S&P Global
Market Intelligence

The Hartford Financial Services Group, Inc.

NYSE:HIG

Company Conference Presentation

Wednesday, September 07, 2022 2:00 PM GMT

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Call Participants

EXECUTIVES

Beth A. Costello
Executive VP & CFO

Christopher Jerome Swift
Chairman & CEO

ANALYSTS

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

ATTENDEES

Unknown Attendee

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Presentation

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

[Audio Gap]

possible. And I'd like to welcome Chris Swift, CEO of Hartford; and Beth Costello, CFO. Thank you very much for taking the time. And let me just ask if you've got any opening comments that you want to share before we run into Q&A.

Christopher Jerome Swift
Chairman & CEO
Well, it's great to be with everyone in person. So hopefully, this continues a trend of getting back together out and about. All I wanted to share with you is that through the first 6 months, I think that The Hartford is performing at a high level, executing very well. If you look at some of our metrics with a 14% trailing -- our 12-month trailing ROE, if you look at our margin expansion in Commercial Lines, if you look at what we're rolling out in Personal Lines with the new platform and product offering. Investment portfolio is performing well. And we announced a new capital management plan through 2024, which I think should give investors a great insight into how we're thinking about what we're doing with our excess capital. So pleased to be here and share more of our story.

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Question and Answer

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

All right. Let's jump into that. And again, I'll start off with questions and then see if there are any in the room. One perspective that I've heard about Hartford, and this is my opinion, [indiscernible] it's ridiculously undervalued relative to your returns, is that it's a little bit more complicated than your typical story because of the various units, both within and beyond P&C. So I want to spend some time really digging into those individual components.

One is Middle Market, right? Over time, maybe if you go back 3, 4, 5 years, Middle Market wasn't putting up the same level of combined ratio that small business has. More recently, we've seen improvement across the board, but we've seen convergence or in simpler terms, Middle Market has gotten a lot better. Can you talk about what's actually informing that and how persistent those changes are? We're still in a hard market, I think. We won't be forever.

Christopher Jerome Swift
Chairman & CEO

Well, first, thanks for noticing. I think Mo Tooker and Doug Elliot have worked really, really hard to improve that segment of the marketplace. Just maybe a little nuance. When we talk about Middle Market, we also combine large commercial, which is an excess play in there. So by definitions, those combined ratios run a little higher than a pure Middle Market segment of the market.

But even so, through the first 6 months, I think we were 92.5%, 92.7% of an underlying combined ratio, which is pretty strong for that line of business. And I think there's probably 3 or 4 themes that I would share with you that we really focused on over a longer period of time. Some of it was just reunderwriting a book of business in certain segments, certain territories. We shed some comp in certain territories like Florida. There is also a great deal of emphasis placed on our tool kit, whether it be on underwriting cockpit, whether it be advanced data science to help our underwriters make more informed and better decisions, whether it be a focus on timeliness and ingesting data, less chasing data, ingesting data into our tool kit again to help cycle times.

And then I would also say the acquisition we did in Global Specialty added some products and skill sets that we didn't have. We always talked about why we did that acquisition. I would still do it again today, knowing the benefits that we're getting out of it. But I think it is helping convince our distribution partners, just the broad range of capabilities we have that we didn't have 5 years ago. And that was ultimately also centered around our industry vertical specialization. We were known as a generalist in the day. I think we're beginning to be known as more of a specialist that really does have deep industry knowledge and experience in a full range of particularly general liability and property skills that we could bring. And in fact, I hear repeatedly when I talk to our agents about how we've been able to bring total solutions to the table when others haven't been able to do that.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Phenomenal. And the things that you're describing are -- none of them are dependent on the pricing cycle itself. Obviously, it's [there.]

