity interest in the acquiring company, currently estimated at a value of $164 million
- Total consideration to The Hartford is $2.05 billion, including $1.743 billion in cash
  - In addition, The Hartford will retain Talcott Resolution tax benefits with an estimated GAAP book value of $950 million at Sept. 30, 2017
- Sale includes full operational capabilities of Talcott Resolution, including technology and software platforms, and about 400 employees
  - Along with investment management agreement, reduces stranded overhead costs at The Hartford to about $35 million to $45 million, before tax, to be eliminated over time
- Closing expected in the first half of 2018, subject to regulatory approval and other closing conditions

The Hartford's Corporate Organization[1]



1.Graphic is a simplified version of The Hartford's organizational structure for illustrative purposes and does not depict every legal entity that will be part of the transaction. Hartford Funds and Hartford Life & Accident will be transferred to Hartford Holdings before the sale closes

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Principal financial terms and impacts of the sale

Total value of transaction:	
Cash from investor group	$1,443 million
Pre-closing dividend[1]	300 million
Cash consideration	**$1,743 million**
HLI debt included in sale	143 million
Hartford equity interest in acquiring company	164 million
Total consideration	**$2,050 million**
Estimated retained tax benefits	~950 million[2]
Total value	**~$3.0 billion**
9M17[3] pro forma impacts:	
Loss on discontinued operations, after tax	**~$(3.0) billion[4]**
Net loss per weighted average diluted share	~$(8.05)
Core loss per weighted average diluted share[5]	~$(0.71)
Loss on sale, after tax	**~$(3.2) billion[6,7]**
Loss on sale per diluted share outstanding	~$(8.79)[6,7]
Leverage ratio[8]	**Increase of 4.8 pts. to 29.5%**
Stranded costs to be eliminated over time	**$35-$45 million, before tax**

~ approximately

Principal terms:

- The Hartford will retain Talcott Resolution tax benefits with estimated GAAP carrying value of $950 million
- Hartford Investment Management Company will continue to manage a significant majority of Talcott Resolution's general account invested assets for an initial term of five years
- Transition services agreement up to 24 months, after closing

Other key closing items:

- No financing contingency as purchase funded entirely by equity
- Equity commitment letters have been received and no debt is being raised to fund the purchase

1. *Subject to approval by Connecticut Insurance Department*
2. *Estimate of retained tax benefits based on current tax law, subject to final determination of the tax basis of operations sold; primarily comprised of net operating loss carryovers (NOLs), alternative minimum tax (AMT) credits and foreign tax credits*
3. *First nine months of 2017 (9M17)*
4. *Loss on discontinued operations, after tax, includes loss on sale and earnings from Talcott Resolution reclassified to discontinued operations; includes Talcott Resolution earnings for 9M17*
5. *Denotes financial measures not calculated based on generally accepted accounting principles (GAAP)*
6. *Subject to change based on shares outstanding and 4Q17 Talcott Resolution earnings*
7. *At closing, shareholders' equity will be further reduced for the amount of accumulated other comprehensive income (AOCI) of the Talcott Resolution business, which was $931 million as of Sept. 30, 2017, or $2.56 of book value per diluted share. Talcott Resolution's AOCI largely consists of net unrealized gains on investments*
8. *Total rating agency adjusted debt to capitalization ratio (based on Moody's methodology)*

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The sale of Talcott Resolution has four principal benefits to The Hartford

Underwriting-centric business concentration

- Strengthens focus on our market-leading underwriting-centric P&C and Group Benefits businesses
- Completes our exit from the run-off life and annuity businesses

Improved ROE and earnings growth profile

- Eliminates impact of Talcott Resolution's lower ROE and earnings run-off on consolidated ROE and earnings

Reduced capital market tail risk and volatility

- Eliminates capital market tail risk related to Talcott Resolution
- Reduces the size and complexity of the consolidated balance sheet, including lower investment, reserve and debt-to-capital leverage

Increased financial flexibility

- Increases financial flexibility with the cash proceeds received and debt reduction from the transaction
- Ability to reinvest proceeds in higher return opportunities

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UNDERWRITING-CENTRIC BUSINESS CONCENTRATION

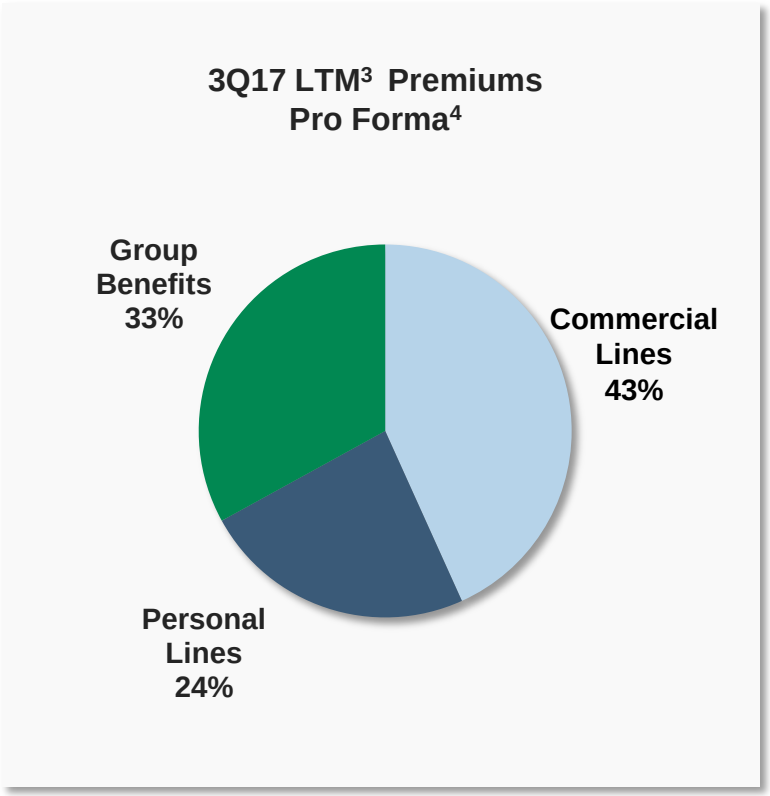
Leading U.S. insurance franchise with significant market positions and competitive advantages in P&C and Group Benefits

