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Market Intelligence

The Hartford Financial Services Group, Inc.
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Presentation

Susan Spivak Bernstein
Senior Investor Relations Officer

Good afternoon, and welcome to The Hartford's 2021 Investor Day. I'm Susan Spivak Bernstein, Head of Investor Relations at The Hartford, and I'm thrilled to have you join us for this virtual event. Despite having to do it virtually, we thought now was the right time to have a deeper conversation with all of you about the significant transformation of The Hartford over the last decade to position the company as a market leader.

This afternoon, you will hear from leaders across The Hartford who will share what makes our portfolio unique and how our sustainable competitive advantages will continue to drive profitable growth and industry-leading returns as evidenced by our recent financial results. Chris will start with an overview of The Hartford's businesses and shareholder value creation strategy. Doug will provide an update on P&C and will be joined by the business leaders for a panel discussion. Jonathan Bennett will then discuss our Group Benefits business. John Kinney will share some insights on our claims management capabilities and how they contribute to our success across the company. And Beth will conclude the presentation with an overview of our financial performance and ambition going forward.

These presentations will be followed by a Q&A session, during which our speakers will come together to answer your questions. If you have a question during our presentation, please submit it using the Ask A Question button at the top of the page.

Before we begin, please note the information on the slide. Today's presentation will include statements that should be considered forward-looking. Our actual results could differ materially for a number of reasons, including the risks and uncertainties described in our 2020 annual report on Form 10-K and other filings we make with the Securities and Exchange Commission.

Again, thank you for joining us today. I am confident you will come away from today's session with a deeper understanding of how The Hartford is strongly positioned for growth, success and to deliver superior value to all stakeholders. And with that, let's get started. It's my pleasure to introduce Chris Swift, Chairman and CEO of The Hartford.

Christopher Jerome Swift
Chairman & CEO

Good afternoon, and thank you for joining us today. Over the course of the next 3 hours, we will provide a window into The Hartford strategy, our complementary businesses and our continuous improvement mindset, all of which fuel my optimism about the future. In particular, we will share why we believe The Hartford is a compelling investment and how our past, present and future initiatives put us in a very strong competitive position with sustainable advantages.

Throughout our prepared remarks, you will hear about our outstanding people and how they are delivering industry-leading returns. You'll see the conviction we have that are targeted priorities will drive growth and profitability across all our businesses. In the end, my hope is that you walk away from today with a better understanding of our winning formula to consistently achieve superior risk-adjusted returns. As usual, I'll be joined by Doug and Beth. But today, you'll also hear from several of our very talented business leaders.

Let me start our discussion with an overview of who we are. As you all know, The Hartford was founded more than 2 centuries ago and is one of the most iconic brands in the business. Despite that long history, we still think of ourselves as a 200-year-old start-up. While we take pride in what we've accomplished in the past, we come to work every day, eager to innovate, improve, execute and grow.

Today, we are a market-leading Commercial Lines and Personal Lines and Group Benefits company. We also own a profitable and growing mutual fund business that we consider a valuable investment. Each of these business segments have contributed in material ways to our recent transformation. When it comes to Commercial Lines, Personal Lines and Group Benefits, we view these businesses as increasingly complementary. Each has market-leading capabilities and is positioned to deliver strong results.

Across this attractive portfolio, we are leveraging our core strengths of underwriting excellence, risk management, claims service, distribution and product development. We have heavily invested in each of these core strengths over the last decade, and we are realizing the value of those investments today.

Supporting all our businesses is a highly talented and dedicated team of professionals working in concert towards a clear and common set of objectives. The Hartford's performance-driven, collaborative and supportive culture is one of its most important assets and one of the major reasons why I'm so optimistic about the future. You'll hear more about each of these themes throughout today's presentation.

Now let me briefly discuss how we got here and review some of the specific actions we took to transform The Hartford. 10 years ago, The Hartford was heavily concentrated in capital market-sensitive, low ROE businesses. We lack specialty underwriting capabilities and sufficient scale in certain areas. And like so many legacy companies in our market, we were still relying on old outdated technologies.

Against this challenging backdrop and shortly after I joined The Hartford in 2010, the company embarked on an aggressive mission to reposition the firm, to reduce sensitivity to capital markets, lower our cost of capital, increase financial flexibility and ultimately achieve higher returns on equity. We started by divesting our life, retirement and annuity businesses, allowing us to focus exclusively on our core Property & Casualty, Group Benefits and mutual fund operations.

At the same time, we accelerated investments in key platforms, technologies, tools and capabilities. We have made extraordinary progress in each of these areas, and they remain an ongoing focus today, yielding material benefits across the expanded set of products and services.

Finally, and more recently, we have made a number of significant strategic acquisitions that have added critical scale, capabilities and distribution to our businesses, and given us the product breadth and depth we need to compete and win in the marketplace now and into the future. In short, we're a vastly different company today as a result of the actions taken over the last decade.

Before reviewing our overall approach to capital allocation, I want to briefly discuss our use of excess capital to fund 2 of our most significant and recent acquisitions, which I believe demonstrate an effective use of capital to materially improve our competitive position. The Aetna transaction provided increased scale in our existing products and services, along with new distribution channels and a new and improved claims system. The transaction added $2 billion of premium and clearly established The Hartford as a leader in group life and disability. Since closing the transaction in 2017, we have grown our suite of voluntary offerings, added significant digital capabilities and introduce new products and services that will be key contributors to our future growth.

On the P&C side, the Navigators acquisition added critical new specialty products and distribution, including wholesale that have complemented and enhanced our existing product set and capabilities, accelerating our organic growth and strengthening our overall market position in commercial lines.

As a result of disciplined execution, integration and collaboration, we have reached or exceeded all the financial and operational targets we set for each acquisition, and we are on track to achieve a double-digit ROE on the Navigators transaction in 2022. As I've said before, with these 2 transactions successfully completed, we have all the products, tools, capabilities we need to achieve our goals of profitable growth and market-leading ROEs.

While we have transformed our business mix and model to consistently generate strong cash flows from operations, we have also been extremely disciplined in the allocation of capital. From 2011 through the end of 2022, we are on pace to deploy over $25 billion of excess capital across a balanced set of actions. We will have returned over $14 billion of capital directly to shareholders in the form of dividends and share buybacks, and we have grown our dividend at a 13% CAGR since 2011, while simultaneously reducing debt levels to targeted ratios. In addition, as I noted earlier, the $3.8 billion deployed in acquisitions has enabled us to execute faster and achieve our objectives sooner.

So where are we today? In short, we are a dramatically different company than we were even 3 or 4 years ago. We have restructured our portfolio of businesses, significantly improved operating performance, materially strengthened our competitive advantage and rightsized our balance sheet. We are now a leading P&C and Group Benefits company with all the strength and experience of our past and well positioned to continue to profitably grow into the future. I think the clearest proof point I can give you of the magnitude of our transformation is the significant improvement in our ROE from a disappointing 4.5% in 2011 to an industry-leading 12.5% as of September 2021.

Switching to our current momentum. Over the last few years, we have consistently delivered top-quartile performance. This performance demonstrates the growing benefits of building and investing in our businesses. Doing so has enabled us to outperform our closest peers and shareholder value creation. These results affirm that our strategy is working and will serve as a stellar foundation going forward. With this strong track record, we will continue our pursuit of disciplined underwriting, and we are confident that this will drive ROEs to the 13% to 14% level.

Today, our businesses complement each other extremely well and, together, represent a unique portfolio with significant competitive advantages. Each business benefits from an exceptional talent pool, one that fully embraces The Hartford's winning behaviors and passion for execution. Increasingly, the businesses also share deep underwriting and risk management expertise, tools and insights. And across our portfolio, we continue to invest in claims, analytics, data science and digital capabilities in a holistic manner. At the same time, each of our businesses enjoy unique characteristics and capabilities that provide significant competitive advantage.

For example, in Small Commercial, where we occupy a clear leadership position, we have digital tools and data science that not only set us apart from the competition, but allow us to cross-sell and apply these capabilities into other commercial segments. In Personal Lines, our new Prevail product and platform as well as our unique AARP relationship enables us to attract profitable new customers in the 50-plus age segment.

In the Group Benefits, we are transforming the customer experience in unique and market-leading ways as well as constantly innovating our product and service offerings. As a result, demand for all our products is increasing across all sectors of the economy.

Now let's turn what all this means for The Hartford going forward and how we will continue to create shareholder value in a consistent and sustainable way. As you can see, there are 4 main pillars to our strategy. First, leveraging our competitive advantages across P&C and Group Benefits platform will accelerate profitable organic growth.

Second, in our industry, we believe ROE is the ultimate measure of quality underwriting, execution on priorities and prudent capital deployment. As such, we will continue to focus on exceptional ROE performance driven by our long-established underwriting excellence. This strict discipline will continue to frame our strategic priorities and support long-term book value growth. Third, we will continue to deploy excess capital in a thoughtful manner prioritizing shareholder return and investment in future growth with M&A being a low priority. And finally, we will maintain our top-quartile position in ESG. As we have done for over 200 years, we will act in the best interest of our shareholders, customers, partners, employees and communities.

Supporting these 4 strategic pillars are a series of targeted priorities designed to produce results that will drive profitable growth and enable market-leading ROEs, deliver consistent capital generation and sustain our top-quartile ESG performance. First, we will continue to advance leading underwriting capabilities across our portfolio to offer enhanced products and services. Doug; Stephanie Bush, Head of Small Commercial and Personal Lines; and Jonathan Bennett, our Group Benefits leader, will go into greater detail and provide proof points of our differentiated underwriting.

At the same time, we will emphasize digital, analytics and data science investments that enhance the customer experience and improve underwriting and claims decision-making. Mo Tooker, Head of Middle and Large Commercial; and John Kinney, our Head of Claims and Operations, will provide examples of how our targeted investments in data science and digital are yielding material results and driving outperformance. We will also maximize distribution channels and product breadth to increase market share. Adrien Robinson, our Head of Global Specialty, will detail some of the steps we're taking across specialty and wholesale. Supporting each of these priorities will be our efforts to optimize organizational efficiency. Beth will discuss how our successful efforts around Hartford Next have created a continuous improvement mindset.

Next, as I mentioned previously, we will continue to be balanced in our capital deployment, which Beth will highlight in greater detail later this afternoon. And finally, we will maintain our ESG leadership position.

Stepping back and considering the strategy and initiatives I just outlined, I firmly believe that The Hartford is in a position to produce meaningful returns for all its stakeholders. We will provide periodic updates going forward so you can track and assess our progress.

Before closing, I wanted to spend just one more minute on our ESG achievements to date and our commitment going forward. As you can see, we have been consistently recognized for our efforts and progress. While we appreciate the recognition, we take nothing for granted and know the bar continues to rise. ESG is not new to us. It is a key part of our

DNA. That recognition we have received is a testament to the culture of The Hartford and the dedication and hard work of our teams that make these priorities core to who we are. We will continue to listen to our stakeholders and take the steps necessary to pursue our leadership position.

In closing, The Hartford has been reinvigorated and is executing at a high level with talented and forward-leaning teams. Now more than ever, we are well positioned to meet the insurance needs of our customers and distribution partners. We are performance-driven, agile and ready to respond to market opportunities with speed, empathy and superior execution.

The Hartford's underwriting excellence, expansive distribution relationships, new product innovation in complementary go-to-market channels, provide the ingredients for sustainable long-term growth. In addition, our disciplined underwriting, continuous improvement mindset and ongoing investments in our operations will be instrumental in sustaining competitive advantage while delivering market-leading ROEs. I am confident that balancing these investments in our organic growth, along with dividend and share repurchases, will yield a compelling total shareholder return. And finally, our genuine focus on ESG as part of our strategy and decision-making will continue to differentiate The Hartford.

Before I turn it over to Doug, I want to say one more time how confident I am in our portfolio, capabilities, expertise and our talent as we enter a new period of profitable growth. I'm really excited about the prospects we have in front of us, and we are energized to perform. Thank you. And now I'll turn it over to Doug.

Douglas Graham Elliot
President

Good afternoon, everyone. It's a pleasure to be with you today. Over the next 16 minutes, I'll take you through our Property & Casualty journey over the last decade with a focus on the last few years. Joining me for this session will be my partners who run our Property and Casualty businesses. Stephanie Bush, Adrien Robinson and Mo Tooker.

Let's jump into Section 1, which details our accomplishments. Looking across our Property & Casualty Group, we're a $12.8 billion operation with leading U.S. market positions across many core lines. When I think of our standing in the marketplace, several features come to mind. First and foremost, we're an underwriting company. We've been in business over 200 years and have earned trust and respect from key distributors and partners. Our national, regional and local broker relationships are strong and long-standing. Investments in product, data science, underwriting and claim have been incredibly impactful over the past 5 years. In fact, we spent more than $1 billion over that time, transforming our engine to compete today and into the next decade.