Christopher Jerome Swift
Chairman & CEO

Yes. They're independently sustainable. Obviously, we did get a tailwind benefit. So we'll take credit for it. But again, I think the insights, particularly the data science and the analytics that we have to support our underwriters today is night and day different than it was 5 years ago.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Phenomenal. I want to spend a little time on Small Commercial. Just to explain the marketplace. And the context for this question is, again, we've got the public markets that are out there. And there are a few companies that focus on smaller commercial accounts. But there are dozens, maybe more regional players, in many cases, of limited reach, limited

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resources, limited data. And I was hoping you could talk about how that marketplace, the small account marketplace, from the insurer perspective, how that's been evolving over the last 5 or 10 years.

Christopher Jerome Swift
Chairman & CEO

Well, you're picking on another -- not picking, you're highlighting another great strength that we have in our small business orientation, principally because we've been focused on it for over 30 years. We made investments in it. We've thought about digital experience. We thought about products. So that has come to fruition, I think, very well over an extended period of time. But that said, there is good competition. But I think we really differentiate ourselves in a couple of areas with speed, sort of cycle times, accuracy. So that when we give a quote on a glass to a CSR, they know it's bindable and they could go to bind real quickly.

Part of our investments that we made, again, is in that data science area where we're able to prefill a lot of data. We use imagery in property. We have small business scores that score businesses by industry. So when you have the data sets that we have, we are able to do things more quickly and more swiftly, I should say, and respond to our agent and customer needs. So feel good about where we're at.

I think the thing that -- and I'd like to leave with you is we're always going to continue to invest in small business. We tend to focus in on the small end of the market, but we're also working on those cases that are a little larger, maybe the $25,000 to $75,000 premium where, again, we could bring our advanced technologies and data sets to that market. Right now, that continues to be underwriter interfaced more than it is automation. And the goal would be to try to get to the same level of automation on the small end of the market. Because on that small end, 75% of our business could be rated online without human intervention and bound in a matter of hours. So that is a big differentiator in the marketplace. And why we've been able to grow this block of business -- if I look back when I joined The Hartford, we had maybe about $3 billion of premium. Last year, we ended at $4 billion in premium. And if you look at sort of run rate, we're going to get to $5 billion sooner than you think.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

How much sooner?

Christopher Jerome Swift
Chairman & CEO

Time will tell. I mean not predicting when, but you could see the run rate. And it's principally based on we're doing about $200 million of new business every quarter. You got a 90% retention rate. You got some 90 combined ratios. I mean it's full steam ahead as far as to capture additional market share, and I believe we are.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Conceptually, is that -- I'm trying to think how much of that is a function of the fact that your resources -- and again, I'm lumping together a lot of small mutual regional companies. And I'm imagining that your capabilities are just -- the gap is just -- is surging. How much of a driver is that?

Christopher Jerome Swift
Chairman & CEO

Huge. It's huge. Again, there's a lot of good relationships out there. But from a pure competency side, technical architecture, data science, digital experience, we're pretty good.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Perfect. And again, if there are questions, please let me know, more than happy to make sure that you're getting the questions answered that you want to ask. A few years ago, one of the strategies, one of the components of Hartford was to diversify its line of business. It's a perception that there's maybe more comp than was ideal. And we've seen -- it's tough to look at, let's say, the last 12 or 18 months simply because of so much fluctuation in exposure unit bases. But I was hoping you could update us on where you see Hartford in terms of that diversification. What comes next?

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Christopher Jerome Swift
Chairman & CEO

Well, I would say The Hartford has been a comp leader for many decades. It is one of our strong suits. Again, data sets, capabilities, insights, actuarial techniques, I just -- it is a real strong suit. We're second largest player behind Travelers. So the goal in diversifying was never to shrink per se because it's a highly profitable line of business. But then I always talk about that even if you look at comp pricing trends over the last couple of years, I mean, it's still a high, high, high ROE business for us with strong margins. And again, that's given our investments in that product line, both in small and middle. And we do some excess comp even in national accounts.

You combine that then with a strong claims capability and getting people back to work. We still like that product line. But the real goal was to grow the other lines of business, product lines faster, and that was part of our industry specialization, particularly in middle. It's been our push in property to have more robust property capabilities. It's been our push particularly with next-gen Spectrum in small to add that more robust property and liability capabilities in small. It's been our cross-sell with what we're trying to do with Global Specialty. It's one of the reasons why we did the Global Specialty acquisition that we did 3, 4 years ago, was, again, to diversify and have some product lines that we didn't have.