Leading U.S. Market Positions…

- Leading share in P&C Small Commercial
- **#2** in Workers' Compensation[1]
- **#2** in Group Life and Disability[2]
- **#4** in Commercial Multi-Peril[1]
- **#4** in Direct Personal Lines[1]
- **#7** overall in P&C Commercial[1]

…With Strong Competitive Advantages

- Broad and deep commercial distribution partnerships
- Longstanding Personal Lines partnership with AARP
- Top choice among agents
- Best-in-class technology, with significant investments in underwriting, claims and customer service
- Recognized for claims excellence



1 *Per A.M. Best, based on 2016 direct written premiums*
2 *In-force premium as of 12/31/16, per LIMRA, including the acquisition of Aetna's U.S. group life and disability business*
3. *Last twelve months as of Sept. 30, 2017 (3Q17 LTM)*
4. *Includes written premiums for Commercial Lines and Personal Lines, fully insured ongoing premiums for Group Benefits, and the pro forma impact of the 4Q17 acquisition of Aetna's $2.0 billion premium of U.S. group life and disability business*

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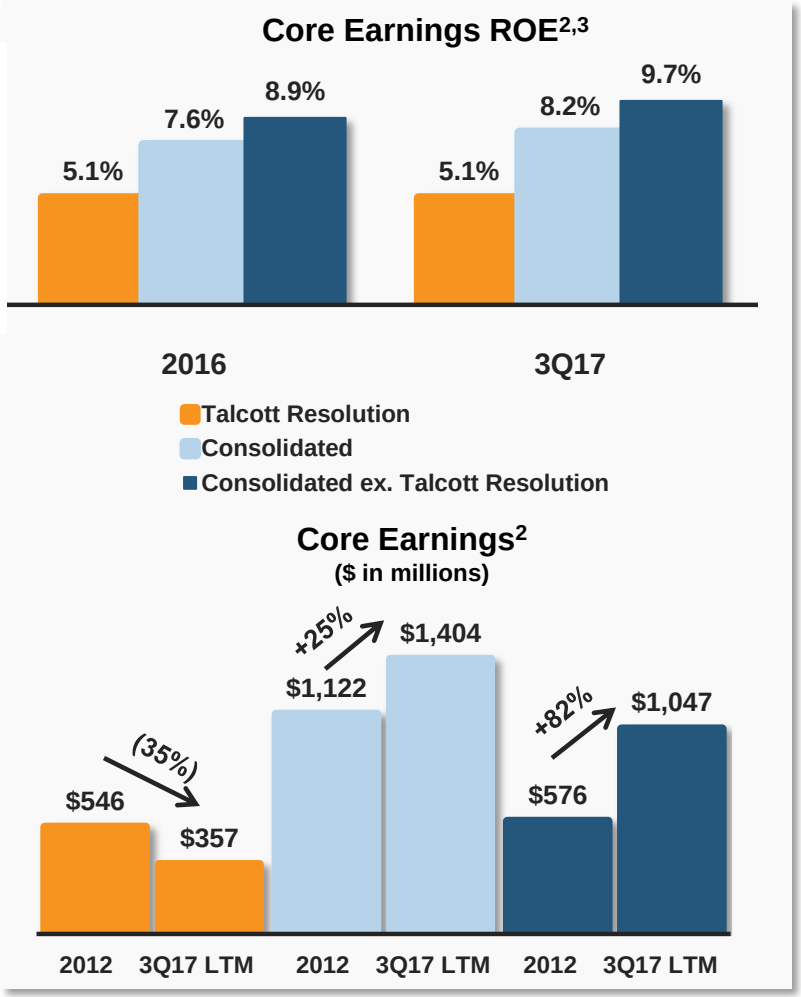
IMPROVED ROE AND EARNINGS GROWTH PROFILE

Sale expected to improve future consolidated ROE and earnings growth profile

- Talcott Resolution's ROE[1] is significantly below that of The Hartford's other businesses, reducing consolidated ROE and unfavorably impacting relative valuation
  - 3Q17 LTM core earnings ROE was 1.5 points lower than core earnings ROE, excluding Talcott Resolution
  - Net income ROE at Talcott Resolution has also been impacted by deferred acquisition costs (DAC) unlock and variable annuity (VA) hedging results not included in core earnings
- In addition, Talcott Resolution's core earnings are decreasing due to run-off, which has reduced consolidated earnings growth rates
  - Between 2012 and 3Q17 LTM, consolidated core earnings excluding Talcott Resolution rose 82%
  - Including Talcott Resolution, core earnings rose only 25% over the same period
- Expect improved consolidated ROE in 2018 due to sale and redeployment of proceeds although it will take longer for the full benefit of the sale to be reflected in financial results
  - 2019 will be first full year to reflect sale
  - Amount of improvement compared with 2017 will also depend on future P&C and Group Benefits underwriting results and net investment income



1. *ROE assumes debt and interest is attributable to Talcott Resolution consistent with overall debt to capitalization of the consolidated entity*
2. *Denotes financial measure not calculated based on GAAP*
3. *Twelve month trailing core earnings ROE, excluding AOCI, levered*