The next slide offers a quick peek in our performance over the last 10 years. We've made significant strides improving our underlying combined ratio by 7 points with continued margin expansion over the past year. Through 9 months, our 2021 report card looks very strong with 8 points of growth and an underlying combined ratio of 88.6. There are several business initiatives I want to highlight contributing to those results. We've invested in next-generation product and underwriting capabilities and we're seeing the benefits across Property & Casualty.

The expansion of our product depth and breadth has been transformational. A decade ago, we recognized the need for a broader casualty product set and a redesign of property. We started organically, followed by the Navigators acquisition, especially ensure that it's certainly expanding our opportunities in the marketplace. We were one of the last national carriers to lean hard into specialization. Over these past 10 years, we've increased our specialty capabilities with much deeper underwriting acumen.

Our growing digital capabilities may be best evidenced in Small Commercial, speed and ease define the experience we provide CSRs and customers interacting with us. Finally, we're excited about our new product build in Personal Lines auto and home.

Let me now take inside each of our businesses to provide a little bit more texture and some highlights. We'll start with Small Commercial, which is managed so capably by Stephanie Bush. We've earned a leading market position with outstanding product and digital capabilities. Our momentum in the marketplace is evident with several consecutive quarters of record new business. As we come out of the pandemic, we're feeling really good about our momentum. We launched our next-generation business owner's product Spectrum in early 2020 at a very challenging time. But over the past 15 months, the proof is in the results, and we're pleased about what we're seeing.

Our agent quoting tool ICON is second to none with outstanding self-service capabilities. The broker and agent network is vital and drives approximately 75% of our business but we're also strong in payroll and many other evolving distribution channels.

The underwriting is simply outstanding. The business that flows through ICON without human touch is market-leading. Deep analytics and data science capabilities drive this engine. As we near the end of 2021, we're headed toward $4 billion in written premium. We know this business well. We were the first national player to dedicate a Small Commercial division inside Commercial Lines, and the results, whether it be historical or the 9 months ended September 2021, are superb.

Let's now pivot to our Middle & Large Commercial business. In 2011, Middle Market products and skills had atrophied and were narrow with little specialization compared to our peers. That has changed. Over the last 5 years, under Mo Tooker's leadership, the expansion of our product breadth has been game changing. Our execution around data, pricing, engineering and operations has drastically improved. Our digital capabilities continue to get stronger with data science now embedded in our product and underwriting. We're gaining traction by the quarter.

Our brokers have taken notice as Net Promoter Scores are improving rapidly. We're now a specialized organization with deep underwriting skills across industry verticals, which is driving our growth. Premiums will exceed $3 billion this year, and our underlying combined ratio has improved mildly. We are now a completely different market competitor.

Global Specialty, led by Adrien Robinson, is our newest multibillion-dollar business and one that is key for our future. It's the combination of several Hartford specialty businesses, along with much of Navigators. Over the last couple of years, our integration of these 2 operations has gone well. As we speak today, the cross-selling momentum and teamwork across our businesses has been phenomenal. We'll talk more about that in our panel discussion, but I'm very pleased with our collective capabilities to provide opportunities to both Global Specialty and the rest of our franchise.

The portfolio from a profit perspective has been completely rebuilt. We've obviously had some wind at our back with a firm pricing market. But more than that, the underwriting choices and the decisions made around limit profile, attachment points and many other underwriting elements have driven outstanding results. Our underwriting combined ratio was 88.5 for the first 9 months of 2021.

Quarter-by-quarter, we're adding new data science models in Global Specialty. We're at the beginning of that journey but excited to connect advancements from our other commercial businesses to help accelerate growth in Global Specialty. And over time, our digital capabilities will also grow in this market and provide a competitive advantage.

And finally, let me move to Personal Lines, also managed by Stephanie Bush. It's an affinity business targeted at the 50-plus age crowd, leveraging a long-standing and strong relationship with AARP. We're a leading direct personal lines insurer and very excited about the launch of our brand-new auto and home product called Prevail. We've built an innovative, contemporary cloud-based product that is currently available in 7 states with the rest of the country rolling out over the next 5 quarters.

Advancements in telematics have been a focal point, which will offer an improved experience for our customers. We're excited to add this powerful data inside our engine. This entire business model rebuild is an exciting step forward. We've had good financial success in the bottom line. Now we expect to match that with top line growth.

Let's complete this section with a look at our Property & Casualty summary. Our businesses are completely different today. We have modernized our platforms, and each business is producing excellent underlying results. Commercial Lines growth is strong and Personal Lines is primed to contribute as well. The results are clear and sustainable, and we're excited about our future.

With that overview as a backdrop, let's now talk about the critical drivers of our strategy as we move forward. Moving clockwise from the top, I'll briefly describe each starting with product. Our expanded product breadth and risk appetite have put us on a new trajectory. Our go-to-market capabilities have come miles in the last 5 years, leveraging technology, data science and data analytics.

Distribution has been a consistent admired strength of this organization for many years, and that's not going to change. Leveraging digital capabilities for our customers has been, and continues to be, a top priority. Whether we're talking self-service or broker engagement, we want the customer experience and the path to solution to be efficient, contemporary and fast. We're delivering on that initiative. And lastly, but most importantly, our people are clearly the backbone of this great franchise. Our talent is stronger and deeper than ever at all levels, at all functions.

Let's dive a bit deeper into each of these fundamentals, starting with our Commercial Lines product journey. The stacked bar depicts our product composition in 2011. There's no question about it. We were workers' compensation-centric. In fact, if we included workers' compensation from national accounts and the industry verticals, our concentration was closer to 50%. Our Specialty portfolio was certainly lacking, but more importantly, the other basic parts of our product set, namely general liability, auto and property, required attention. We also had limited specialization skills overly favoring data generalist strategies, meaning one underwriter handling all risk submissions from each broker. Finally, we were a U.S.-centric carrier with very little capability outside the U.S. in a world that was becoming more global by the day.

Fast forward to 2020, we have much more balance. We acquired a $2.3 billion Specialty franchise in 2019 with capabilities across wholesale, retail and Lloyd's. We have strengthened capabilities in auto, property, general liability and Spectrum these last 5 years. Our breadth and depth have gone from a glaring weakness to a competitive strength. We have accelerated verticals like energy, life sciences, construction and others. We now have terrific balance, fueling our success in the marketplace. There are so many examples of this horsepower.

We're leveraging an environmental product offering to selected package customers. We have a talented excess team to solve customer capacity and risk areas, aligned where it's been extremely difficult for brokers to find capacity the last few years. We're using these and many other products to improve our customer retention and write new business. Side by side, you see how different The Hartford product breadth is today. We now have the products in-house to control our destiny, compete effectively and chase our ambition to become the commercial market leader.

Let's move to technology and data across the Property & Casualty platform. In 2012, we concluded that our commercial policy admin and claims systems would not support our product and underwriting goals. Another growth impediment was a degree of difficulty encountered by underwriters and operations staff when transacting and servicing business.

Fast forward to 2021. Workers' compensation, property and Spectrum, all have rebuilt platforms with auto teed up for 2022. We've installed a new claims system in place for over 5 years, and as I've mentioned a couple of times, we're launching a new Personal Lines policy admin system.

Moving up the slide. We reinvented our Spectrum product, fueling much of the new business success today in Small Commercial. We're rapidly reinventing middle and large underwriting, changing the speed of how we go to market with our agents and brokers. It's a business in today's insurance world that is far too much paper and not enough technology. We're attacking from every angle, changing how we compete.

Although much of our activity over the last 2 years in Global Specialty has been focused on integration, we're pivoting into data science and a modernized specialty platform with much progress in a small amount of time. All told, since 2014, we've invested over $1.4 billion in this engine. It's fueling our flexibility, contemporary customer interface and digital makeup. We now have the ability to scale up and take advantage of new growth opportunities.

Let's talk for a moment about distribution. This has been a cornerstone of The Hartford going back decades, and we're incredibly proud of the relationships and history we have so many of the top agents and brokers. We're also proud of the many ways we connect across multiple channels. Let's not forget, insurance is still a people business. Obviously, Small Commercial is well diversified. In the other businesses, while they may not touch all the distribution channels, there is a complete and strong response to where customers and distribution partners want to find risk solutions, and we are there.

Here's a further proof point. Look at our penetration across 10 of the largest brokers in the United States today. I've provided a side-by-side of the Property & Casualty premium in blue with Group Benefits in gray. I'm not aware of another carrier that has this combined product and distribution footprint. We understand the connection points and believe that workers' compensation intersects with disability and leave management. We're optimistic that a combined absence product will have traction at some point down the road. In fact, at the CIAB meetings, last month, this was one of the hotter topics. Our senior team spent time with several major brokers talking about the possibilities of these products connecting more deeply.

Chris and I have both emphasized our efforts to digitize the customer experience across our franchise. We want customers and brokers to interact with us on a contemporary, efficient and fast platform. This means they should be able to transact insurance at The Hartford with the same ease as other shopping and service experiences in their daily lives. They should have clear intuitive screens, price transparency with coverage options and the ability to make choices along with self-service capabilities. That's what our agents, customers and brokers are saying, and that's what we're delivering.

The Keynova Study, which just came out, ranks us #1 in digital for Small Commercial. Our score climbed 11 points, 16 points higher than the next competitor. We were pleased but not surprised by the result. We hear the same feedback from our agents and brokers every day.

Our Net Promoter Scores climb in Middle & Large Commercial and will only improve as we continue to transform and rebuild our execution capabilities. Our first NPS scores for Global Specialty demonstrate a very positive footing. Broker feedback indicates our team is well respected for their underwriting acumen, and we expect to see progress on innovation, technology and capabilities in the coming years. In Personal Lines, we start from a position of strength with our existing customer base as we launch Prevail. Digital matters here at The Hartford, and we have invested to deliver the goods.

I want to close this section with comments on our talent journey. There are several pillars that are foundational to our execution-oriented workforce, including leadership, underwriting and culture. On leadership, we've been diligent and intentional about putting the right people in the right chairs, while providing them the training and coaching to be successful. I love our leadership profile across our businesses. It's not how long you've been here. It's what you're capable of delivering. We function with energy, passion and confidence across business lines and with integrated cross-functional teams working cohesively together.

In underwriting, we win and lose based on the risk choices we make every day. We're demanding of performance. But as I've said many times, our frontline teammates deserve to have the best tools to win. Whether we're talking about advanced analytics, third-party data, catastrophe modeling or their underwriting cockpit, all of these tools drive success. Engage talent with superior tools is a winning formula, and we're well down that path.

Finally, we built a culture of execution with a collaborative spirit amongst our team. Our teammates care deeply about behaviors. They've earned respect and trust in the marketplace for many years and they act with integrity and discipline every day in the front lines. When I combine those factors together and reflect on what we're accomplishing in the marketplace, I'm not surprised. I'm energized by the journey we've been on, which fuels my optimism for our future. The seamless integration of our product portfolio, technology and analytics, distribution and talent, enable us to compete effectively in the marketplace, an enviable place today and getting stronger for tomorrow.

As the economy heals, we've had a strong first 9 months of the year, and I firmly believe we're only getting started. Let's now move to our panel discussion.

Let's get our panel discussion started. Joining me today are the 3 market heads, Stephanie, Adrien and Mo, where they will each share further examples of the critical drivers of our strategy. Let's start with Mo on the topic of product.

Mo, our product breadth has significantly expanded over the past 5 years. The early part of this journey was led by the organic development primarily in middle market. Obviously, the acquisition of Navigators accelerated this effort and took us to an expanded platform with increasing scale. Mo, can you share your perspective as you led much of this early transformation?

Morris Tooker

Yes, you bet, Doug. And as you know, this transformation has been critical to the improvement in our underlying profitability and growth in Middle & Large Commercial. On the right-hand side of the slide, we drill down deeper into your point on product breadth. Here, we're showing our retail products aimed at the middle and large customer base. As you laid out for overall Commercial Lines, our increased product breadth is allowing us to go to market in a very different fashion.

The place I'd start is our drive towards increased specialization. Our data clearly shows that when we specialize, our retentions improve and our ROEs are higher. Since 2018, we've driven deep specialization into our general industries' underwriting business, represented by the bottom blue bars on the slide. Through data and talent, we now go to market with teams that specialize in industries like real estate and manufacturing. These changes have led to a deep underwriting expertise, has had a significant positive impact on the underlying profitability.

Douglas Graham Elliot
President

Mo, you've talked about specialization in our general industries' book. Tell me more about your vertical strategies.

Morris Tooker

Yes, we've been building new verticals and capabilities and they're both a really important part of our strategy. We now have dedicated in industries like entertainment, life sciences, construction, energy. And we continue to drive this specialization deeper at the subsector level. For example, in energy, we are building increasing depth in areas like renewables and utilities.

Maybe an example of our capabilities, and I would show our multinational offering, in recent years, we've built our own global network to service our customers' needs outside of the U.S. This capability has opened up significant new business opportunities. In the technology industry, for example, we're now able to pursue customers who have an international exposure. A few years ago, we wouldn't have been able to do that.