So again, 5 years ago, we were probably 46%, 45% workers' comp net written. Today, we're low 30s, and the real goal is to still drive that percentage down by growing the other lines faster.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Phenomenal. And again, if there are questions, please don't hesitate to signal. If we can move to Personal Lines briefly. I imagine the near-term priority is to catch up with severity, which has been an issue. Can you update us, first of all, where you see yourself in terms of that particular effort? And then more broadly, once that happens, and I think it will happen, it's just a matter of time. What's next for Personal Lines at Hartford?

Christopher Jerome Swift
Chairman & CEO

Yes. So let me just make sure everyone is on the same page. When we talk about Personal Lines at The Hartford, we think about auto and home in a direct response model to AARP affinity members, where we solicit in various forms. And that solicitation generally has a lower price point than the mass marketing that is done by some of our good competitors.

So we are focused on the 50-plus marketplace, a preferred segment that generally wants a high value content product, not just minimums to supply sort of a check the box on your insurance forms when you renew your car license. But I mean, someone that really wants thoughtful protection, both from bodily injury, property, and then we could bundle a home.

What we have been doing, as you know, over the last 18 months is revamping the entire portfolio and platform, both from a technology side and then a product set side. That was accomplished principally by renegotiating a long-term 10-year extension to our AARP endorsement. Some of the bigger features of that new contract were the requirement not to offer guaranteed renewable policies and basically going to 6-month auto policies. Home was still in the 12-month category. We chose a new vendor, Duck Creek up in Boston for those that know that, to really be the platform, the cloud-based platform to host this, and we really wanted more digital capabilities.

I can remember on one earnings call, we'll protect the guilty here. One of the analysts sort of laughed and said, "You're trying to create a digital capability for your mature market?" Yes because the 50-plus market is increasingly savvy with digital capabilities and digital tools and digital native skills, and we needed a response. And we have it today. We're in 16 states with our new platform. I suspect we'll roll out the new platform in all 50 states in the first quarter in '24. There are certain states these days that -- those states will go nameless, that are creating little problems for the industry.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I've heard.

Christopher Jerome Swift
Chairman & CEO

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I suspected you might have. So it's full steam ahead to complete the rollout of that product and then ultimately, to grow our PIF count. As you know, we've been shrinking our PIF count over the last 2, 3 years. And actually, I have minded that given where we are today as opposed to trying to aggressively grow our PIF count because we were more disciplined in our new growth orientation because we were rolling out Prevail and make sure we wanted to get that right in all the states.

So your ultimate question on where is Personal Lines these days and how is it going to play out, I mean, it is aggressively trying to get rate back into the book. I think the only benefit that I would share I think we have is we did not grow as fast as others did during the last 3 years. We didn't discount this heavily. So our gap to where we want to be from an overall return side is less. Doesn't mean we don't have work to do. It doesn't mean we're not pushing aggressively for rate in our book of business, but the gap is different than maybe some of our competitors that we need to fill.

So I think you'll see in the third quarter and into the fourth quarter us increasing our auto rates. We've been increasing our ITV rates, which is sort of the automatic inflation device and policies for home. And we're working as hard as we can to get back to rate adequacy in our entire portfolio.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Phenomenal. Is there -- let me ask this differently. How do you think about scale? Obviously, dominant in the AARP channel, but I imagine that others insurers would want to compete for that business in one form or other as well. How big does Hartford need to be to maintain to grow its position in the 50-plus?

Christopher Jerome Swift
Chairman & CEO

Yes. So I would say, right now, on a direct response model basis, we're the fifth largest carrier. There's a couple of big names ahead of us that will be really hard to sort of catch. But I think we have a level of scale today that allows us to compete effectively. But the simple fact is yes, the more scale you have, the more economic benefits you have, the lower expense ratio.