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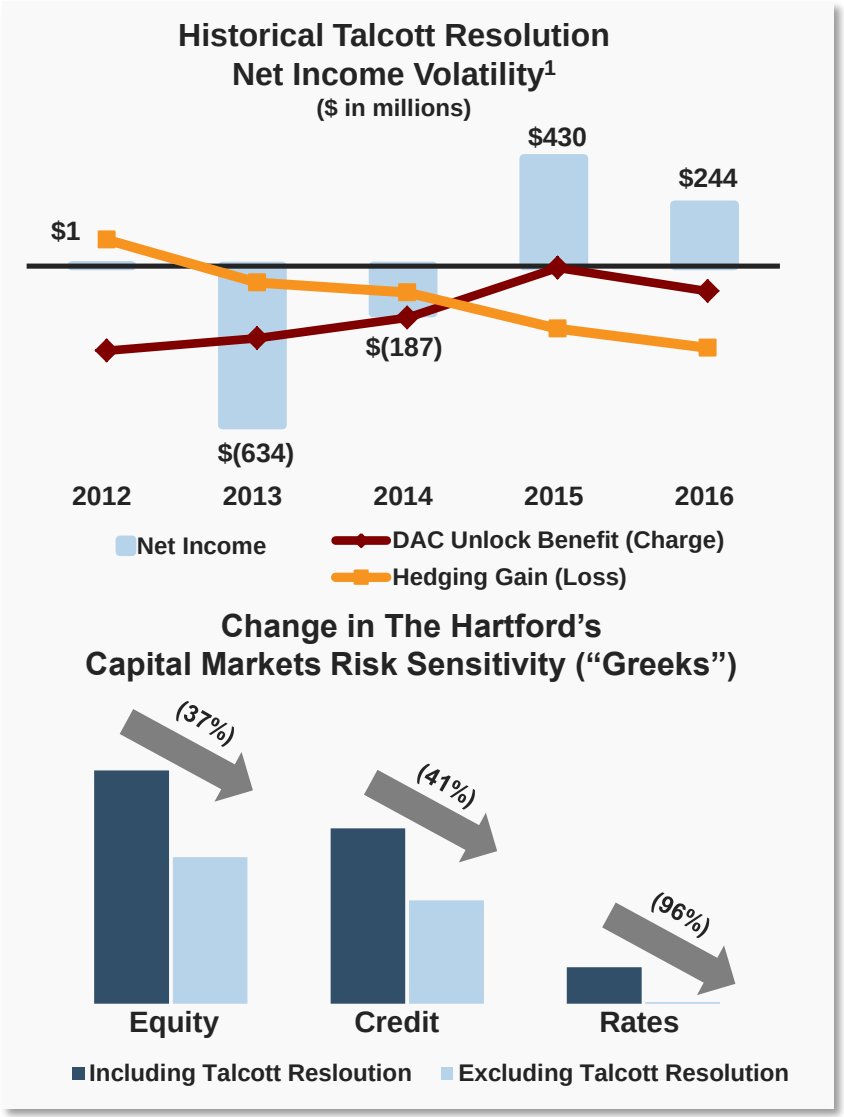
REDUCED CAPITAL MARKET TAIL RISK AND VOLATILITY

Sale reduces capital market tail risk from equities, credit and interest rates; eliminates VA volatility impacts on net income

- Talcott Resolution capital market-driven impacts have historically increased consolidated net income volatility
  - Hedging losses, largely for the VA block, have been a significant driver of the difference between The Hartford's core earnings and net income
  - In addition, capital markets and policyholder behavior assumption changes have generated DAC unlock benefits or charges each quarter
  - The sale will narrow the difference between future consolidated net income and core earnings due to the elimination of these VA market impacts
- Total enterprise tail risk, as measured by lower capital markets sensitivity or "Greeks", also expected to decline and will reduce need for capital markets hedging programs
  - Talcott Resolution sale significantly reduces equity, credit and interest rate exposure
  - Remaining equity and credit risks are driven by P&C and Group Benefits investments and reserves, which are less sensitive to capital market risks than VA and fixed annuity



1. *Full year net income included the following items:*
   - *2012 included net reinsurance losses, after tax, of $270 million associated with sale of Individual Life business*
   - *2012, 2013 and 2014 included losses from discontinued operations, after tax, of $253 million, $1,048 million and $557 million related to the sale of Individual Life and Retirement businesses sold in January 2013, U.K. variable annuity business sold in December 2013, and Japan annuity business sold in June 2014*

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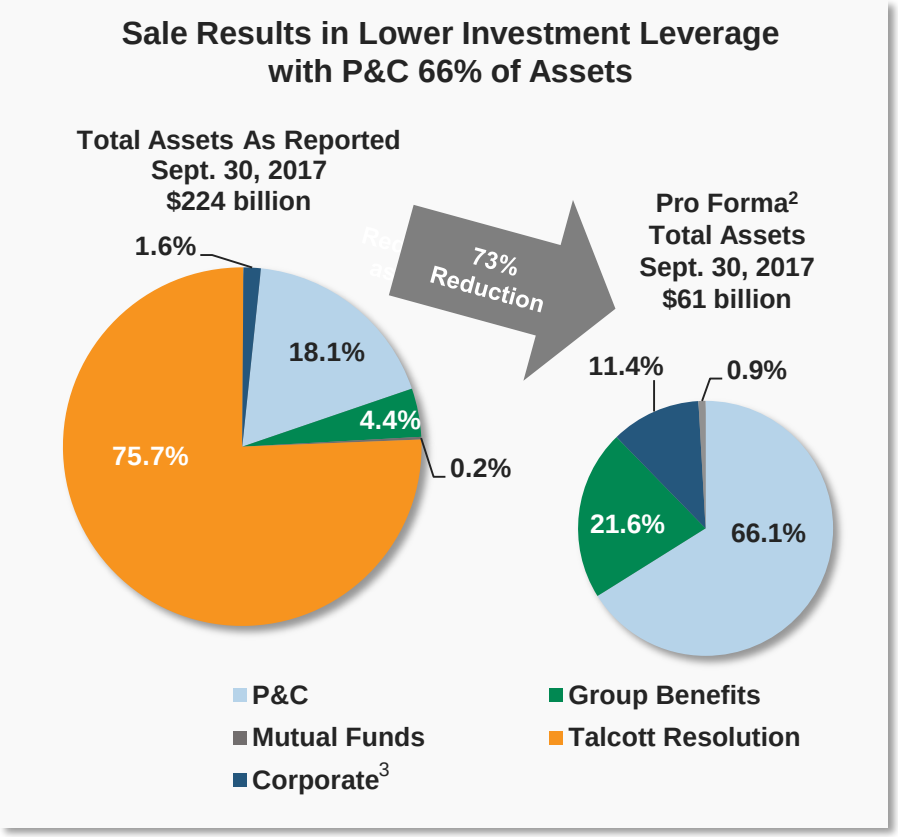
REDUCED CAPITAL MARKET TAIL RISK AND VOLATILITY