Our specialization journey continues in other ways. Our risk engineering and claims teams are bringing forward more industry-specific content, and we're leveraging their data, too. So for example, when you think about the data we have on getting people back to work and our disability and workers' comp disciplines, we're now bringing this data to our customers and agents with an industry lens.

In summary, Doug, I feel strongly that our deep industry specialization and increased product breadth have combined to create a real competitive advantage that drives a better loss ratio and retention.

Douglas Graham Elliot
President

Thanks, Mo, and can't agree more with your conclusion. Adrien, would you provide your comments as the leader of our Global Specialty business and someone who has built a career as a specialist? Given your history in building specialty products, please share your views on our product journey.

Adrien Robinson
Head of Global Specialty

Sure, Doug. I'll begin by digging a little deeper into what I believe is the underwriting DNA within Global Specialty. At the core, our underwriters apply knowledge and experience to develop insurance solutions to unusual or complex risks. Because the exposures we underwrite are unique, there's often a lack of credible information to inform decision-making. In this environment, successful underwriting necessarily relies upon a broad bench of subject matter experts or, as you know, as we refer to them, SMEs, to develop insurance solutions that are as unique as the risk themselves. These SMEs are exactly the type of insurance professionals that Global Specialty is built upon and, frankly, brimming with.

Now as Mo outlined earlier, working with a specialist comes with advantages for our customers as well. It means working with underwriters and claim handlers who already understand the insurance business. There's tremendous efficiency in not having to explain the intricacies of one's industry or risk to their insurer. Our underwriters are well versed in the unique characteristics of various industries. We can act as a consultative partner in understanding new risks or how to manage them. And importantly, having professional expertise in-house means we can empower our underwriters with the authority to solve real-world problems. They're both capable and enabled to exhibit flexibility in crafting solutions.

All of this, Doug, leads to a better customer experience, one in which our customer is immersed in their own industry and ultimately, I believe, a stronger partnership with our firm. We believe this type of experience is paramount to our brand and ultimately our success.

Douglas Graham Elliot
President

Adrien, our specialty businesses also now have access to an extensive distribution network. How does that impact your product opportunity?

Adrien Robinson
Head of Global Specialty

That's right, Doug. Expanding our distribution has really been a game changer. Prior to joining The Hartford, many of our trading partners with Navigators were themselves specialists. Consequently, our distribution partners were relatively few in number, and frankly, scattered across the country. Since joining The Hartford, however, our distribution has been expanded significantly, roughly tenfold by The Hartford's far-reaching brokerage base. Doug, this expanded distribution has certainly been a material accelerant to Global Specialty's growth over the past 2 years.

Douglas Graham Elliot
President

Thanks, Adrien. Stephanie, the build and launch of your new Spectrum product is worth a few minutes today. The market reaction has been phenomenal and has certainly fueled new business growth in Small Commercial over the past year. Please share some highlights for the group.

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure, Doug. Happy to. The Spectrum story is pretty special. Prior to the launch of the next generation of Spectrum, our BOP product was widely viewed as the industry leader, but we chose to disrupt ourselves. So why would we do that? Simply, that's what market leaders do.

Now we saw a couple of emerging trends coming, including changes to the workforce and changing expectations of customers and agents. So let me start with the changing workforce. 1/3 of the working population is in the millennial demographic, making them the single largest generation in the labor force. That is important because our expectations are different. They expect work experiences to match how they operate in their daily lives.

Second, both customers and agents have elevated digital expectations. They want control, price transparency, simplicity. Gone are the days of entering dozens of pieces of information, all in insurance jargon and not knowing the price of the product until the very end of the quoting process. The end-to-end experience must be intuitive, seamless and instill in the small business owner a sense of confidence and control over their risk tolerance while enabling agents to consult and guide.

So why do we do that? Well, given those expectations, we rebuilt our product and the underlying chassis to be flexible, both for today and the future. Doug, let me give you an example. We provide coverage recommendations that reflect decades of insight about hundreds of industries. Each offer in plain language explains what the coverage is and what it protects. This simplification supports our agents and helps our less-tenured staff to consult with small business owners, inspiring confidence in the coverage options.

Douglas Graham Elliot
President

Stephanie, I know our distribution partners' expectations were high. But from where I sit, the execution has been super strong. Would you describe the results in your own words?

Stephanie Bush
Head of Small Commercial & Personal Lines

Well, Doug, our results show we hit the mark. We are growing, we are profitable, and we supercharge the quoting experience with our proprietary underwriting models. Today, we are achieving 73% straight-through quoting on all Spectrum, meaning no human intervention, 0. That number is 80% for Spectrum policies under $5,000 in premium and it's even higher for workers' compensation. Finally, as further evidence, our agents have told us, and I quote, "This helps me differentiate myself and this gives me the ability to customize solutions for my customers."

Douglas Graham Elliot
President

Stephanie, while you have the floor, would you also describe the design, build and rollout of our new auto and home product, Prevail?

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure, Doug. I'm happy to share more. In Personal Lines, first off, we are proud of our foundation. We are the fifth largest direct writer, which is significant given our target market of 50-plus. And we have a long-standing and respected relationship with AARP as the exclusive endorsed provider of auto and home insurance. That provides us with efficient access, meaning we attract our target customer with the combined power of our 2 iconic brands.

Our acquisition model is different from carriers who generate marketing responses from mass media advertising. This 50-plus age cohort is important to us, growing 3x faster than all other age groups. Remember my comments about how we reimagine Spectrum around new customer expectations. We have approached Personal Lines in the same light.

In partnership with AARP, we are reinventing every facet of our business model, focusing our efforts on what the 50-plus market expects today and what they will expect in the years to come. For example, we have challenged historical perceptions that the 50-plus market is not digitally savvy, and that is not true at all. In just a few years, the oldest millennials will be 50-plus, and our business model must be prepared to serve them. Our research shows that 64% of AARP prospects start their quote online. Many service transactions are performed digitally. And AARP customers want the right coverage, not just the lowest limits that drive a lower price. We built a model that puts the AARP member in control of their risk tolerance. And in addition, we've rebuilt our auto and home products with a focus on enhanced modeling techniques. We've streamlined our underwriting approach, leveraging the best science of our Small Commercial model to create an accurate and seamless quoting experience.

And finally, there has been much industry conversation about quoting with just a few pieces of information, and we've built that too. We have leveraged elements from our Small Commercial model. And with our home quick quote capability, we've reduced our digital home time to quote by 50%. Our underlying data and models gives us confidence in this result. And Doug, we are encouraged by the early returns in our initial 7-state launch and really optimistic about the impact that our new business model will have in the marketplace over time.

Douglas Graham Elliot
President

Stephanie, I'm equally excited about the launch of Prevail. Adrien, the word cross-sell can be such an overused term, but we've achieved tremendous success over these last 2 years, offering a more complete set of product capabilities to our brokers and customers. Help us better understand the cross-sell drivers.

Adrien Robinson
Head of Global Specialty

I can do that, Doug. Implied in your question really is the notion that cross-sell is a key goal for many organizations. But as you well know, generating results has been elusive for many. And now more than ever, our trading partners and insurers are earning for one-stop shopping for their insurance and for efficiency and ease of doing business.

I often think, Doug, about the key ingredients for effective cross-sell and it really boils down to 3 things: culture, product pairings or fit and the right distribution. And we have all those ingredients at The Hartford. When The Hartford acquired Navigators, it didn't take long for our teams to coalesce and begin working together. I think the predominant factor for such seamless integration was a common culture that permeated across both firms, a culture where colleagues cared about their employer, about serving their customers, and frankly, about winning in the marketplace.

I know when speaking to Mo's teams and MLC, folks that typically write the core P&C lines, general liability, work comp, property, auto, they were excited to be able to offer the specialty products to their customers, having an in-house partner capable and winning to write the hard stuff only increased their relevancy with their trading partners. And coming actually at this from the other perspective of the specialist, this partnership has been equally as fruitful for us as well. Prior to the acquisition as a stand-alone specialist, trying to cross-sell one specialty product off of another is pretty difficult, Doug. Often, our trading partners are also siloed as well, and that lack of interconnectedness within our distribution only exacerbates the difficulty. However, I look at the core P&C lines in Mo's world and certainly in Stephanie, Small Commercial world as well as the chassis, so to speak. And from this chassis, it's much easier for us to cross-sell the specialty lines.

The acquisition significantly expanded our distribution, and this distribution is particularly well suited to sell more product to the customer. And we have an abundance of specialty products, Doug. In fact, over 130 different product classes, which means we are collectively now equipped to solve considerably more risks facing our customers than we were only a few short years ago.

Douglas Graham Elliot

President

Adrien, I'd love for you to share our results with cross-sell with everybody.

Adrien Robinson
Head of Global Specialty

Well, in a word, they've been fantastic. As a testament to that and the success we've achieved with our cross-sell efforts, you'll recall, Doug, we set a goal of $200 million of additional premium through the product synergies of the combined firms. And we thought generating this additional premium by the end of 2022 was a reasonably aggressive time horizon to achieve that objective. I'm happy to report that we've already met and eclipsed that $200 million goal a full year earlier than originally planned.

Morris Tooker

Doug, if you don't mind, I might just jump in because I think there's a really important strategic point here that might be lost. Both Adrien and I are working from a single nationwide distribution model that supports both Middle & Large Commercial and Global Specialty, and this field model is pretty unique in the industry. Our local underwriting quarterbacks are involving our specialist underwriters so that agents and brokers don't have to worry about how to navigate our organization. The feedback from our partners is, this collaboration is a real differentiator.

Douglas Graham Elliot
President

Fantastic. And thanks for that color, Mo. Stephanie, one of the frequent questions I often get from investors and analysts is, what makes your small business engine tick. Without giving away too much, provide some thoughts about our underwriting engine and our digital capabilities. There are so many component assets in our suite that neatly fit together based on the customer needs.

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure, Doug. I am so proud of what we've accomplished in Small Commercial. Let me first start with our track record. Notice on this slide, the consistent superior profitability performance. This was achieved at the end of the Great Recession, and most recently during the global pandemic. You deliver those results if you were the easiest to do business with and provide fast quoting experiences for both agents and customers, but it's not enough. Agents are no longer accepting of experiences that offer a fast quote that gets re-underwritten on the back end.

Lack of consistency brings lack of trust with distribution partners and small business owners. We insist on being fast, but also accurate and consistent. When you deliver speed, accuracy and consistency you are rewarded with growth of an additional $1 billion in total written premium and a combined ratio at or below 90 for 8 straight years.

Douglas Graham Elliot
President

Stephanie, those results have been outstanding for a long period. how are you translating speed, accuracy and consistency into those superior results?

Stephanie Bush
Head of Small Commercial & Personal Lines

Good question. Doug, it's 3 things. First, we start with our foundation. We have broad distribution to be everywhere the customer buys. We have successfully executed a growth focus beyond our largest states driven by investments in talent and broader agent engagement. Compared to our top 10 states, we have grown our next 20 largest states 3x faster. Meanwhile, our alternative distribution has been growing twice as fast as our agency channel. That breadth and depth of distribution provides headroom for continued growth. And we match that with an edge and attitude and an unrelenting focus on delivering what we say we will.

We then layer on deep insights. And as you know, we have been laser-focused on small business for decades. So the intelligence and human capital we've built is deep and wide. We are able to assemble any combination of our capabilities to quickly adapt and capture opportunities. And we constantly test these combinations. The extensive nature of these capabilities is unmatched in the industry. Then we bring in the data.

We see over 1 million quotes per year. This one dimension of our business model allows us to deeply evaluate each small business risk and provides tremendous advantage. We could have stopped there having built that underwriting machine, but we did not. We then disrupt ourselves continuously. We have reengineered our proprietary quoting platform to deliver the fastest and most accurate quoting experience. And we have been recognized as a leading digital small business carrier for 3 years in a row. And Doug, as you know, one prominent broker told us, The Hartford is more insurtech than insurtech.

Douglas Graham Elliot
President

Awesome. Stephanie. Mo, in Middle & Large Commercial, we're working on transforming individual risk underwriting. What are some of the key features of this multiyear journey? And what are you seeing relative to progress?

Morris Tooker

Well, it's really fun to build on what Stephanie just talked about. But as a reminder, my teams are in the individual risk underwriting business, a business that has historically been riddled with leakage, which consistently has undermined the industry underwriting profitability. Problem areas have included erroneous data provided for inputs, underwriters spending most of their time on administrative tasks and properly formatted data at the point of the transaction, and underwriters using scraps of paper and homemade spreadsheets to enable informed broker conversations.