So yes, we would like to be a little bigger. We want to grow thoughtfully and profitably. Again, with our new product offering, Prevail, I think we have opportunities to be a little more offensive minded in opening up our aperture appetite knowing that we don't have a lifetime commitment to live into. So that means we could green the book through pricing, through lapses more aggressively than we could maybe in the old days. So -- but if I had to pick a number on it, and I know you're a numbers person, Meyer, if we had $1 billion more premium, that would get into a sweet spot of a direct response platform having scale.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Phenomenal. One issue that I've been debating -- and this is auto related, but it's a little bit of an awkward segue, is medical inflation. When we look at it, the metrics we use are the Consumer Price Index, medical inflation seems to trail overall inflation, which implies that medical inflation is going to get worse, maybe painfully worse over the next 12 months. How would you think about that? Obviously, there's a lot of medical exposure in personal, commercial auto, workers' compensation. Am I overthinking that? How do you price some reserve for that contingency?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say the primary lines, and you said it, I'll just say it again, that we have medical inflation exposure is clearly workers' comp and getting people back to work if they were actually injured and need medical treatment. I would say, obviously, in our bodily injury line of business, both commercial auto and maybe even the GL side.

What we don't have medical inflation exposure to is in our Group Benefits. Remember, that's a wage replacement indemnity program. So we replace wages. Someone else sort of fixes the body and gets people back together. So what I would say is that if you look at the way the comp system, particularly, we'll focus on comp, is organized, it's a state-based system. It's highly regulated. And most national carriers have fee schedules with health care providers that sort of lock in a cost that is generally below retail, consumer-driven medical trends that you see.

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So if said another way, if you observe an index of broad-based medical that's operating, say, at the 5% level, we could be 2 to 3 points lower than that with our fee schedules for medical providers and even pharmacy. So it's always a watch area. We watch it closely. I think we've talked about it in history that we generally think in terms of long-term medical inflations in the 5%. They've been probably more benign over the last couple of years. But nonetheless, we're pricing for and more importantly, reserving for on a balance sheet side, that 5% trend. And if that 5% trend doesn't emerge as reserves run off, voilà, you got reserve releases.

So I think we've been prudent. I think we've been thoughtful. I think we've been ahead. But if medical inflation really does spike, we will have to adjust pricing. We'll have to think about new business rate of growth in certain lines and ultimately charge more for the customer because of that medical inflation. But I don't see that on the horizon. I really don't. I really don't.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Phenomenal. And again, if there are questions, please let me know. Yes, please.

Unknown Attendee

[indiscernible]

Christopher Jerome Swift
Chairman & CEO

Yes. I mean the cyber insurance market is definitely hot, changing and risky. Our current writings in cyber, just giving round numbers, about $150 million, $175 million of premium. We tend to focus in our Small Commercial clients the most that really need cyber protection from data breach announcement to recovery. And we do have some ransom exposure out there. But we're probably more cautious on that. I mean we're not targeting the Fortune 100 or Fortune 500 to write stand-alone cyber. I know some do.

We've purchased reinsurance over the last 2 years to take some tail risk off, particularly on aggregation of events that the bad actors could really penetrate. So we're cautious. We provide a product, again, to a certain segment of the marketplace, but you should not think of us as trying to grow that 50%, 60%, 70% a year. It's not. We view it as we want to account round with a cyber policy, but we're not going to lead with a cyber coverage to get other things.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

And that's included within the Small Commercial when you report it. That's not specialty?

Christopher Jerome Swift
Chairman & CEO

Yes, yes.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. I'm going to jump around a little bit...

Christopher Jerome Swift
Chairman & CEO

No, I take that back. It's a specialty product. It's mapped to specialty, sold through the, I'll call it, the Small Commercial segment.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Understood. Okay. Perfect. I'm going to jump around a little bit because I know this is a priority for a lot of clients, and it's a greedy question, but that's what we're here for, I suppose.

Christopher Jerome Swift

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Chairman & CEO

It's greedy or...

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

It's greedy.

Christopher Jerome Swift
Chairman & CEO

Gritty.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

No, greedy.