Total assets and investment leverage will decrease; VA-related volatility eliminated by sale

- The sale will reduce total assets from $224 billion as of Sept. 30, 2017 to pro forma $61 billion, a 73% reduction
  - Talcott Resolution represented 76% of total assets at Sept. 30, 2017
- Reduce future capital market-related balance sheet volatility due to the elimination of, in particular, VA liabilities:
  - GMWB[1] liability volatility from fair value accounting impacts of interest rates and equity markets
  - Talcott Resolution hedging gains/losses due to mark-to-market on derivatives
  - DAC unlock benefits or charges
  - Reduction in AOCI volatility due to smaller and shorter duration investment portfolio



Investment/shareholders' equity	**4.2x**	**3.5x**
DAC/shareholders' equity (%)	**9.5%**	**5.0%**

1. *Guaranteed minimum withdrawal benefits (GMWB)*
2. *Includes the impact of the acquisition of Aetna's U.S. group life and disability business and the sale of Talcott Resolution*
3. *Corporate segment assets pro forma includes retained tax assets from Talcott Resolution and cash proceeds*

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The sale is an excellent financial and strategic outcome for shareholders and also achieves our objective for a full separation

- The decision to sell Talcott is the result of a comprehensive evaluation of the economics of a sale versus continued runoff
  - While Talcott has returned a substantial amount of capital to the holding company over the past five years, projected capital return is expected to decline with continued run-off
  - The sale provides a significant amount of capital and higher certainty versus “divisions” sale by block of business
- The transaction concludes a thorough and robust process with multiple bidders, resulting in a total transaction value that reflects good economics for shareholders
  - Cash proceeds of $1.743 billion, in addition to $1.4 billion in 2017 dividends from Talcott Resolution
  - Will retain a significant portion of Talcott Resolution deferred tax benefits based on current tax law
  - Modest reduction in debt due to HLI debt included in the sale
  - Ownership position in acquiring company also allows The Hartford to participate in potential future returns, with limited downside or contingent exposure in stress scenarios
- Sale increases The Hartford’s future financial flexibility and enables:
  - Increased investment in P&C and Group Benefits operations, including potential acquisitions that accelerate strategic initiatives for added product breadth, geographic expansion and distribution
  - $400 million of proceeds to be used for debt repayment
  - Potential return of capital to shareholders through share repurchases and/or dividends, to be determined

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Transaction summary

Transaction	• Sale of HLI and its primary operating subsidiaries: Hartford Life Insurance Company (HLIC) and Hartford Life and Annuity Insurance Company (HL&A), as well as certain other affiliated companies • Prior to closing, the Group Benefits and Mutual Funds subsidiaries, which are currently subsidiaries of HLI, will be transferred to HHI Inc. and will not be part of the transaction
Buyers	• Investor group includes: Cornell Capital, Atlas Merchant Capital, TRB Advisors, Global Atlantic Financial Group, Pine Brook and J. Safra Group • The Hartford will receive a 9.7% ownership interest in the acquiring company and will have one seat on the board of directors of the acquiring company
Transaction Structure	• Stock acquisition of HLI by a Delaware C-Corp
Total Consideration	• $2,050 million in consideration to The Hartford for stock of HLI, including $1,443 million in cash, $300 million in pre-closing dividends[1], equity interest valued at $164 million, and $143 million in existing HLI debt included in the sale
Tax Attributes Retained	• In lieu of recognizing a net capital loss on the sale for tax purposes, The Hartford will retain Talcott Resolution's tax benefits (NOLs, AMT credits and foreign tax credits) with estimated GAAP book value of $950 million based on current tax law
Asset Management	• Five-year contract with Hartford Investment Management Company including a portion of assets reinsured to GAFG by Talcott Resolution, post sale
Expected Closing	• First half of 2018 following regulatory approval by Connecticut Insurance Department and satisfaction or waiver of closing conditions
Reinsurance	• HLI subsidiaries and GAFG together with its subsidiary (the "Reinsurer") entered into a reinsurance binder agreement, providing that after close, HLI subsidiaries will enter into reinsurance agreements for a portion of the Talcott Resolution business with the Reinsurer
Separation	• Up to 24 months post-closing transition services agreement
Operations and Employees	• Buyer to offer employment to approximately 400 employees, including centralized services and others who support Talcott Resolution operations • Operations to remain in Connecticut and Minnesota

1. *Subject to approval by Connecticut Insurance Department*

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Appendix A – Financial Impacts of Sale



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FINANCIAL IMPACTS OF SALE

Talcott Resolution core earnings reclassified to discontinued operations, not included in core earnings

- As a result of the sale, Talcott Resolution core earnings will be reclassified to discontinued operations in 4Q17
  - Income from discontinued operations is included in net income, not core earnings
  - Reclassification reduces core earnings in 9M17 from $2.65 per diluted share to $1.94 per diluted share
  - Also reduces core earnings ROE
  - Reclassification does not impact net income or net income ROE
- Transition services costs incurred by The Hartford and reimbursements will be accounted for in Corporate segment
- A portion of operating expenses allocated to Talcott Resolution historically will be reallocated to Corporate segment
- In addition, interest expense on the debt included in the sale that historically has been included in Corporate segment interest expense will be reclassified to discontinued operations