But before I talk about the disruptive advancements we're making, I think it's important to also share that the top drivers of the agent and broker experience are execution and the ability to do the little things well. We've found time and time again in our customer research studies that what matters most are proactive and timely communication, the underwriter's ability to bring specialized knowledge, clarity of appetite, quick decision-making, things like this. And when you combine underwriting leakage with agents' feedback, it's clear we had an opportunity to transform our account underwriting experience, especially in the Middle Market space.

Douglas Graham Elliot
President

Mo, so you dissected the problem. Tell me about the modern platform you're building to create speed and an improved underwriting approach.

Morris Tooker

Yes. And as you well know, Doug, over the past 3 years, we've invested close to $120 million in Middle & Large Commercial to transform that individual risk underwriting, including a significant modernization of the underwriting process itself. Our advancements include digitization of submissions, supplementing information with third-party data and improving the first and third-party insights that we're putting in front of our underwriters to augment their decision-making. All of this has created a real sustainable competitive advantage.

On the slide, you can see several dimensions of our performance today relative to 2 of our major competitors. I hate to admit it, but several years ago, this same data would have shown us at a major deficit to these same competitors. And as you can see, we're now at a significant speed advantage, and our agents are experiencing a different specialization focus from our teams. And we'll continue to build our intellectual capital here. We're especially excited about the progress we're making on data and models. With the underwriter at the center in this individual risk underwriting business, we're creating a real long-term competitive advantage.

Douglas Graham Elliot
President

Fantastic. I'm really excited about that journey mom. Adrien, over 2 years here with us at The Hartford. You now lead a $2.5 billion specialty operation with lofty ambitions. We're working hard to improve the data science and other tools so that your team has all the capability to drive sustained excellence. I'm excited about how far we've come but even more energized about the future. Can you provide some insight into what that future looks like for Global Specialty?

Adrien Robinson

Head of Global Specialty

I can. I'd start with how fortunate really it is for a specialty business to partner with both a small and middle commercial franchise, one that's made such significant investments in data science and technology. By partnering with a strong commercial platform, one that's been running hard, Doug, at data science for more than a decade, we're unable to leverage proven models as a starting point, and that's important in the specialty business. These models can then be modified to meet the needs of our specialty lines and then facilitate faster development by models into the business.

And by way of an example, over just the last 18 months alone, we've deployed over a dozen new models into our systems. Some of these are already in their second generation and today cover nearly 1/3 of our written premiums. Within the next several years, over 2/3 of the premium we touch will be covered with at least one model. And in many cases, we'll have more than one model operating on a line of business, many of which will be refreshed and in a second or even a third generation.

Doug, you'll likely be familiar with the saying that specialty underwriting is often described as art versus science. Within Global Specialty, we're putting our finger on the scale, applying more science, which I believe is the future of sustained profitability and superior performance, and why I share your enthusiasm for the future of Global Specialty.

Douglas Graham Elliot
President

Awesome. Adrien, let's pivot to distribution. The ability for Hartford to engage with strong wholesale markets in an expanded way with our specialty products has been a key driver. Can you share some thoughts on the importance of wholesale distribution to our overall commercial strategy?

Adrien Robinson
Head of Global Specialty

Certainly. We've already talked earlier today about how unique and hard-to-place accounts are indicative of the specialty space. For the last few years, the pace at which complex new exposures have been entering the wholesale marketplace has only been accelerating. This is driven in large part by emerging risks such as social inflation, climate change and a myriad of newer technologies, which themselves create novel exposures. As a result, we're seeing material dislocations in admitted markets, which, because of the cumbersome nature of a 50-state filing process, often struggle to keep up with quickly changing exposures. This is exactly the environment we find ourselves in today and 1 in which our wholesale training partners really shine. In such a dynamic environment, in many cases, the wholesale brokers themselves step in to provide the requisite expertise and knowledge that is necessary to achieve a successful insurance placement.

Douglas Graham Elliot
President

Looks like our wholesale timing was pretty solid.

Adrien Robinson
Head of Global Specialty

I'd have to agree with you, Doug. 2019 was a particularly fortuitous time for The Hartford to purchase a specialty insurer. Since then, the specialty marketplace has grown by more than 10% annually. And while 2021 is not yet complete, the E&S industry is again on pace for its third straight year of double-digit growth. Our wholesale partners are a critical piece and the ability for the overall marketplace to understand, absorb and efficiently place these accounts.

While previously, we spoke about how The Hartford's distribution materially amplified Global Specialty's results, it's equally true, Doug, that the wholesale distribution plant brought over with Navigators, including our syndicate at Lloyd's, has also meaningfully enhanced and diversified The Hartford's overall distribution and only at a time when exposures are only increasing the relevance and significance of this talented channel.

Douglas Graham Elliot
President

Excellent. Our last question today will be on people, and I'm going to direct it at you, Mo. Our ability to execute effectively and deliver results will largely hinge on talent execution. Mo, can you comment on this critical strategy for all our businesses?

Morris Tooker

Yes, we're replicating the slide that you used earlier, and let me just take it down a level and talk about how it applies to Middle & Large Commercial specifically. In MLC, we've attracted and retained an incredible group of true underwriting leaders who are inspiring belief in the unique opportunity in front of us. At the same time, we're equipping these same underwriters with market-leading tools, allowing them to be more successful here as an underwriter than anywhere else.

And maybe one data point to support this claim, our underwriter retention numbers, in a year where turnover is elevated across the industry, remain 5 points better than key competitors. And lastly, and it's a really soft factor, but I don't want it to be understated. We're working hard to wrap culture around our underwriters. When you're asking people to take risk for a living, we have to create an environment that supports their decision-making, and we're working hard every day to shape a culture that supports taking risk.

And maybe one piece of anecdotal evidence. In my prior life in the reinsurance industry, I got a chance to see the insights of all of our major competitors. And this combination of leadership, underwriting and talent, I'm convinced it's unique in the market and will drive sustained competitive advantage.

Douglas Graham Elliot
President

Thank you, Mo, for your thoughts around talent and how pivotal that strategy is for our businesses as we move forward.

Let me now just pull the Property & Casualty dialogue together with a few concluding remarks. First, thanks to my market heads, for an inside look at what's differentiating The Hartford today in the marketplace. Secondly, I hope you all have an improved view of the progress we've made over the last several years. We're an engaged and motivated group, advancing our agenda to become a great underwriting operation, which delivers outstanding results. I like our prospects. I'll now turn it over to Jonathan Bennett.

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Thank you, Doug, and good afternoon. I'm pleased to have an opportunity to share our Group Benefits story, how we're positioned to compete and why we're confident that our unique formula is a winning one. Our vision for Group Benefits encompasses the 2 important customer groups that we serve: Employers, that design and manage benefit programs to attract, retain and support their workforce; and employees, who rely on those programs to protect their livelihood and their family. They're the ones who ultimately access these benefits during crucial periods in their lives. That might be an exciting time, such as welcoming a child to the family, or it might be a time of tragic loss, such as the death of a loved one. In those circumstances and countless others in between, we engage every day with both employers and employees to make that experience easy, accurate and, above all, compassionate.

The Hartford Group Benefits business is a market leader with strong positions in numerous categories. We're the #1 provider of fully insured group disability and a leader in noninsured administrative services for many large companies that value our execution while retaining risk within their own enterprise. We're among the top 5 in group life, and we've earned a leading position in absence management, including leave management services and paid family and medical leave.

But market share rankings don't tell the whole story of competitive advantage in the marketplace. Importantly, for our customers, we offer a full range of products, services and capabilities that are central to their benefit needs. For employers, these needs are rapidly evolving. Whether that arises from customized paid time-off options that meet the unique needs of their business or the growing number of state-mandated paid family and medical leave requirements, we offer products and administration services that help employers navigate these demands. And by integrating more of their employee absence products, services and data, including an option for workers' compensation, HR teams gain access to deeper workforce analytics so they can design benefit plans that optimize the health, engagement and productivity of their organization.

The Hartford's complementary business lines provide us with skill, experience and data that is unique in our industry. This enables us to uncover insights and introduce differentiated capabilities that have become essential to solving the complex equation of benefits and workforce management. While our vision and our value proposition are built upon exceptional customer experience, our premium and profitability are based on the risks we insure. And consistent with the financial strategy of The Hartford, those risks adhere to important principles.

For Group Benefits, risk generally falls into 3 categories: mortality, loss of income and the risk of injury or illness. These risks, their financial profile and how we manage them have many underlying similarities with our P&C business, particularly between workers' compensation and long-term disability. First, these are underwriting-centric lines of business. We identify, select and price to find risks. Second, our pricing is based on extensive data analysis and modeling supported by the judgment of experienced underwriters on individual risk decisions. Third, many benefit amounts are based on employee wages, which automatically adjust price with exposure. And finally, net investment income is a component of our earnings profile, resulting from the thoughtful management of premium flows and capital. However, these are not individual investment, retirement or estate planning products with associated fees or capital market guarantees.

There are a few other distinctions that are important in Group Benefits. We do not compete in the major medical market. And where our supplemental health products may intersect with customer medical needs, they are designed with clearly identified qualifying conditions and stated value payment amounts that are not tied to medical costs. In other words, we ensure well-defined risks that we can evaluate and manage through effective data analytics and underwriting.

Looking at our product portfolio, we're well balanced between life and disability with a rapidly growing complementary set of supplemental health and paid leave products, including critical illness, hospital indemnity and accident coverage. We provide our products and services to businesses of all sizes from those with 2 employees to the Fortune 10. We accomplished this by leveraging common infrastructure and capabilities across market segments, yet providing dedicated resources and customized capabilities in targeted areas that drive distinctiveness with customers and brokers.

While we have strong market positions, we see ample room for growth across all products and market segments. Our national footprint gives us access to every corner of the market through our extensive distribution partnerships. And as I'll share in a few moments, our strategy positions us to compete aggressively as each market segment continues to evolve.

Over the last few years, we've set a solid foundation for growth with a large and profitable in-force book of business and improving persistency. As Chris mentioned earlier, our acquisition of Aetna's Group Benefits business in 2017 has been a major factor in this journey, adding 60% to our in-force scale, enhancing distribution relationships and introducing new capabilities to our operation.

At the outset of the integration, we anticipated that some portion of the acquired block would not be a fit with our business process or meet our pricing targets, resulting in increased nonrenewal activity. As you can see in the accompanying chart, persistency on the Aetna legacy business during the integration years has been below the excellent results achieved in The Hartford legacy business. The net effect was a relatively flat overall top line. Having completed our integration in 2020, we're once again seeing stronger persistency across the entire in-force block supporting overall top line growth.

The combination of improving persistency and strong new sales has delivered earned premium growth in 2021. As we look out over the next several years, we see modest growth continuing in 2022 and beginning to accelerate in later years as ongoing strategic initiatives continue to build.

New sales have been strong since the acquisition as we quickly began to execute at a level commensurate with the larger size and diversity of our business. This includes adding new customers through broker relationships that now have greater scale and relevance. It also includes working with our larger base of existing employers to offer an expanded set of products that meet the evolving needs of their employees.

With engaging education and support tools that make the enrollment process easier for employees, we can grow our business with existing accounts that are already in force with us. The enrollment experience is a clear area of digital acceleration as employees demonstrate a preference for the flexibility, convenience and personalization of multimedia tools that guide them through their benefit choices. We continue to invest in these capabilities, which we see as a significant contributor to top line growth.

Our Group Benefits business has established a track record of profitability, delivering strong margins across our product portfolio, and we expect that to continue in the years ahead. Our expertise, including pricing discipline and claims management, has created an in-force book of business that produces consistent results. Long-term disability incidence trends remain stable, and very favorable investment returns in 2021 have been a valuable contributor to results during the recent surge in pandemic-driven excess mortality.

The COVID-19 pandemic is without parallel in the last 100 years. It has tested our operational resources, and we've responded with strength and resilience. As a society, we're still finding our equilibrium with COVID-19. And as this unfolds, we're confident that the group life business will also find its new equilibrium, remaining a vital part of employee benefit packages and a valuable contributor to our business results.

The fundamentals of our business remain strong, and in many ways, stronger than prior to the pandemic. Product awareness is up, as is digital adoption for things such as education and enrollment. Demand for supplemental products continues to grow. Our risk selection, pricing and claims management performance is advancing as we apply data and the science of analytics in new and creative ways. Our Group Benefits formula is powerful and has enabled us to deliver consistently strong margins and return on equity.

In this market context of digital transformation and shifting customer needs for both employers and employees, we're pursuing a group benefit strategy based on 4 central tenets. First is product innovation, including services that reach beyond our fully insured products. Employers are seeking support to meet HR administration demands, compliance needs, employee education as well as fulfilling the traditional insurance products offered in the workplace. Employees are seeking a wider array of coverage to construct a comprehensive, customized and affordable benefits package that protects themselves and their families. Flexible life and disability coverage designed for specific family needs is paramount but also necessary our innovative and engaging digital tools that guide employees through their decisions; added services such as employee assistance programs that offer counseling and mental health support and supplemental products that provide additional benefits such as reimbursement for health screening that can prevent serious later-stage diseases from developing. There is a vast opportunity in this market for innovation and the creation of distinctive value.