Christopher Jerome Swift
Chairman & CEO

Let's get gritty. I mean let's get gritty.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Right. I mean I'm not from Philadelphia but okay. You've announced, I would say, an impressive and aggressive share repurchase plan. And the question we keep getting is, how do you beat that? What comes like -- what would it take to outperform even this higher level of expectation? I was hoping the 2 of you could talk through that.

Christopher Jerome Swift
Chairman & CEO

You want to start? Or do you want me to?

Beth A. Costello
Executive VP & CFO

You can start.

Christopher Jerome Swift
Chairman & CEO

I would say it's okay to be greedy in this area. But our long-standing preference is just to be a consistent market, consistent bidder for our stock. Over the last couple of years, we've had a philosophy of giving more of an extended view over a 2-year, 3-year period of time, what we want to do with our excess capital. So I think that gives people, again, paints a good picture of what we're intending to do with our excess capital, particularly given the valuation comment that you mentioned early on. Obviously, we're aggressively buying shares back on a quarterly basis, but we do want to have a level of proration to it to be steady.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And Beth?

Beth A. Costello
Executive VP & CFO

I think Chris said it very well. And again, I think when you look at the plans that we've announced, I think speaks very highly to our view of the cash generation that we have from our businesses and the excess capital that we're generating, which is why we were pleased to announce with our earnings release in the second quarter an extension of our plan through 2024.

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Christopher Jerome Swift
Chairman & CEO

I think through 2024, Beth could hold me precise on the numbers, through 2024, the 5 years, we'll have purchased in about 70 million shares during that time period. So I think that's pretty powerful, particularly at these prices, but it's also pretty powerful as far as compounding our EPS growth rate and ultimately helping to improve our price to earnings ratio. That gives people a more -- gives people hopefully a view that we can be a more consistent earner and expander of our earnings profile going forward. So I think it's pretty solid.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Phenomenal. And again, looking around just to make sure that I'm not overlooking anything. The lights facing us are a little bit bright. So if I'm missing you, I apologize. I want to move along and spend a little bit of time on Group Benefits. And the synergies between it and P&C, you've discussed that many times, but I wanted to dig in a little bit more on the mechanics of the business. As we understand it, a lot of it is priced every 3 years.

And I was hoping you could talk about, first of all, what drives pricing. We know it's claim cost inflation on the P&C side. What's the analog in Group Benefits? And is it the opportunity to adjust rates more frequently so that you don't fall behind in case there's an inflationary problem?

Christopher Jerome Swift
Chairman & CEO

So yes, let me just address your comment. We addressed it at Investor Day, but I think it's worth emphasizing. I really do view that our platform that we have today of P&C Commercial, P&C Personal Lines, Group Benefits and our investment in a mutual fund operation is somewhat separate and distinct. But the core businesses, the operating businesses are increasingly complementary, whether it be from an underwriting focus, right? I mean underwriting personal lines, underwriting commercial, underwriting morbidity, mortality. It is a risk-based, margin-based business that we have deep expertise on.

We have differentiated capabilities. We're market leaders in most of those segments that we participate in. In fact, we're the #1 disability rider, the #5 group life rider. We share a common claims platform. And increasingly, a lot of our technology, data science and operations are integrated, which ultimately from an investor point, means we're able to lower our expense ratios by leveraging all those capabilities within the platform that we have today, and I think it's producing superior returns. And I think we're a consistent -- more consistent underwriter, a more consistent performer than we ever have been in my 12, 13 years with The Hartford. So I feel really good about where we're at today.

Your specific question on Group Benefits, I would say the simple model is incidences. And you can think of an incidence as a disability or a death. That's pretty easy. You die, the beneficiaries get paid. And it's usually a stated base amount. And a lot of times through work, it is viewed as sort of supplementary. It's maybe any other personal coverages that you have.

And then some companies do offer retiree death benefits, usually at 25% to 30% reduction from an average face amount if you're working. So lower exposures for the retiree amount. On disability, it's a disabling incident. We know how to adjudicate that. We know what to look for, similar, again, to our comp capabilities of ultimately identifying if it's a disabling condition defined by the policy. And some policies are standard, and then some policies are tailored for national account clients that might define a disabling event differently.