Impact of Sale on Core Earnings

($ in millions, except per diluted share)	FY15	FY16	9M17
Net income	**$1,682**	**$896**	**$572**
Net income per diluted share	$3.96	$2.27	$1.54
Core earnings, as reported	**$1,650**	**$1,335**	**$989**
Talcott Resolution core earnings as reported, reclassified to discontinued operations	472	383	246
Corporate expense and other adjustments[1]	49	41	22
Core earnings, pro forma	**$1,129**	**$911**	**$721**
Core earnings per weighted average diluted share[2], as reported	$3.88	$3.38	$2.65
Core earnings per weighted average diluted share, pro forma	$2.66	$2.31	$1.94
Impact on core EPS[3]	***(31%)***	***(32%)***	***(27%)***

Impact of Sale on Core Earnings ROE

	2015	2016	3Q17
Core earnings ROE, as reported	**9.2%**	**7.6%**	**8.2%**
Core earnings ROE, pro forma	**6.3%**	**5.2%**	**5.9%**

1. *Includes overhead costs previously allocated to Talcott Resolution reclassified to Corporate segment and corporate expenses reclassified to discontinued operations, including interest expense related to Talcott Resolution*
2. *Denotes financial measure not calculated based on GAAP*
3. *Core earnings per diluted share (core EPS)*

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FINANCIAL IMPACTS OF SALE

Talcott Resolution assets and liabilities reclassified to "held for sale"

- Talcott Resolution's approximately $170 billion balance sheet will be reclassified as held for sale at Dec. 31, 2017, with the exception of AOCI of approximately $0.9 billion
  - AOCI gain or loss on Talcott Resolution's assets will be included in The Hartford's consolidated AOCI until closing
  - Upon closing, shareholders' equity will be reduced by the AOCI associated with Talcott Resolution
- Shareholders' equity to decline $3.2 billion from net loss on sale to be recorded in 4Q17
  - Estimated pro forma loss on discontinued operations of $3.0 billion includes loss on sale and reclassification of 9M17 Talcott Resolution net income of $0.2 billion to discontinued operations

Balance Sheet Reclassified

($ in billions)	09/30/2017 As Reported	Impact of Aetna Acquisition	Pro Forma For Sale Date	Pro Forma At Closing[3]	Change[4]
Total investments	$73.0	$1.9	$45.2	$45.2	(38%)
Cash	0.3	-	0.1	1.6	NM
Reinsurance recoverables	23.3	-	2.9	2.9	(88%)
Deferred income taxes	2.8	-	2.6	2.6	(7%)
Goodwill and intangible assets	0.6	1.2	1.8	1.8	NM
Assets held for sale	-	-	164.6	-	NM
Separate account assets	115.6	-	-	-	NM
All other assets	8.6	0.2	7.2	7.2	(16%)
Total assets	**$224.2**	**$3.4**	**$224.4**	**$61.3**	**(73%)**
Total reserves[1]	$72.6	$3.3	$32.4	$32.4	(55%)
Debt	5.1	-	5.0	5.0	(2%)
Liabilities held for sale	-	-	162.2	-	NM
Separate account liabilities	115.6	-	-	-	NM
All other liabilities	13.7	0.1	10.8	10.8	(21%)
Total liabilities	**$207.0**	**$3.4**	**$210.4**	**$48.2**	**(77%)**
Common equity, ex. AOCI	**16.6**	**-**	**13.4**	**13.4**	**(19%)**
AOCI	0.6	-	0.6	(0.3)	NM
Total shareholders' equity[2]	**$17.2**	**-**	**$14.0**	**$13.1**	**(24%)**
BVPS[5]	**$47.33**		**$38.54**	**$35.98**	
BVPS, ex. AOCI[6]	**$45.72**		**$36.93**	**$36.93**	
Investments/shareholders' equity	**4.2x**			**3.5x**	
Reserves/shareholders' equity	**4.2x**			**2.5x**	

1. *Includes unpaid losses and loss adjustment expenses, reserve for future policy benefits and other policyholder funds and benefits payable*
2. *Totals may not add due to rounding*
3. *Assumes closing as of Sept. 30, 2017 and includes the pro forma impact for acquisition of Aetna's U.S. group life and disability business at Sept. 30, 2017 (closed Nov. 1, 2017)*
4. *The Hartford defines increases or decreases greater than or equal to 200%, or changes from a net gain to a net loss position, or vice versa, as "NM" or not meaningful*
5. *Book value per diluted share (BVPS)*
6. *Denotes financial measure not calculated based on GAAP*

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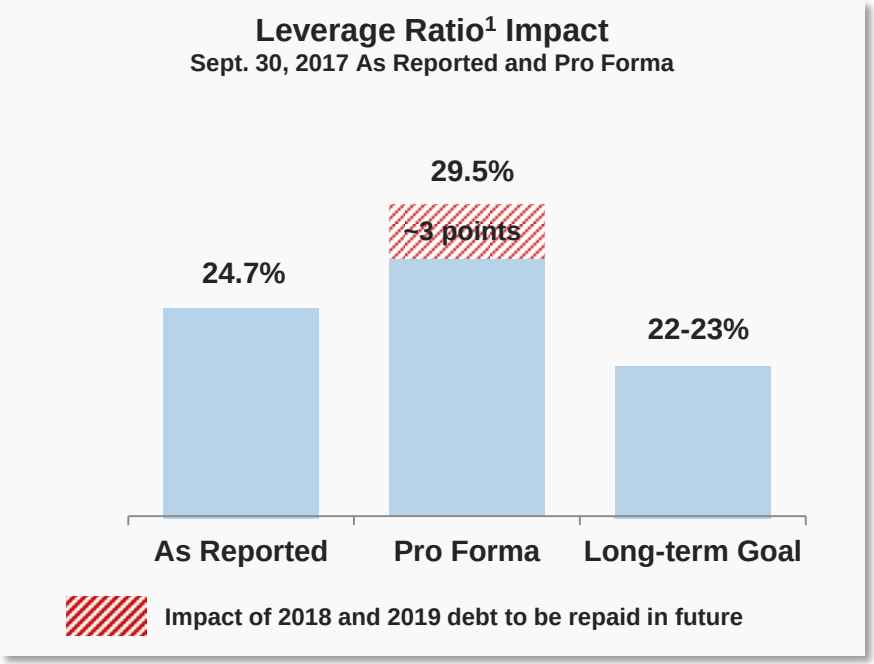
FINANCIAL IMPACTS OF SALE