Second is reimagining the customer experience. Our customer interactions require diligence and attention to detail. The complexity of the business is demanding, often challenging customer notions of ease and simplicity. But solutions are possible that balance and blend customer expectations with our need for rigor and precision. Advancing technology allows us to offer customers multiple points of access to their benefit programs. More control can be put in their hands, key information readily presented to them, follow-up actions prompted and clearly stated. Especially in a detailed process like ours, these improvement opportunities make the process easier, more empowering and leave the claimant confident in their status.

Perhaps the most critical input to improving customer experience and business performance is data and analytics, our third strategic tenet. Data fuels every aspect of our business from our up-front underwriting to downstream case installation and ongoing account management. Obtaining quality data from the broadening HR ecosystem is its own competency and capability. APIs now link us directly with many of our customers and their platforms for payroll, human capital management and benefits enrollment for real-time data exchange. This is a massive improvement from traditional batch processing. Our customer connections platform is a hub for data exchange and a starting point for data-driven process transformation.

If data is the fuel for our business, then analytics must be the engine and opportunities to apply analytics exist across all parts of our business platform from underwriting and pricing to service operations and claims. And it's in these high-volume transaction processing areas that we see unique opportunities to improve both the customer experience and our business performance.

With our vast data set on customer transactions and claim outcomes, we're deploying artificial intelligence and data science models that direct our claim analysts to the issues most in need of their human evaluation and judgment, equipping them with new insights to augment their decision-making. We're eliminating administrative burdens through robotics and process reengineering.

The net result is that customers experience a streamlined process focused on their well-being and convenience and an interaction with our analysts that conveys empathy and understanding. Success across these dimensions requires a talented and dedicated team, our fourth strategic tenet. It's our people who innovate and find creative uses for data. It's our people who design our digital portals and develop engaging educational enrollment tools. And above all, it is our people who deliver empathy in moments of tragic loss or hardship, guiding claimants through recovery and return to work and helping those with debilitating injuries adapt physically and emotionally to their new world.

We believe this is a powerful combination that creates a distinctive reputation and value proposition in the market, enabling us to extend our leadership position with growth across all market segments through a diverse product offering that delivers strong financial returns.

We're continually investing in capabilities that represent the building blocks, the raw materials necessary to drive innovation and digital transformation and deliver compelling solutions to our customers. I'd like to share a few detailed examples of our strategy in action.

We've been very active in product innovation over the last 5 years as we entered the supplemental health and paid family and medical leave markets with great success. Our in-force business has grown rapidly and profitably over that period. The results are impressive on a stand-alone basis but strategically are even more valuable. Customers are looking for expert partners who can integrate a wide range of products and services to support their journey. These products and services are quickly becoming as much as part of a bundled core offering as group life and disability. Enhancements to existing products, including to our A&H suite, are also providing top line lift. Additional features are rolling out in the market, and we expect a refresh of our critical illness product in 2022.

The process of continually innovating on our portfolio is central to our agile business management philosophy. Customer and market insights feed into our design approach, generating a backlog of ideas and concepts that compete for investment based on highest customer impact. It's where innovation and rigor need to create business value. Customer experience innovation often involves finding new ways to support our brokers. That's clearly evident in our digital model for the small business market. At The Hartford, small business is in our DNA. Our colleagues in Commercial Lines have written the definitive playbook on serving this attractive yet unique market. For many years, Group Benefits did not have a distinctive approach in this segment. as evidenced by our relatively small mix of customers with less than 100 employees.

A number of years ago, we embarked on a journey to penetrate this market, initially focused on businesses with under 50 employees. And, in fact, mainly those with less than 10 employees, we leaned heavily on our small commercial playbook. The approach is to give brokers the tools and support that allow them to deliver a clear, streamlined experience to customers at point of sale with a minimal case installation effort. Adoption has been strong, and the ease of implementation is driving excellent close ratios. We've been tuning our model and gaining traction. In 2022, we'll extend this approach to businesses up to 100 employees and adapt our internal sales support structure to increase automated throughput.

Small business represents a great growth opportunity for us, consistent with The Hartford heritage. It also offers us an amazing innovation lab where we identify and test concepts that can be exported upmarket to make us more distinctive and customer-focused.

The customer experience we deliver to claimants is the most defining element of our value proposition. For someone needing to access their benefits, it's the moment of truth. Employers see it the same way. This is when we fulfill on their commitment to their employees. They expect a world-class experience. The claim process is a number of required steps. Critical information needs to be collected and reviewed, oftentimes from multiple sources, such as an attending physician or other medical providers. That means creating a great claimant experience requires both art and science. We incorporate numerous customer preference elements into our design, such as the ability to communicate with us in multiple ways, often moving between digital channels and more traditional options such as the phone. We're making it easy for claimants to submit required information, recognize quickly where they stand in the overall process or speak directly with an analyst.

By putting these capabilities at their fingertips, claimants can be confident in the claim process and assure that we're available to support any changes in their condition or answer questions that may arise. However, as I've mentioned, a significant part of the claimant experience happens behind the digital portals and away from the phone calls. It involves adjudicating their claim request with thorough background information and medical data. Reviewing claim documentation and completing required administrative tasks can be time-consuming for even our most experienced analysts. Claimants may experience delays or extended interactions while these steps are completed. This is where our business and data science teams are reimagining the claims handling experience for both claimants and our analysts by accessing broad data sets such as medical information, injury treatments and recovery patterns and applying advanced analytical modeling techniques such as machine learning and artificial intelligence. We're setting new standards for ease, accuracy and engagement.

Take the case of short-term disability, where we handle nearly 450,000 new events each year. We've developed a network of algorithms and rules that evaluate each claim submission. Analysts are quickly notified if a claim can be confidently approved with no further work. The administrative tasks and documentation are handled automatically. Should additional inquiry be necessary, the analysts will be directed to specific aspects of the claim rather than needing to review all the intake data. Claimants receive their decisions much more quickly. Our analysts are more efficient and have the opportunity to deliver a compassionate and caring interaction with our claimants.

Our outcomes further benefit from greater consistency and a rapid escalation of claims with potential for longer durations or higher complexity. This work is the backbone of digital transformation. It improves customer experience because it improves process effectiveness and efficiency.

We're reimagining the customer experience by leveraging data, analytics and technology while incorporating The Hartford's distinctive culture of caring at every step. We never forget that this remains a people business. We serve our customers at what may be their best or worst of times. We know that even small gestures, a condolence card or a word of encouragement can make a big difference. That's why we maintain a staff of care representatives and analysts who are well coached to engage claimants with warmth and empathy. There are also expert professionals who bring important knowledge and skill to our claim handling process. We have a staff of credentialed nurses who engage with claimants right upfront, gathering critical information at the start of a claim to ensure that we react quickly and appropriately to each unique situation.

Our people and our culture, our expertise and our compassion set us apart and make The Hartford a leader in Group Benefits. It's a real pleasure to share with you the story of The Hartford Group Benefits business. We're proud of our market-leading franchise and all that has been accomplished to get us here. And our financial results demonstrate our expertise and consistent performance.

Our success comes from many of the capabilities that are also propelling us into the future. We have a proven track record of product innovation that is necessary to meet the changing needs of our customers. Customer experience is at the center of our business and defines our brand. The entire Hartford enterprise holds a leadership position in data and analytics, putting unique skills and insights to work to transform our business, all of this powered by world-class talent who are passionate about our customers and our business. The result is a diverse product portfolio and superior business platform that can deliver accelerating growth and double-digit return on equity. We're a market leader with the resources and expertise to extend our position. Thank you for your time and attention this afternoon. I'll turn it over to John Kinney, our Chief Claims and Operations Officer.

John Kinney

Thank you, Jonathan. It's hard to fathom that it's been 5 years since the claims team and I stood in front of you to detail the investments we've been making to transform our claims organization. In 2016, we are in the early stages of a transformation journey grounded in investments in our data, technology and talent to drive world-class claim outcomes for all the businesses we support. Our transformation has always had a simple goal, continuous improvement, continuous improvement in our efficiency, continuous improvement in the accuracy of our outcomes, continuous improvement in our customer experiences.

On an annual basis, The Hartford receives more than 1.1 million claims and pays more than $9.4 billion in claim payments. These claims generate incredible amounts of data, data about our customers, data about our claimants, data about the doctors treating our claimants to list a few. How we use that data helps fuel our strategy. As a result, we have invested heavily in the data and the talent around it. Today, that talent includes more than 200 data scientists, analysts and technologists aligned around our 3 strategic goals: driving end-to-end transformational change, identifying areas for execution improvement and bettering our customer experience.

Over the last 5 years, we've made tremendous strides, solidifying our position as a differentiated innovative leader in this space, and our successes have emboldened us to set new ambitions in both scope and pace that will help us extend our competitive advantage. Our investments to date have made us more agile and more effective, strengthening our capabilities even as the COVID-19 pandemic unfolded.

Let's talk about who and where this team is. We're a national team with strong local relationships. In claims, knowing the nuances of a local jurisdiction matters. Prior to COVID-19, we had already invested in the technology enabling our employees to work remotely, allowing us to put talent in all 50 states close to the jurisdictions critical to our businesses. Importantly, this approach has also given us access to diverse talent throughout the country. Our team is nearly 1/3 people of color and approximately 70% women, a diverse and inclusive culture, drives innovation and improved outcomes. Speaking of culture, I believe that our 8.3% attrition rate is much better than typical industry metrics. It also demonstrates that our employees believe this is a great place to work with a culture that they want to be part of.

Transformation means fully reimagining our processes. And end-to-end transformational change means employing artificial intelligence and other technologies to automate or augment our decisions when appropriate. When we do this well, we drive efficiency, but we also drive more accurate payment decisions and a better customer experience. Even factoring in the Aetna Navigators and other acquisitions, we only increased our staff by 16%, despite claim volumes rising more than 40% over that same period.

As you heard Chris say earlier, Hartford Next has accelerated our journey. What that means is, as a company, we have invested more to drive our continuous improvement momentum even faster, and continuous improvement never stops. I couldn't be more excited about what's in the pipeline as we speak. Regarding efficiency, from 2021 to 2023, we're squarely on track for an additional 14% reduction in our cost per claim.

With the responsibility of more than $9 billion in annual claim payments, accuracy is paramount. We achieve accuracy through the marriage of data science, technology and our talent execution.

First, the data science and technology. We have long deployed natural language processing and an array of data science models folded seamlessly into our workflows to drive the right claim to the right resource at the right time, an important recipe for claim accuracy. Additionally, as you saw a few minutes ago in Jonathan's presentation, we are also using advanced technologies, including artificial intelligence to automate or augment our claims decisioning.

Second, when it comes to the decision still made by our claims team, we have a powerful mechanism to ensure consistent execution. The Hartford Way is that mechanism for us. The Hartford Way is a precise metric-driven management model designed to align execution with key priorities. Here's how it works. Every morning, all of our frontline teams see an automated performance dashboard designed for the work they perform. The metrics focus on parts of the process within the control of that claim to professional as well as how that person's metrics compared to their other teammates. By transparently showing how each professional compares to their teammates, variations, best practices and individualized coaching needs are quickly identified.

Here's a visualization of how this combination of data science, technology and/or talent drive accuracy in a typical workers' comp claim. Every year, we receive more than 125,000 workers' comp claims. Nearly 80% of those claims involve injured workers who never missed time from work. In other words, medical-only claims. For those medical-only claims, we need to ensure a fast, accurate and efficient resolution of these costs.

For every worker's comp claim we receive, artificial intelligence and other technologies engage real-time predicting the outcome of the claim and directing it to the appropriate claim professional without any human intervention. That claim professional is then assisted by AI, ensuring that the injured worker is treating with the right physician, confirming that the claim is covered with appropriate treatment and cost for the reported injuries.

For the remaining actions on the claim, The Hartford Way kicks in, ensuring that decisions are made timely and within consistent guidelines. I often describe the interaction between our claims talent and our data science and technology as a symphony, working together seamlessly. In the context of claims accuracy, that symphony is constantly working to ensure that we pay what we owe, no more or no less. To illustrate the power of this model, year-to-date 2021 for every dollar build for workers' comp medical treatments, we have paid $0.36. Throughout all of this change, embedded in everything we do is a philosophy that puts customers at the center.

An additional challenge for our team is that our customers rarely know what to expect when they have a claim. For the vast majority, they have never filed a claim before. Thus, part of our thinking around our accelerated transformational change and execution that's how we also use the tools we've built to fuel digital interfaces to better set expectations as well as provide updates along the claim process. But equally important is preserving those moments when a human interaction is needed, often with an increased need for empathy. Many customers don't want to talk to you when you are simply updating them on a car repair. However, if a customer's employee has suffered a catastrophic injury, then we need to be there for them, which is exactly why we've put more emphasis around empathy in our training.