And then from there, the disabling event is -- we got the experience to say, how long will someone be out and we know what their wage is and if it's a 66% or 70% range replacement, number of days times average wage. That then goes up as a reserve once an event happen. Until then, we're carrying sort of a booked loss ratio based on history. Just think of it as a pick on the P&C side.

So the nature of the businesses are very similar, except for P&C, you get to renew and price every year. Benefits is generally 3-year rate guarantees both on life and disability. But we really think about that, and I think it's been proved out over the last 7 years, is we've been fairly conservative in our incident picks and our severity, average salary picks so much so that they've produced redundant reserve releases over that period of time.

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So the technique that we use is generally a 5-year look-back period that inform sort of a base where you start from and then you project the future incidence trends based on that industry, based on that specific client. And generally, a client that has more than 2,000 lives, 2,500 lives, we would say statistically relevant to price that case on its own. Meaning you get history, you got 5 years of data, loss trends and incident rates, recoveries, and you're able to statistically price for that risk.

Anything smaller, then we go into our manual rates, which is just an aggregation of experience in our book in similar industries. So it's actually remarkably simple. Maybe my tongue doesn't explain it well, but we got deep history and as I said, particularly on the disability side, we're the #1 disability player. We bounce #1, #2 with Unum, which is also pretty good in this space. But our national account orientation does allow us to specifically price for risk and exposure in that account.

That's particularly important because we still believe we're going to be living in an endemic world with COVID, affecting both mortality and morbidity somewhat. And that's why we've talked about trying to get a couple more points of rate into the book for that endemic state, and that's how we do it mechanically.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

How should we think about rising wages as a risk?

Christopher Jerome Swift
Chairman & CEO

Actually, rising wage is a benefit. It really is. Similar to...

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Premium side.

Christopher Jerome Swift
Chairman & CEO

Yes, premium side. And generally, there is no COLA or cost of inflation built into someone's benefit. So you go out on a disable, you know what your salary is at that point in time. That's sort of locked in. And as wages rise, we charge more. And generally, we don't -- you only have a certain percentage of your population that goes out on disability so that's where a little bit of a pickup of margin occurs. Now you got to pay higher claims, but that's matched up. But it's the incidence exposure that -- the lack of incidents that then flows through.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Perfect. Mike?

Unknown Attendee

Good morning, Doug. Thanks for your time.

Christopher Jerome Swift
Chairman & CEO

No, this is Chris.

Unknown Attendee

Chris, excuse me, Chris. Good morning, Chris. I had a question. Doug is on my mind, Chris. Yes, sorry.

Christopher Jerome Swift
Chairman & CEO

Remember, we played golf in Wisconsin. I thought we won [money] together.

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Unknown Attendee

I'm getting old, Alzheimer's, short-term memory loss issues coming in the summer. Anyways, Doug, was on my mind. I want to give you the opportunity -- Doug announced his retirement today, and I wanted to give you the opportunity to comment on what, if any, change in your P&C strategy does this reflect, one; two, change in your capital management strategy does this reflect; and three, outlook on commercial loss reserves, which I know you have expressed quite a bit of confidence in the recent past.

Christopher Jerome Swift
Chairman & CEO

Yes. So it's good to see you again. I would say in a nutshell, there is no change. Obviously, this was a personal decision. I've worked with Doug for the last 11 years, Beth and I have, and it's been some of the best 11 years. I think we've been a great team. I think we've fundamentally transformed The Hartford, and we're grateful for his leadership, his passion, his experience in driving the results that he's driven. I always like to say that someone like that leaves many gifts behind, and we're going to benefit for many years to come from the many gifts that he leaves with us.

The biggest gift is a ready-made team to continue the strategy, continue executing and performing like we have. I think some of you have gotten exposure to our Next leaders over the last 12 to 15 months. You'll continue to get exposure to them, but they are fully capable executives in their own right, capable of continuing performing at the high level that we have. So there's no balance sheet issues. There's no issues with a natural retirement for Doug at this point in time, Michael.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I'm going to look around just to make sure that I'm not overlooking anyone. Can we get an update on Hartford Next? And at the risk of being too cute, what's next after that?