Debt leverage will increase as a result of the sale, but will improve through 2018 and 2019 with debt repayments and future earnings

- Due to loss on sale, pro forma rating agency adjusted debt to capitalization ratio at Sept. 30, 2017 will increase to 29.5%
  - Includes impact of $143 million of debt included in the sale
- Debt management plans in 2018 and 2019 include expected:
  - Refinancing of $320 million debt that matures in March 2018
  - Call of $500 million junior subordinated debt at par in June 2018 (previously announced)
  - Repayment of 2019 debt maturity of $413 million
- The Hartford expects to decrease debt leverage over time due to retained earnings and planned 2018–2019 debt repayment
  - Planned 2018 and 2019 debt repayments would reduce pro forma leverage by about 3 points
  - Future retained earnings growth would also reduce leverage ratio



1. *Rating agency adjusted debt to capitalization*

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FINANCIAL IMPACTS OF SALE

The size of The Hartford's fixed income portfolio decreases significantly and duration shortened due to sale

- Total investments decline 38% from $73.0 billion at Sept. 30, 2017 to $45.2 billion
  - Average yield decreases slightly due to changes in duration and fixed income composition
- The weighted average credit rating of the fixed maturities portfolio will remain high at "A+" but with a higher concentration in municipal bonds and lower exposure to corporate debt
  - Below investment grade fixed maturities will decline to 4.9% of the total portfolio from 5.3%
- Average portfolio duration will decline from 6.0 years to 5.0 years
  - Talcott Resolution liabilities are longer duration than P&C and Group Benefits
- Invested assets/equity leverage decreases, reducing mark-to-market and credit leverage

Investment Portfolio Composition
(Excluding Equity Securities, Trading)
($ in billions)

Investment By Sector (%)	Sept. 30, 2017 As Reported	Sept. 30, 2017 Pro Forma[1]
Corporate	35%	28%
Municipal	17%	27%
Structured real estate[2]	16%	17%
US govt/govt agency & short-term	11%	9%
Mortgage loans	8%	7%
LPs[3]	4%	4%
Equity, policy loans and other	4%	2%
ABS[4]	3%	3%
Foreign govt/govt agency	2%	3%
Total investments	**$73.0**	**$45.2**

Fixed Maturities, AFS[5]	Sept. 30, 2017 As Reported	Sept. 30, 2017 Pro Forma
% Investment grade	94.7%	95.1%
% Below investment grade	5.3%	4.9%
Average credit quality[6]	A+	A+
Total fixed maturities	**$57.7**	**$37.1**
Total Portfolio		
Average duration (years)	6.0	5.0
Annualized investment yield	4.3%	4.1%
Annualized investment yield, excluding LPs[7]	4.0%	3.8%

1. *Includes impact of the acquisition of Aetna's U.S. group life and disability business (closed Nov. 1, 2017) and the sale of Talcott Resolution*
2. *Includes commercial mortgage backed securities, collateralized debt obligations, and residential mortgage backed securities*
3. *Limited partnerships and other alternative investments (LPs)*
4. *Asset-backed-securities (ABS)*
5. *Available-for-sale (AFS)*
6. *Average credit ratings are based on availability, and are the midpoint of the applicable ratings among Moody's, S&P, Fitch and Morningstar. If no rating is available from a rating agency, then an internally developed rating is used*
7. *Denotes financial measure not calculated based on GAAP*

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

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Discussion and reconciliation of non-GAAP financial measures

The Hartford uses non-GAAP financial measures in this presentation to assist investors in analyzing the company's operating performance for the periods presented herein. 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 and calculations of other financial measures used in this presentation can be found below.

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 shareholders' 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 shareholders' 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 September 30, 2017		
	As reported	**Pro forma for loss on sale[(1)]**	**Pro forma upon closing[(2)]**
Book value per diluted share, including AOCI	$47.33	$38.54	$35.98
Less: Per diluted share impact of AOCI	$1.61	$1.61	($0.95)
Book value per diluted share, excluding AOCI	**$45.72**	**$36.93**	**$36.93**

(1) Pro forma assumes Talcott Resolution met held for sale criteria as of September 30, 2017 including accruing loss on sale
(2) Pro forma assumes sale of Talcott Resolution closed on September 30, 2017

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Discussion and reconciliation of non-GAAP financial measures – continued

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.

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Discussion and reconciliation of non-GAAP financial measures – continued

A reconciliation of reported and pro forma net income (loss) to core earnings for the nine months ended September 30, 2017 as well as years ended December 31, 2016 and December 31, 2015, and reconciliation of reported net income (loss) to core earnings for the years ended December 31, 2014, December 31, 2013, and December 31, 2012 can be found in the tables set forth below. A reconciliation of net income (loss) to core earnings for Talcott Resolution and Consolidated excluding Talcott Resolution can also be found in the tables below. The pro forma data for the periods shown does not include the $3.2 billion loss on sale as that will be recorded in the fourth quarter of 2017.