In sum, we believe the numbers and recognition speak for themselves. Transactional Net Promoter Scores in the 90s and satisfaction averages of 8 of 10 are world-class. Lastly, as you might guess, our team felt enormous pride when J.D. Power recently announced we had won the auto claims award for the second time. We've always been viewed as a customer-focused claims team. None of that has changed as we've transformed. We've only gotten better at it.

In disability and workers' compensation, our customers' top concern is often returning their employees to the job as expeditiously as possible. We have a unique market position in workers' comp and disability, both in size and in data.

And from a claims perspective, the data around injury recovery is incredibly powerful to help drive a win-win-win. Getting our customers' employees back to work faster is best for the employee. It's best for the customer, and it's best for The Hartford. Again, the data speaks for itself.

When compared to our peers, we help injured employees get to back to work faster, which also saves our customers the added cost of overtime, lack of productivity and the myriad of other costs some say 8x the cost paid by the insurance company caused by an employee missing work.

Lastly, as Doug mentioned earlier, we've been actively experimenting with what we call The Hartford Productivity Advantage, built for those customers who have workers' compensation, absence and disability with us. Today, these customers account for more than $100 million in total premium. It's a product that not only makes the administration of these types of employee absences much better for our customers, we're also seeing even better outcomes when The Hartford has all the coverages. Our differentiated capabilities are setting us apart, enabling our claims operation to deliver commercial value to The Hartford, our customers and our shareholders.

A key component to these industry-leading outcomes in workers' comp and disability comes from how we are organized and the proprietary insights we're able to uncover. In claims, if you're one of those 200-plus data science technology or quantitative professionals that I mentioned earlier, your job is to think about both workers' compensation and disability. Add to that our clinical, senior leadership of our workers' compensation and Group Benefits field and all of our fraud teams, they are all charged with responsibility for both. And our experience, it truly matters, from opioid abuse, to social barriers to recovery, to the growing COVID-related mental health challenges, having teams focused on employee absence, whether covered by workers' compensation or disability has clearly contributed to our outcomes.

The approach I've described today reflects a bold acceleration of our strategy. We continue to invest in our data, technology and talent. Our ongoing investments give us an unparalleled advantage over our peers via significant efficiencies, more accurate claim outcomes, a better customer experience and a diverse workforce throughout the country. Our reputation as a claims leader is helping The Hartford close more sales and retain more customers across all of our businesses, enabling us to grow market share.

That said, the continuous improvement journey never ends. Data patterns will shift, artificial intelligence and technology will improve and our customer demands will change. When it does, I am confident that we will make the right investments to adapt, continue to improve and remain a key differentiator to help drive business growth for The Hartford.

And now I'm going to hand it over to Beth.

Beth A. Costello
Executive VP & CFO

Thank you, John. Over the course of the afternoon, we have shared our focus on maximizing value creation for our stakeholders. You heard from our management team how the investments we have made in our businesses over the years position us to accelerate growth and improve margins. We have been and will continue to prudently manage our balance sheet and allocate capital with the goal of delivering industry-leading returns on equity. And we will do all that against the backdrop of top-quartile ESG practices.

As Chris shared earlier, our recent financial performance demonstrates the positive results that building and investing in our businesses have yielded. A comparison to our peers of growth in book value per share and our average core ROE from 2018 through September 2021 demonstrates these positive results even with the impacts we have experienced from the pandemic. This track record positions us well to continue to deliver industry-leading results as we execute on our strategy.

On a continuation of the theme, you heard from our business leaders, we are seeing accelerating growth. In P&C, we expect to end 2021 with about 7.5% top line growth over 2020. This is fueled by growth in Commercial Lines of approximately 11%. This growth rate was positively impacted by the significant rebound in economic activity in 2021 as well as the momentum in our businesses created by our expanded products and capabilities that you heard about earlier today.

As we look forward next year, our expectation is for about 4% to 5% growth in Commercial Lines. With these results, the CAGR for 2020 through 2022 is in the range of 7% to 7.5%, which is higher than the growth we described in April due to our outperformance in 2021. These are strong results and reflect the competitive positions we have in our businesses.

For Personal Lines, as Doug and Stephanie commented, we are focused on the rollout of Prevail and expect that will provide the platform for growth beyond 2022. As Jonathan discussed, in Group Benefits, we are expecting about 2% growth next year and see the potential for that growth rate to increase as we go into 2023.

As always, our focus on growth is coupled with our focus on margins. Last April, we shared with you several financial objectives around margins through 2022. Within Commercial Lines, we expected the underlying combined ratio to improve about 2 points from the 2021 guidance range we had provided last February. That translated into a 2022 range of 86.5% to 88.5%. We still see that as a reasonable expectation. Our performance this year has been very strong from both a loss ratio and expense ratio perspective and positions us well to deliver on our goals.

In Personal Lines, we shared an expectation of the underlying combined ratio, improving about 1 point from pre-COVID levels, which would be about 90 to 92. Throughout 2021, we have seen the impact of increased miles driven on our results, although we believe our book is still slightly below pre-pandemic driving levels. We are watching closely the impact supply chain is having on loss costs.

Sitting here today and putting these factors together, we see a path to achieving the margins we had provided, but it is a dynamic environment, and one which we will continue to monitor and respond through a combination of underwriting and pricing actions.

In Group Benefits, our core earnings margin expectation is about 6% to 7%, which assumes limited excess mortality as well as moderating favorable experience in long-term disability. At these margins, this business would be contributing a double-digit return on equity. And all of our businesses are benefiting from our Hartford Next program, which we expect to deliver $540 million of savings in 2022 and $625 million in 2023 as compared to 2019 expense levels.

Underlying business performance is key to achieving our objectives. However, just as important to delivering market-leading ROEs is our focus on prudently managing our balance sheet and allocation of capital. This entails many different components, which are highlighted here, and I will walk through in a bit more detail.

Let me start with some comments on our investment portfolio. We have a high-quality and well-diversified portfolio with an overall credit rating of A+. The low interest rate environment has impacted our yield, excluding limited partnerships, and we expect to see some continued pressure in the near term. We have implemented strategies that have mitigated some of the downward drift. Examples of these include taking advantage of the long-duration nature of some of our insurance liabilities like workers' compensation and allocating to asset classes such as mortgage loans, which benefit from an illiquidity premium, resulting in increased yields.

In addition, we have been increasing our allocation to limited partnerships and more specifically, private equity and real estate investments. These asset classes have had very strong performance and helped to alleviate some of the pressure we have experienced due to low interest rates.

Our investment philosophy has also been shaped by our ESG focus. We will have eliminated holdings from our portfolio that do not support our Tar Sands policy by the end of this year. And by 2023, we will eliminate those that do not support our Coal policy. In addition, over the next 5 years, we plan to invest $2.5 billion in technologies, companies and funds, which are advancing energy transition and addressing climate change.

Our insurance subsidiaries have a stable and consistent risk profile. On a relative basis, insurance and investment risk using risk-based capital requirements for both our P&C and Group Benefits businesses are very consistent and are more predominantly weighted to insurance risk. This is in contrast to the life industry RBC requirements, which are more heavily weighted to investment risk. This difference in risk profile from the life industry is also evidenced by the significantly lower invested asset leverage in P&C and Group Benefits.

You have heard us comment several times this afternoon that we are an underwriting focused company, and these risk measures are another reflection of that fact. We also have been managing our debt leverage ratios down to levels appropriate for our ratings. Going back to 2018, our leverage ratio was 29.2%, well above our target of low to mid-20s. Through a systematic approach of allocating capital to pay down debt, we are now at our target levels. We have also taken advantage of market conditions to issue new debt to repay maturing or callable debt. Most recently, in September of this year, we issued $600 million of 2.9% senior notes. The proceeds of which will be used to call at par $600 million of 7.875% junior subordinated debentures in April of 2022. Upon the call of these debentures, we will have reduced annual interest expense by $100 million since 2018, and our weighted average debt rate will have shrunk from 6.2% to 4.6%.

Dividends from operating companies to the holding company have been increasing over the past several years as our businesses have delivered on growth and profitability. These dividends are both from our insurance operations and Hartford Funds. We have not spent much time on Hartford Funds today since the primary focus has been on our underwriting businesses, but Hartford Funds is also a meaningful contributor to our overall financial profile.

We believe that our approach to capital management allows for long-term shareholder value creation while maintaining capital levels consistent with regulator and rating agency expectations. We deploy excess capital to invest in our businesses and support organic growth as well as deliver a competitive dividend. Beyond that, excess capital is available for further return through share repurchases.

Over the past 10 years, we have returned meaningful amounts of capital through dividends and share repurchases. We have increased our annual common dividend from $0.40 per share in 2011 to a projected $1.54 per share in 2022, a 13% compound annual growth rate over this period. In addition, we will have returned approximately $10 billion through share repurchase from 2011 to 2022.

Early on, repurchases were fueled by the sales of several of our businesses as we restructured the company and shed our capital-intensive life businesses. From 2017 through 2019, repurchases were limited as we deployed excess capital for the acquisitions in Group Benefits and commercial P&C, both of which significantly contributed to the expanded capabilities and scale that we have today.

With the build-out of our business portfolio completed, we are now returning meaningful amounts of capital through share repurchases. We have a $3 billion share repurchase authorization in place for 2021 through 2022 and expect to deploy the authorization relatively consistently between the 2 years. And as we forecast our capital generation into 2023, we see the potential for capital return to shareholders to be at a level consistent with that in both '21 and '22.

As a further proof point of our transformation, we have seen our beta significantly decrease. As we divested from capital market-sensitive businesses and strengthen and added to the underwriting businesses and P&C and Group Benefits, our beta reduced from levels well above life and P&C peers to levels consistent with P&C peers upon the completed sale of Talcott in 2018. We did see our beta increase as pandemic, but using 1-year beta as a predictor, we would expect to see that decrease.

I'll point out that I keep referencing P&C peers and not Group Benefits peers because there really is not a clean Group Benefits compare. Competitors in this business offer other products such as individual life, long-term care or annuities, which have a significantly different risk profile. This makes comparison to any capital market metric misleading.

For example, cost of equity for these peers is typically well above that of P&C companies. However, when we dissect our cost of equity at the enterprise level, we believe their Group Benefits businesses on a stand-alone basis have a cost of equity more in line with P&C peers, which is why we use that benchmark.

This brings us to one of my favorite slides, and I believe a great snapshot to see the significant progress that we have made and our expectations for the future. Here, we highlight our ROE progression over the last 10 years. As we said earlier this afternoon, we have made significant progress. And over the last 4 years, we have consistently produced double-digit ROEs even with the impacts of the pandemic. Our expectation for ROEs in 2022 and 2023 is 13% to 14%. But just as important, we have seen our cost of equity significantly decline over this period. We experienced a bit of a spike due to the impacts of the pandemic, but as I just mentioned, we would expect to see that decline as that becomes more and more in the rearview mirror. These trends point to a very healthy margin between our ROE and cost of equity. And as highlighted here, all of our businesses are contributing to this result and earning a spread over our cost of equity.

I would also note that ROE based on tangible book value would be higher by about 200 basis points for P&C and about 400 basis points for Group Benefits. Putting all these pieces together, profitable growth, improving margins, expense efficiency and prudent capital management, we would expect our book value per share ex AOCI to continue to grow approximately 8% and coupled with a competitive dividend, should produce annual shareholder value creation of approximately 11%.

Before we turn it over to Q&A, I want to emphasize again our enthusiasm for the future. As you have heard today, because of the investments we have made in our businesses, we are poised for accelerated growth while at the same time, focused on producing industry-leading returns. Our businesses are generating excess capital and we have a track record of deploying capital to optimize returns. And we do all this supported by an ethical culture that is focused on all of our stakeholders and being a leader in our communities.

We set high goals for ourselves and embrace transparency in communicating our progress, whether those goals are financial, operational or societal. We look forward to updating you on our progress.

We are now going to take a short break as we gather the management team so we can conduct a 30-minute session to answer your questions. We look forward to seeing you shortly.

[Break]

Christopher Jerome Swift
Chairman & CEO
Welcome back from break. I'd like to start with just a real big thanks to our senior leadership team for their insightful and exciting presentations today. I thought they were outstanding. So now we'd be happy to take any questions that you might have for us, and we'll ask Susan to take the first question.

Question and Answer

Susan Spivak Bernstein
Senior Investor Relations Officer

Okay. Great, Chris. Our first question today will come from Elyse Greenspan from Wells Fargo. [Operator Instructions]

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is on the commercial business. You alluded to throughout the presentation, you guys have been off to a really strong start this year. 11% top line premium growth. You guys have spoken to around 4.5% growth. So you're coming in ahead of plan. So -- and you guys have reaffirmed the guidance today that you did set out a couple of quarters ago. But I guess my question is, if this year is above plan, could there be some leverage to next year coming in above plan as you continue to work with Hartford Next as well as just ongoing growth initiatives across the platform?