Christopher Jerome Swift
Chairman & CEO

Cute, gritty, greedy, I mean, you got all these adjectives these days. That's pretty good.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I never said [tall.]

Beth A. Costello
Executive VP & CFO

Maybe I'll start and you can add in. So we're very pleased with how we've executed on Hartford Next. We announced it back in 2020. And we've exceeded our initial estimates that we put out for expense reduction and continuing to execute on that. As far as what's next, I mean, we really through this process have established just a view of just continuous improvement, continuously looking for ways to become more efficient. And so that isn't going to change. It's not part of a new program. But our focus on just making sure that we are harvesting all the benefits that we should get out of all of the various initiatives that we have and, I think, continuing to execute very well.

But just again, pleased with -- across the board on how Hartford Next has gone. And as I've said in other forums, I mean, it really was a company-wide initiative, hit every aspect of the company and the leadership team all working together on making sure that we delivered on our goals.

Christopher Jerome Swift
Chairman & CEO

I would just add one element of -- particularly the last couple of years, I mean, the amount of savings that we've disclosed and generated has allowed us to think differently about reinvesting in the business, particularly in Group Benefits, with some new platforms and technology and data. And also Global Specialty, I think, is another beneficiary. So we've probably reinvested more than we anticipated when we started the program, but the program has allowed us to maintain

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and drive our expense ratios down while, I think, making good investments for the future in a couple of our major platforms.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Can we talk a little bit more about the technological investment priorities? In other words -- so you've talked about like Group Benefits, but specifically, what is it that we can now do that wasn't available 2 years ago?

Christopher Jerome Swift
Chairman & CEO

Yes. So I would share with everyone here that one of the reasons why we did the Aetna acquisition was to improve our, obviously, scale. But Aetna had, we thought, a world-class claims system, and it turned out to be the case. It's world-class. We've expanded it. We've added some digital capabilities that we felt we needed, that we had in our environment. So we feel really good on the claims side.

I would say over the last 15 months, we've installed a new underwriting platform for our Group Benefit underwriters. Again, more digital, more end to end, less rekeying of data and then able to feed our claims systems automatically, which is important because you want to know who's covered before you start paying claims.

The last phase in Group Benefits, I would call it, just the administrative platform to maintain 15 to 20 million policies, right, on individual people. So we have maybe 30-year-old technology there, a lot of connected tissue that needs to be reengineered. So we picked, again, a vendor platform. This is very similar to what we did on -- with the Guidewire side on the P&C side. I mean we had 30-, 40-year-old systems, and we went to a third-party vendor called Guidewire. Likewise, we're doing that here, going to a third-party vendor. And we will roll out that new platform to all our products, all segments over a 4-year period of time.

So it will be a multiyear project. We do that somewhat for dollar side and -- but also pacing and teamwork. So I think that will -- [immensely] our 2 big businesses, commercial and benefits. We'll have modern platforms for the next 20, 25 years. Then we'll have some, I'll call it, final my words, Beth, integration activities with Global Specialty and simplifying their platform. That's one business unit that's already in the cloud. So all their apps are in the cloud, and we'll continue to simplify that, particularly on the claims side.

And then the other corporate-wide initiative is we will move all our apps and data to the cloud over a 5-year period of time. So again, another multiyear period. We will get out of the business of on-prem with our apps and applications. IBM Kyndryl manages our prem services today. So we get to eliminate that and then utilize all the skills that AWS has in managing an infrastructure for a Fortune 200 company. That's what we're up to.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Yes. That's very helpful. And thank you very much to Chris and to Beth for a very helpful session. Hope meetings today go well.

Christopher Jerome Swift
Chairman & CEO

It's good to be with you.

Beth A. Costello
Executive VP & CFO

Yes. Thanks.

Christopher Jerome Swift
Chairman & CEO
Thank you so much.

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