Nine Months Ended September 30, 2017

	As reported			Pro forma
($ in millions)	**Talcott Resolution**	**Consolidated ex. Talcott Resolution**	**Consolidated**	**Consolidated**
Net income	**$253**	**$319**	**$572**	**$572**
Less: Unlock benefit, before tax	61	-	61	-
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	(51)	101	50	99
Less: Pension settlement, before tax	-	(750)	(750)	(750)
Less: Income tax benefit (expense)	(3)	225	222	226
Less: Income (loss) from discontinued operations, after tax	-	-	-	276
Core earnings	**$246**	**$743**	**$989**	**$721**

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Discussion and reconciliation of non-GAAP financial measures – continued

($ in millions)	Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated
	Last Twelve Months Ended September 30, 2017		
Net income	**$298**	**$193**	**$491**
Less: Unlock benefit, before tax	41	-	41
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	(60)	(36)	(96)
Less: Loss on reinsurance transaction, before tax	-	(650)	(650)
Less: Pension settlement, before tax	-	(750)	(750)
Less: Income tax benefit (expense)	(40)	582	542
Less: Income (loss) from discontinued operations, after tax	-	-	-
Core earnings	**$357**	**$1,047**	**$1,404**

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Discussion and reconciliation of non-GAAP financial measures – continued

Twelve Months Ended Dec 31, 2016

($ in millions)	As reported			Pro forma
	Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated	Consolidated
Net income	**$244**	**$652**	**$896**	**$896**
Less: Unlock benefit (charge), before tax	(2)	-	(2)	-
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	(140)	(116)	(256)	(116)
Less: Loss on reinsurance transactions, before tax	-	(650)	(650)	(650)
Less: Income tax benefit (expense)	3	466	469	467
Less: Income (loss) from discontinued operations, after tax	-	-	-	284
Core earnings	**$383**	**$952**	**$1,335**	**$911**

Twelve Months Ended Dec 31, 2015

($ in millions)	As reported			Pro forma
	Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated	Consolidated
Net income	**$430**	**$1,252**	**$1,682**	**$1,682**
Less: Unlock benefit (charge), before tax	80	-	80	-
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	(175)	-	(175)	-
Less: Restructuring and other costs, before tax	-	(20)	(20)	(20)
Less: Loss on extinguishment of debt, before tax	-	(21)	(21)	(21)
Less: (Loss) gain on reinsurance transactions, before tax	28	-	28	-
Less: Income tax benefit (expense)	23	108	131	108
Less: Income from discontinued operations, after tax	2	7	9	486
Core earnings	**$472**	**$1,178**	**$1,650**	**$1,129**

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Discussion and reconciliation of non-GAAP financial measures – continued

($ in millions)	Twelve Months Ended Dec 31, 2014 Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated
Net income (loss)	**($187)**	**$ 985**	**$798**
Less: Unlock benefit (charge), before tax	(95)	-	(95)
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	(24)	(7)	(31)
Less: Restructuring and other costs, before tax	-	(75)	(75)
Less: (Loss) gain on reinsurance transactions, before tax	23	-	23
Less: Pension settlement, before tax	-	(128)	(128)
Less: Income tax benefit (expense)	33	74	107
Less: Income (loss) from discontinued operations, after tax	(557)	6	(551)
Core earnings	**$433**	**$1,115**	**$1,548**

($ in millions)	Twelve Months Ended Dec 31, 2013 Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated
Net income (loss)	**($634)**	**$810**	**$176**
Less: Unlock benefit (charge), before tax	(167)	-	(167)
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	105	85	190
Less: Restructuring and other costs, before tax	-	(67)	(67)
Less: Loss on extinguishment of debt, before tax	-	(213)	(213)
Less: Loss on reinsurance transactions, before tax	70	(69)	1
Less: Income tax benefit (expense)	(6)	68	62
Less: Income (loss) from discontinued operations, after tax	(1,048)	(1)	(1,049)
Core earnings	**$412**	**$1,007**	**$1,419**

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Discussion and reconciliation of non-GAAP financial measures – continued

($ in millions)	Twelve Months Ended Dec 31, 2012 Talcott Resolution	Consolidated ex. Talcott Resolution	Consolidated
Net income (loss)	**$1**	**($39)**	**($38)**
Less: Unlock benefit (charge), before tax	(211)	-	(211)
Less: Net realized capital gains (losses) including DAC, excluded from core earnings, before tax	244	270	514
Less: Restructuring and other costs, before tax	(69)	(131)	(200)
Less: Loss on extinguishment of debt, before tax	-	(910)	(910)
Less: Loss on reinsurance transactions, before tax	(415)	(118)	(533)
Less: Income tax benefit (expense)	159	279	438
Less: Income (loss) from discontinued operations, after tax	(253)	(5)	(258)
Core earnings	**$546**	**$576**	**$1,122**

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Discussion and reconciliation of non-GAAP financial measures – continued

Core earnings per diluted share: Core earnings per diluted share is calculated based on the non-GAAP financial measure core earnings. It is calculated by dividing (a) core earnings by (b) diluted common shares outstanding. The Hartford believes that the measure core earnings per diluted share provides investors with a valuable measure of the company's operating performance for the same reasons applicable to its underlying measure, core earnings. Net income (loss) per diluted common share is the most directly comparable GAAP measure. Core earnings per diluted share should not be considered as a substitute for net income (loss) per diluted share 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) per diluted share and core earnings per diluted share when reviewing the company's performance. A reconciliation of net income (loss) per diluted common share to core earnings per diluted share on a reported and pro forma basis for the twelve months ended December 31, 2015 and December 31, 2016 and the nine months ended September 30, 2017 is provided in the table below.

	As reported			Pro forma		
	Twelve Months Ended		Nine Months Ended	Twelve Months Ended		Nine Months Ended
	Dec 31 2015	Dec 31 2016	Sep 30 2017	Dec 31 2015	Dec 31 2016	Sep 30 2017
PER SHARE DATA						
Diluted earnings (losses) per common share:						
Net income per share	**$3.96**	**$2.27**	**$1.54**	**$3.96**	**$2.27**	**$1.54**
Less: Unlock benefit (charge), before tax	0.19	(0.01)	0.16	-	-	-
Less: Net realized capital losses including DAC, excluded from core earnings, before tax	(0.41)	(0.65)	0.13	-	(0.29)	0.26
Less: Restructuring and other costs, before tax	(0.05)	-	-	(0.04)	-	-
Less: Loss on extinguishment of debt, before tax	(0.05)	-	-	(0.05)	-	-
Less: Loss (gain) on reinsurance transactions, before tax	0.07	(1.65)	-	-	(1.65)	-
Less: Pension settlement, before tax	-	-	(2.01)	-	-	(2.01)
Less: Income tax benefit (expense) on items excluded from core earnings	0.31	1.20	0.61	0.25	1.18	0.61
Less: Income (loss) from discontinued operations, after tax	0.02	-	-	1.14	0.72	0.74
Core earnings per diluted share	**$3.88**	**$3.38**	**$2.65**	**$2.66**	**$2.31**	**$1.94**