Christopher Jerome Swift
Chairman & CEO

Elyse, I'll start, and then I'll ask Doug to add his commentary. You are right. We did get off to a great start this year and believe we're going to finish strong, yes. But we still are thinking about growth over a multiyear period of time. So whatever year-over-year numbers turn out to be, they'll be, but we do think we could grow above market trend. We think we have the product sets and the capabilities to capture more market share over the longer term. And from your overall question on the profitability side, we're continuing to execute the Hartford Next. As you know, we're going to deliver major savings next year and then into '23. So I think there is a compounding effect of a lot of our growth initiatives, our expense -- saving initiatives that really excite us for the future.

So Doug, I don't know what you would add anything more on the specific growth theme.

Douglas Graham Elliot
President

Elyse, I would just add that, remember, as the economy comes back and we're seeing increased activity, economic activity in our premium numbers, the backside of 2021 will feel a little bit of that boost as well the first half of '22. So there will be a little bit of a cycle on this economic gain. And I think of the normalized growth rate, a little less than what you saw in Q3. So that will also factor in our growth achievement next year at '22.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up, Beth, during your remarks, you stressed that you guys weren't talking about the mutual funds business today because you were focusing on the underwriting side. But I guess my question is just, can you go through the strategic importance of that business as you guys think about the plan over the next couple of years just as it fits into The Hartford?

Christopher Jerome Swift
Chairman & CEO

Elyse, why don't I address that and say, yes, today was focused in our underwriting businesses. And hopefully, you could feel all the great activities, capabilities we have in our underwriting skills across P&C and Group Benefits, and why they're complementary. As it relates to mutual funds, we've long viewed it as a great asset, great investment to own and hold. It's growing. It's relevant in the marketplace. It's staying current. And those are the types of investments we like to hold for the long term and create -- have them create the value that we get the benefit from. So that's what I would say to your question.

Susan Spivak Bernstein
Senior Investor Relations Officer

Our next question will from Greg Peters from Raymond James. [Operator Instructions]

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

Lots of content this afternoon to think about over the next couple of days. So I guess I was looking like upfront early on, like Slide 24 and some of the early on slides, where you were showing a combination of substantial growth and an improvement in the underlying combined ratio. And clearly, there was some discussion about the specialization, expanded distribution that's driving this. But one of the questions, it seems to get put back in our labs from time to time is the concept of the penalty of writing new business on loss ratios. And I guess that breaths into the question of with your results, where is the new business penalty in your numbers because it doesn't look like it's really evident at all.

Christopher Jerome Swift
Chairman & CEO

Greg, thanks for the question. I can assure you, they're in the numbers because we look at them every quarter, we understand the components of our loss ratios and combined ratios. But Doug, what would you add to Greg's question about how we balance really growth and profitability at the same time?

Douglas Graham Elliot
President

And Greg, it's an excellent question and one that this team spends an awful lot of time debating. I would describe our journey in the early part of the last decade, clearly focused on returning our businesses to a profitability level that we'd be proud of. And so as I think about the '11 to '15, '16 time period, that was clearly a focus. The product build has been going on throughout that decade. And then obviously, with the acquisition of Navigators, we again worked hard at their performance. And now you're seeing the benefit of a much broader expanded product set, skills and underwriting techniques in the marketplace in much more vibrant ways. And you're also seeing the benefits of our Navigators profit actions over the past couple of years. So these last several quarters have been terrific times for us because there are lots of things all hitting at the same time. But we think they're sustainable. We think that as you listen to our presentation today, these are fundamentals that we've been working on for an extended number of years.

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

Right. I guess my follow-up, just keeping on the theme of the expanded distribution and the specialization, it's hard for us to sit on the outside looking in and to understand or figure out what your competitors have been doing simultaneously. It's kind of hard for me to envision that your competitors have been standing idly by while you're improving your distribution and your specialization. So I guess maybe you could provide us some context behind that. I mean, when you're saying you're expanding your distribution, I assume you're displacing others. Is it the products that you're bringing to get? Is it legacy relationships with distribution that's push -- putting you in a position to effectively win a seat at the table versus some of your peers? Some more color on that would be helpful.

Christopher Jerome Swift
Chairman & CEO

Yes. I think the -- those are great points. And I know you and Mo talked about it, Doug, in your Q&A session that you ran. But I would explain it just simply, Greg, that we enjoy long and deep relationships with many different brokers and agents all across the country. And I think our real focus has been over the last couple of years is to make sure that distribution for us really knows, understands and appreciates our capabilities to write more of their business. And you're right, someone has to be displaced if they're going to give us a piece of business. But I think the simpler interchange they can have with 1 carrier as opposed to multiple, the relationships that we do enjoy and introducing them to the new capabilities that particularly Navigators brought to us and some of the things that Mo built, I think, has been sort of the real focus of years in Mo's and Adrien's attention, Doug. How would you...

Douglas Graham Elliot
President

Yes, maybe a comment, and then I'd love to toss it to Mo. So Greg, one of the things I shared in my commentary is that we made a conscious choice in 2011 to move this organization, particularly around our Middle & Large Commercial business from one of -- I described it as one of the last generalists in the national space, much more into specialization. We think that's a formula for winning over the last 10 years and certainly winning in the next decade. And so consciously working hard on our product breadth, our skill sets, et cetera. But we really went to market in a very generalized way, just a few short years ago, and that has drastically changed. I think it's a good time, Mo, for you to maybe lean into that topic and share with the group.

Morris Tooker

Yes. as you think about the middle market customer base, especially, I would say that there are places where we just weren't able to bring their full -- the full needs of what that customer had. And with a single buyer, they're often looking for places to bundle that together. And so I think as we've gotten the Navigators capabilities, as we built our own capabilities organically, that has allowed us to go into that agent or broker exactly as you described and to ask for that additional piece and to help them sell products that they might not have sold. So there is some displacement, but it's typically on the back of the package policy that we're already offering.

Susan Spivak Bernstein
Senior Investor Relations Officer

We'll take our next question from Mike Phillips at Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Can you [Audio Gap] risk that you thought about with the timing of your personal auto product launch [Audio Gap] kind of unique times for the industry right now? Any unique risk identified with that timing?

Christopher Jerome Swift
Chairman & CEO

Mike, you were breaking up a little bit. So I'm going to ask Stephanie to respond to your question, if you ask it again, and maybe we could...

Michael Wayne Phillips
Morgan Stanley, Research Division

Yes. Sure. Sorry, let me try again. Sorry, is this better? Asking for the timing of your auto product launch came at a time that's pretty unique to the industry right now. So given that, were there any kind of unique risk to be thought about with that timing.

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure. Let me give you some perspective. When we thought about rebuilding our auto and home products, the Prevail products, but in addition, it's not just the 2 products, it's our entire business model. If you recall in my prepared remarks that we were really recasting. And so that journey really started 2, 2.5 years ago. So just to give you context in terms of that. Really, as we've entered this period, if you look at our rate, we have been taking positive rate really through the entire pandemic period, that was deliberate and intentional. We did not want to chase market share throughout this period.

The other scenario that I would share with you is that you're familiar with our target market, really the 50-plus. And when we think about what's happened during the pandemic with our target market, they behaved quite differently than the broad market. And what I mean by behaving quite differently is really from the notion around watching our telematics data, vehicle miles traveled, way more cautious than what you would see in a broader market -- auto market. And that has persisted throughout 2021.

I will also share with you that we were not immune from some of the supply chain pressures that we've seen in the rest of the industry is seeing, whether it's used car prices, labor, parts prices, parts availability. And so while right now in our new product, we have]. And what we are doing right now is looking at our in-force, elevated our trends, putting new filings in, in terms of -- from a rate pursuit, but then also wholly committed to the new product as well. And so we'll calibrate our trend selections based on the environment. So it's a combination of new product, new capability build, but also being nimble enough to address the new environment that we're in.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Second question then would be the same on the auto side. You've now partnered with a company that has as its clients, both the top 10 and personal auto, so I guess, for telematics. So how is your product different than the offerings from anybody else in the top 10 for telematics given that you're using kind of the same company for that most companies are?

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure. We've been in the telematics space for more than a decade. But as we really rethought our entire business model and looking forward in terms of digital expectations, societal changes in terms of far more drivers being open to the use of telematics that also applies to our target market, the 50-plus and really wanted to step back and look at on a go-forward matter throughout this next decade and really challenge ourselves, do we have the right vendor. And so as you mentioned, Cambridge Mobile Telematics, really met the task in terms of -- I think they, right, -- work with the top 21 of the top 25 carriers out there. We're very encouraged not only by what they'll bring to the -- to us in terms of their algorithm, largely being approved by most regulators, the digital capabilities that it brings, the data, the continuous monitoring, it really meet our litmus test for this next decade. And that was really the driving reason.

Susan Spivak Bernstein
Senior Investor Relations Officer

We'll take our next question from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Can you hear me?

Christopher Jerome Swift
Chairman & CEO

Yes, we can, Brian.

Brian Robert Meredith
UBS Investment Bank, Research Division

Perfect. So first question, I'm just curious, when we take a look at the 2022 outlook, how much of a headwind is workers' comp, just the environment they are going to be on margins and kind of your growth outlook?

Christopher Jerome Swift
Chairman & CEO

Doug, what would -- how would you respond to that?

Douglas Graham Elliot
President

Yes, Brian, it's a bit of a headwind. So we are on a state-by-state basis, rolling out strategies. Our segmentation tools are absolutely at play, particularly across middle market. And we'll be thoughtful about where we apply our strategies. As I mentioned, we've talked about in prior calls, we're very careful about our filings and working with the various regulatory bodies and understand our flexibilities. And as I said, we've had a little bit of compression in our small commercial book and expect a little bit of that compression to move into '22. But we have managed our way through cycles in the past. I look at this as another period of time, we're active on the actuarial front. I think we're making good choices. And as such, as we move through '22, I think we'll do it with the success we've had in the past and we'll keep you informed as we go through quarter-by-quarter in '22.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then a bigger picture question here, Chris. If I take a look at your kind of core ROEs here, P&C 14% to 15%, Group Benefits 10% to 11%, I guess, first, is that kind of a good kind of ROE thought kind of consistent on going forward? And if that's the case, how do these fit together here then? I mean, Group Benefits is pressing your return on equity overall. It doesn't appear like it's had necessarily a lower equity cost of capital. So how do you think about that in the context of the 2 businesses together? I get there's some benefits as -- from an operational perspective.

Christopher Jerome Swift
Chairman & CEO

Yes. I appreciate the other question, Brian. I still think it all works together. And I would share the stated ROEs that Beth provided, particularly in her section, are on a GAAP fully allocated basis, that includes obviously goodwill. I think she gave the actual tangible percentages, which were fairly meaningfully higher for both segments, but particularly for group given there's more goodwill per GAAP allocated capital in that. So if you really look at it on a tangible basis, which I think is a better long-term metric, it contributes, it's not dilutive. And in fact, we still think it should have a lower cost of capital that Beth tried to talk about in her presentation a little bit that the benefits business is very similar to the P&C business as far as how you think about investment risk versus insurance risk and the lack of any meaningful comps going forward. But I'm going to ask Beth to add her color because she's always very thoughtful.

Beth A. Costello
Executive VP & CFO

Well, I think you covered that very well. You covered all the pieces as you usually do. But I agree with all the points that you made. And again, when I think -- when you think about the financial picture, just in total, Group Benefits is a meaningful contributor. And I agree with Chris' comments looking at it on a tangible ROE basis as well.

Susan Spivak Bernstein
Senior Investor Relations Officer

We'll take our next question from David Motemaden of Evercore.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

So my first question is for Chris and Beth. So I'm just looking at Slide 91, and you show your ROE with your cost of equity. And I think it says here on the slide, and you said that you expect your cost of equity to decline to pre-pandemic levels. Wondering if you could just elaborate on why you think that will happen?

And then secondly, any actions you'd be willing to take if it remains above pre-pandemic levels?

Christopher Jerome Swift
Chairman & CEO

All right. I'm not going to step on your explanations this time?

Beth A. Costello
Executive VP & CFO

Yes. Well, as I said in my comments, when we look at that, that analysis is done using 2-year beta. And if we look at it on a 1-year basis, you can see that there's already been a meaningful improvement. So again, when we look at the volatility that occurred coming out of the pandemic, we would expect that to lessen and we would expect to see that cost of equity come down. So it really is the basis for how we look at that. And I think we're on a path towards that. Again, as we deliver on consistent earnings, deliver on the plan that we've laid out for you today, I think all of those things will point to our cost of equity coming down.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Sorry, if I could just sneak 1 more in. Sorry about that. I thought Chris is going to jump in there. I guess just another question just on the Group Benefits business. I was a little surprised at the 2% growth for '22, especially given some of the tailwinds that I would think that this business is going to experience just on the in-force in terms of payroll growth and wages moving higher. So maybe you can help me understand why that's not in the 3% to 4% range in 2022?

Christopher Jerome Swift
Chairman & CEO

Happy to. Jonathan, how about you address David's question?

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Sure, happy to do it. When we look at where we are in '21, we're having a solid year, you point to the higher growth levels that we have. That's coming about with some persistency, and we're pleased with that. That's a good signal for the business overall. And then our sales have continued to be strong. There have been a couple of other factors in there, and I think they're worth pointing out is events happening in '21 that we may not expect to see happening in '22 and beyond. So the first would be, we did enter a new state with paid family and medical leave. And there was a second state already in with paid family medical leave that had a benefit change, and therefore, a rate increase. That brought about some increased premium. And so that was an important lift for us. But I think, also a good signal for that market as well.

And then they're also -- 2020 was a very volatile year in many ways. And as we came into '21, like our P&C business does on occasion, you true up some of those numbers. And in '21, we did experience some true-ups that were favorable to us. And so that was also another good sign. Things perhaps not quite as bad in 2020 as we had thought they might be. As we look forward into '22, the labor force participation rate is still a bit murky. Some other factors around that, that I think make it difficult to predict that ongoing growth rate. But I think to your point, there are some activities out there in the broader economy that could bring some optimism, and we'll have to see how that plays out as we get into the year.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Okay. And is that, I guess, the lower growth combined with some of the mortality things that you talked about? Is that what's driving the -- it looks like the remittance outlook was increased to $1.7 billion to $1.8 billion versus $1.6 billion this year. Is that coming from the Group Benefits business?

Christopher Jerome Swift
Chairman & CEO

Beth, do you want to address dividend...

Beth A. Costello
Executive VP & CFO

I'm not sure I'm completely following your question. Is you're talking about the dividends going into 2022, we were showing those increasing the $1.6 billion to $1.8 billion, I believe?

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes. Is that being driven by just an expectation of normalization and group benefits from a mortality standpoint and then just maybe a bit less drag from growth?

Beth A. Costello
Executive VP & CFO

Yes. I mean I think when we look at it in total, I would say it's probably a bit more of the growth in dividends is coming from P&C than in Group Benefits, again, just because of the mechanic of how dividends are calculated, the impacts of '21 kind of carry into 2022. But again, I'd look more at the growth that we're seeing in dividends coming from the P&C.

Christopher Jerome Swift
Chairman & CEO

David, how about if I just update your views maybe on mortality. And I don't have any new news to share with you today. I mean, obviously, we're still living in a pandemic. And I suspect the next 2 to 3 quarters, we'll still have some elevated all-cause excess mortality. As we said in our earnings call, we'll be in a position to update our views here in the fourth quarter, probably mid-December, we have an FD-friendly event. And then when we're back together in February, we'll talk about what we see for full year 2022. And it's -- we're not playing any games, that we're always very straight and transparent. I just want to see how the full data works its way out. We want to see how therapeutics are advancing through the regulatory system.

That all said, I would share that the IBNR picks that we made for the third quarter of 2021 here are holding. So we feel good about the provisions that we've made. And I would say that October debts to this point, sort of incurred debts, our projections of ultimate incurred debts in October is down about 25% to 30% from the September level. So September was high, so that's a good trend downward. And we hope that the trend downward continues into November and December.

Susan Spivak Bernstein
Senior Investor Relations Officer

Chris, we have a question from our virtual audience. The question is, you've been very confident this year and very confident in today's session about being able to deliver results and targeted outlook. Can you comment on what's giving you the confidence?

Christopher Jerome Swift
Chairman & CEO

Well, thank you for the question, Susan. I would say, I would hope it to be self-evident to everyone that listened to our discussions today about all the great things that we have going, the team, its passion, its strong capabilities. And I sort of break things into junk, Susan, that we've been sort of in a fixing mode, selling mode, repair mode. And then the last 3, 4, 5 years, we've been in sort of a build-it mode, adding capabilities or organically that Mo and Doug talked about, Stephanie has talked about new products and small commercial, Jonathan has talked about a voluntary product suite. Obviously, we did 2 acquisitions, all our digital investments, our data science investments. I think it's just a culmination of all those efforts over the last 10, 12 years is really gelling, and sort of the next phase of our sort of development, if you want to call it that, is really maturing and building stronger muscles in all those areas so that we can compete in just about any space here we want to go. So I think it's just a culmination of a lot of hard work, a great team and just our mindset around performance, execution always trying to get better.

Susan Spivak Bernstein
Senior Investor Relations Officer

We'll take our next question from Andrew Kligerman from Credit Suisse. [Operator Instructions]

Andrew Scott Kligerman
Crédit Suisse AG, Research Division

First question is around the targeted 86.5% to 88.5% combined ratio in 2022 for Commercial Lines. That's pretty impressive. I'm wondering after 2022, where you see that going directionally, especially if rates stop exceeding loss costs and how you might drive it there?

Christopher Jerome Swift
Chairman & CEO

Yes, Andrew, we're probably going to refrain from talking about '23. We got to close out '21 here. We got to execute on a '22 plan. And yes, there's a lot of variables, particularly if you're going to assume loss costs start to creep above pricing, which I don't believe. I personally think there is longer legs into this market just given all the environmental factors that we've talked about over the years. But I would ask Doug, if you had any color to add.

Douglas Graham Elliot
President

I think that's a great answer, Chris. On the third quarter call, I did comment that, Andrew, we do expect this market to continue to stabilize. When I think about the property experience across the industry, I think about some of the casualty trends, now the supply chain. To me, there are drivers that are going to be with us for the next several quarters that will continue to provide legs in this marketplace. So I'm optimistic as we turn the corner. First, we've got to close '21. But as we turn the corner into '22, I love what we've been building here. I think you're seeing the capabilities at play in the marketplace with a terrific leadership team. And we will navigate our way through '22 and then on into '23. So I like what our franchise is all about right now.

Andrew Scott Kligerman
Crédit Suisse AG, Research Division

And then just secondly, in Group Benefits area as the #1 writer of group disability, #3 in group life, I'm wondering how important scale is to compete in group markets? And along those lines, just given the -- but along those lines, the pricing environment for group life with the COVID-19 pressures as a backdrop and then the pricing in group disability in general?

Christopher Jerome Swift
Chairman & CEO

Yes. I'm going to start and then ask Jonathan just to add his thoughts. I would say scale helps there, and partly because if you really listen closely, Andrew, and I know you did, so I'm not testing you, to Jonathan's commentary. I mean, we are investing in that business pretty heavily as far as reinventing the customer experience, both the employer and the employee customer experience. And so having scale obviously helps defer those types of investments over just a larger premium base. Sure, it just takes less earnings away from the shareholders if you have a larger base. So it does help there. But I would even said before the Aetna acquisition, we had scale as a top 5 player. It's a highly concentrated marketplace. It tends to be anchored around life and disability. But increasingly, the voluntary capabilities are real, real differentiators that in the marketplace, and I'm really pleased where the portfolio is at. But Jonathan, please add your own views on scale and then COVID.

Jonathan Ross Bennett
Executive VP & Head of Group Benefits

Sure. I agree with everything you said. I think it makes complete sense to the way we approach the marketplace. The scale does matter. We think it matters in places like distribution, the partnerships that we can form, the depth of those in the national broker organizations. It's just a critical part of being perceived as a top player, particularly in national accounts, you need to have and maintain that strong book of business and continue to invest in the business. As Chris described, there's so much change going on right now in the workforce in general. The employee dynamic is shifting a great deal. It is driving a lot of need for investment and so forth. And I think we've undertaken a great program. And I talked a little bit about some of the investments we're making to attach ourselves more fully to that ecosystem that the companies are leveraging as they manage their workforce. So those dynamics matter a lot. I'd also point to the data. We just get a tremendous amount of insight from the data. We talked a lot about that threaded through our organization not just in disability and benefits, but really in workers' comp and other places, too. So how that helps us scale and drive the organization, I think, is very, very significant.

If I shift to your second part of your question, which is around pricing, I think that we are beginning to see some movement on the life side. I think we're all grappling a bit with what does the pandemic look like? How does it play out? What is that glide path that we all face now? It does appear the experts are telling us this is going to be an endemic circumstance, right? That's where we're headed. There are puts and takes to mortality. This is not just a one-way change in mortality. We do think there are some other activities in place. So with that in mind, we are doing our homework on the analysis there. We're building out our models. And we are moving our pricing a bit as we step forward over the next few years and thinking about how that will factor in to the run rate. So that is definitely happening.

I would say, secondarily, then on the disability side, I think likewise, constantly looking at that information, too, we've had favorable trend for a number of years on long-term disability incidence trends. That has been, I think, well documented in the industry. As we look at where that's headed, feels pretty stable at this juncture, but we're on the watch for that. We're coming through a very rapidly changing employment cycle. That typically has indicators that we want to pay attention to in terms of disability, so we are. And I think we're in front of that in the way that we're behaving in the marketplace. So we feel really good about our pricing posture in the national account business, you get a lot of data from an underwriting standpoint. And so you can use that effectively to price. And that's how we're putting our tools to work right now.

Susan Spivak Bernstein
Senior Investor Relations Officer

We have time for 1 more question. We'll take that question from Tracy at Barclays.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

I just want to get better grounded in the broadness of your underwriting risk appetite, specifically as it relates to small commercial workers' compensation. So as you know, workers' comp risk types are defined by class codes, which are industry standard designations. So my question is what percentage of class codes are you willing to underwrite workers' comp within the small business market? And how might that change?

Christopher Jerome Swift
Chairman & CEO

That's a great question. Doug, how about you and Stephanie to tackle that one?

Douglas Graham Elliot
President

Let's do that. And Tracy, I would just say this, as Stephanie answers that question, I want you to think about underwriter touch versus on the glass moving without because I would suggest that our underwriting approach and our appetite very broad vis-a-vis the marketplace. And now you have to apply tools to it. And so with that, Stephanie, I'm going to turn it over to you to have Tracy understand a little bit more deeply.

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure. From a small commercial perspective and in workers' compensation, what I'd ask you to think about is that small businesses are not monolithic. They are as individualized as a fingerprint. And so when you think about you can have a doctor's office and small business in the U.S., all the way to a tugboat operator, and there's differences within that. So to Doug's point, we have a very broad market and appetite. We're constantly working that. But it has to meet our litmus test both from sustained profitability and then a broad enough market for us to go after. So it's a pretty broad market, but we're very disciplined about how we approach that market, Tracy.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

Could you share the percentage of class codes? I'm just doing some work on this, and it would be helpful just to have some context.

Stephanie Bush
Head of Small Commercial & Personal Lines

I'd prefer not to share that with my competitors.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

I totally get it. I have another question on Slide 87. I know we touched upon earlier. You're basically anticipating your holdco leverage going from 2.8x to 1.5x. And you also mentioned having adequate holdco resources. I'm just wondering what your minimum threshold looks like? Could it look like 1.5x or something different?

Stephanie Bush
Head of Small Commercial & Personal Lines

Yes, I'll take that. Thanks, Tracy. So we typically have talked about the fact that we wouldn't want to see our holding company resources be below 1x forward interest and dividends. We've been above that a bit, as you can see from those slides that is coming down over this period. One thing I'll just remind you of is we are ending 2021 at a very high level because we did prefund a debt maturity that we have in April. So that's part of the reason why it's so elevated. But yes, our plan would be to bring that down to about 1.5x as we get towards the end of 2022.

Tracy Dolin-Benguigui
Barclays Bank PLC, Research Division

If I could just sneak 1 more in. It sounds like your 2022 forecasted of code dividends is from ordinary dividend capacity. I just wanted to be sure that it's that and not any kind of special dividend?

Stephanie Bush
Head of Small Commercial & Personal Lines

Sure. Yes. We typically, when we talk about dividends to the holding company, we're talking about ordinary dividends. We don't anticipate any special dividends or extraordinary dividends as we think about the planned period. We're very focused and deliberate in thinking about what the cash flow that the holding company should be and so being able to support the holding company's obligations. And again, we look to do that with ordinary dividends.

Susan Spivak Bernstein
Senior Investor Relations Officer

That concludes our Q&A session for today. I will now turn it over to Chris for some closing remarks. Chris?

Christopher Jerome Swift
Chairman & CEO
Thank you, Susan, for hosting the Q&A too. And thank you to the audience and all -- everyone that participated. I really appreciate your engagement with us today. I'd just like to ultimately conclude by emphasizing how optimistic and confident we are about the prospects in front of The Hartford. As you heard today, The Hartford has been reinvigorated with significant investments over the many, many years, which is resulting in meaningful competitive advantage that we're enjoying today. We plan to continue building and growing our business for the benefit of all the stakeholders. So really, on behalf of The Hartford's leadership team that are with me in the room and those that are around our organization, again, thank you for your interest and support in what we're doing and what we're trying to achieve. We wish everyone a safe and healthy and happy holiday season. Take care.