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Discussion and reconciliation of non-GAAP financial measures – continued

Return on Equity – Core Earnings: The Company provides different measures of the return on shareholders' equity ("ROE"). ROE - Core earnings is calculated based on non-GAAP financial measures. ROE - Core earnings is calculated by dividing (a) core earnings for the prior four fiscal quarters by (b) average common shareholders' equity, excluding AOCI. ROE - Net income is the most directly comparable U.S. GAAP measure. ROE - Net income is calculated by dividing (a) net income for the prior four fiscal quarters by (b) average common shareholders' equity, including AOCI. ROEs at the segment level and for Consolidated, excluding Talcott Resolution, represent a levered view of ROE as debt financing and related interest expense are attributed to the businesses consistent with the overall average debt to capitalization ratios of the consolidated entity. The Company excludes AOCI in the calculation of ROE - core earnings to provide investors with a measure of how effectively the Company is investing the portion of the Company's net worth that is primarily attributable to the Company's business operations. The Company provides to investors return on equity measures based on its non-GAAP core earnings financial measures for the reasons set forth in the "Core Earnings" discussion above. Reconciliations of ROE Net Income (Loss) to ROE Core Earnings for Consolidated, for Consolidated excluding Talcott Resolution and for Talcott Resolution for the last twelve months ended September 30, 2017 and the last twelve months ended December 31, 2016 are set forth below.

Last Twelve Months Ended Sep 30, 2017

	As reported			Pro forma
	Talcott Resolution	**Consolidated ex. Talcott Resolution**	**Consolidated**	**Consolidated**
ROE - Net income (loss)	**3.4%**	**2.4%**	**2.7%**	**2.7%**
Less: Unlock benefit (charge), before tax	0.6%	-	0.2%	-
Less: Net realized capital gains (losses) after DAC, excluded from core earnings, before tax	(0.9%)	(0.3%)	(0.5%)	(0.2%)
Less: Loss (gain) on reinsurance transactions, before tax	-	(5.7%)	(3.6%)	(3.6%)
Less: Pension settlement, before tax	-	(6.6%)	(4.2%)	(4.2%)
Less: Income tax benefit (expense)	(0.6%)	5.1%	3.0%	3.2%
Less: Income from discontinued operations, after tax	-	-	-	1.8%
Less: Impact of AOCI, excluded from Core ROE	(0.8%)	0.2%	(0.4%)	(0.2%)
ROE - Core earnings (losses)	**5.1%**	**9.7%**	**8.2%**	**5.9%**

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Discussion and reconciliation of non-GAAP financial measures – continued

Last Twelve Months Ended Dec 31, 2016

	As reported			Pro forma
	Talcott Resolution	**Consolidated ex. Talcott Resolution**	**Consolidated**	**Consolidated**
ROE - Net income (loss)	**2.5%**	**6.8%**	**5.2%**	**5.2%**
Less: Net realized capital gains (losses) after DAC, excluded from core earnings, before tax	(2.2%)	(1.1%)	(1.5%)	(0.7%)
Less: (Loss) gain on reinsurance transactions, before tax	-	(6.0%)	(3.8%)	(3.8%)
Less: Income tax benefit (expense)	-	4.3%	2.7%	2.7%
Less: Income from discontinued operations, after tax	-	-	-	1.6%
Less: Impact of AOCI, excluded from Core ROE	(0.4%)	0.7%	0.2%	0.2%
ROE - Core earnings (losses)	**5.1%**	**8.9%**	**7.6%**	**5.2%**

Last Twelve Months Ended Dec 31, 2015

	As reported			Pro forma
	Talcott Resolution	**Consolidated ex. Talcott Resolution**	**Consolidated**	**Consolidated**
ROE - Net income (loss)	**4.9%**	**12.0%**	**9.3%**	**9.3%**
Less: Unlock benefit (charge), before tax	1.1%	-	0.4%	-
Less: Net realized capital gains (losses) after DAC, excluded from core earnings, before tax	(2.5%)	-	(1.0%)	-
Less: Restructuring and other cost, before tax	-	(0.2%)	(0.1%)	(0.1%)
Less: Loss on extinguishment of debt, before tax	-	(0.2%)	(0.1%)	-
Less: (Loss) gain on reinsurance transactions, before tax	0.4%	-	0.2%	0.1%
Less: Income tax benefit (expense)	0.3%	1.0%	0.7%	0.6%
Less: Income from discontinued operations, after tax	-	0.1%	-	2.6%
Less: Impact of AOCI, excluded from Core ROE	(0.6%)	0.4%	-	(0.2%)
ROE - Core earnings (losses)	**6.2%**	**10.9%**	**9.2%**	**6.3%**

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Discussion and reconciliation of non-GAAP financial measures – continued

Annualized investment yield, excluding limited partnerships: is the annualized net investment income excluding limited partnerships and other alternative investments divided by the monthly average invested assets at amortized cost, excluding repurchase agreement and securities lending collateral, derivatives book value, and limited partnerships and other alternative investments. The company believes that annualized net investment income, excluding limited partnerships, provides investors with an important measure of the trend in investment earnings because it excludes the impact of the volatility in returns related to limited partnerships.

Three Months Ended September 30, 2017

	Consolidated	
	As reported	**Pro forma**
Annualized investment yield	4.3%	4.1%
Annualized investment yield on limited partnerships and other alternative investments	11.7%	12.8%
Annualized investment yield excluding limited partnerships and other alternative investments	4.0%	3.8%

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