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Call Participants

EXECUTIVES

Beth A. Costello
Executive VP & CFO

ANALYSTS

Joshua David Shanker
BofA Securities, Research Division

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Presentation

Joshua David Shanker
BofA Securities, Research Division

Thank you all for joining us for the Bank of America Financial Services Conference. This is the first session of the day after the preliminaries by Mr. Monahan. And really, we couldn't be happier to have Hartford Financial being the first insurance company present here.

Unfortunately, we had both the CFO, Beth Costello; and the CEO, Chris Swift, he's under the weather today, and we wish him -- he's not really -- he's going to be fine. But in the end, he's not here. So we'll deal with it. I just want to make a few preliminaries. I had like a little biographical information. We'll not read Chris' biographical information. But Beth Costello was named CFO of Hartford in 2014. I mean in terms of my sort of view, I mean, I look at Beth as the architect of the Talcott Resolution that restructure made it possible for the company to exit the annuity space and really was the pivot into where Hartford is today.

She joined The Hartford in 2004 from Deloitte & Touche. She's the executive sponsor part for his flexibility's network, dedicated to advancing the philosophy that every person is capable of a full and productive work life. Since on the Board of the villages for families and children at Hartford Connecticut dedicated to building strong families in the Greater Hartford area, including foster care and addiction services and whatnot. And we're really pleased to have Beth here.

I want to make a point that the team of Swift and Costello assumed their current roles on July 1, 2014. And nearly 9 years that have passed, Hartford shares have outperformed the S&P 500, the Chalet and pretty much most of the closest peers, certainly have the closest peers definitely. Obviously, there's an in credit companies, but it's been a fantastic story, and the leadership is important to make that happen. And all the team at Hartford should be proud of the success.

And so thank you for coming, Beth. You might have some preliminary remarks, and then we'll get some Q&A.

Beth A. Costello
Executive VP & CFO

Well, thank you for all of that. And I'm sure Chris is going to be really disappointed that he wasn't here to hear all of that. But I'm really excited to be here we were just talking about a love that were here in person in the last 2 years with in virtual. So it's great.

And I just wanted to start with saying that from The Hartford's perspective, we really feel that we had an outstanding 2022 when you look at our core earnings growth, 14%, core earnings per share growth of 23%. So again, really showing the leverage that we're getting from the shares that we've been repurchasing.

Our Commercial Lines businesses performed very strongly with top line growth of 11% and an underlying combined ratio of 88.3%, which is just outstanding. Group Benefits also saw top line growth in their fully insured premiums, growing 6%. And we saw core earnings margin of 6.5% for the year. So just feel really good about how our businesses are performing. Our investment portfolio, obviously, contributing to that as well.
Personal Lines, as we all know, is an area that is a focus. And we're restoring profitability, and we're on the track to do that. And we've been impacted by many of the same things that others in the industry have been. So I just feel really good how we ended '22 and our momentum going into '23. And as I said, really, I'm happy to be here. And as you said, Chris is very disappointed that he couldn't join us today.

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Question and Answer

Joshua David Shanker
BofA Securities, Research Division

We're happy to have you, in certain the pie Chris's listening. So thanks, Chris. So Small Commercial, as a concept, it means different things to different companies. What is the ticket price of a Small Commercial policy? How big is the market share at The Hartford? What's the opportunity for having greater share of your choice markets where you want to go in?

Beth A. Costello
Executive VP & CFO

So what your first question. But Small Commercial is an area that I think that undeniably, we excel in. And if you look at the growth that, that business has been posting, and more importantly, just consistent and sustained profitability. It really has just been a growth engine for us. When we look at our new business last year, a little bit over $700 million, just a phenomenal result.

And we, at The Hartford, we define small business as those businesses that have payroll less than $20 million, total revenue, less than $50 million. And for like insured property, think of any one location as also being less than $20 million. And we size that market at being about $110 billion.

And so when you look at what we posted in 2022, a little over $4.6 billion, we're obviously a significant player there. And I think our new business shows that we're continuing to take share. This is a team -- and I think many of you have had an opportunity to meet Stephanie Bush, who runs that organization. It's a team that does not sit still. So they have had great success over the years, but they're always looking for the next thing. And that momentum, we continue to see.

So we see continued opportunity there. I know, for those that listen to our year-end earnings call, Chris talked about some of the things that we're doing in the E&S market in that space, which we also see as an area of growth. So I would just say investors should expect that Small Commercial is going to be -- continue to be an area that we excel in.

Joshua David Shanker
BofA Securities, Research Division

And what was the future of Small Commercial? I mean Travelers bought Simply Business. Berkshire has developed their Berkshire III program. Next Insurance is a darling of the fintech world. I mean, I call it small biz book, so I go try and buy a direct policy from Hartford, it sends me the small biz quote. Is that an experiment at this point in time? Is that the future? How should we think about the role of the direct-to-consumer small business calls?

Beth A. Costello
Executive VP & CFO

That's a great question and one that we talk a lot about. We've been investing in our direct platform for many years. So I'd call it more than an experiment at this point. I would say the volume still predominantly comes in through agents. So we also have been investing in our agency platform as well.

We talk a lot about the fact that for new business, oftentimes, new business can go straight through on the glass over 70% of the time. So we've made it really easy for agents to do business with us, and we continue to enhance those capabilities.

People talk about questions and how many questions to ask. We look at the same things. It's all about when you think about an agent trying to place a piece of business, to the question you asked which I didn't answer, the average size premium is small, right? And so the more volume they can do, the quicker they can do it.

And the fact that they can go back to their customer and say, here's a quote from The Hartford and The Hartford is going to stand by it, not go back and re-underwrite it or anything like that, that's really impacting. And so we've invested a lot in that.

But we also see the opportunity in the future for more direct-to-consumer, and so we've also invested in that platform as well. And there are things that we do to look at ways to drive business to the sites, paid search and things like that. But where we sit right now, I would say the majority of customers still come to us through an agent. When that will change is to be debated. But when it does change, we're ready for that, and I think we will equally be as successful.

Joshua David Shanker

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BofA Securities, Research Division

Well, let's pivot into some basic questions, market conditions right now. On the one hand, we've just been through a couple of years of elevated pricing. Reinsurance prices are suddenly up again, which probably will cause pricing to go up again. Where is the equilibrium in the market on the pricing in your core lines of business? And are we in a new phase of the market? Are we still a continuation to what we've experienced in the last couple of years?

Beth A. Costello
Executive VP & CFO

Yes. So as we look at the momentum going into '23, we'd say for the most part, conditions kind of the same. So lines like property and auto, GL, we're continuing to see very healthy price increases, keeping up with and to some extent exceeding loss trend, which is important.

You've heard us say that our view going into '23 is that we're really looking to maintain the slightly improving margins. And when we look at the momentum in those areas, we see that continuing. Some of the areas that we've talked about that maybe feel a little bit more pressure as there's been a lot of discussion about D&O and public company D&O.

I'd say for us, if you look at our financial lines in general, gross premium is about $1 billion, and the public D&O portion of that is about $200 million. So it's not a big area for us, but that is an area where we have seen pricing momentum change, and we are seeing significant rate decreases in that line.

And then the other line that we talk about is workers' comp. Obviously, a big line for us, a very profitable line for us, a line that we feel that we're very uniquely positioned to continue to perform very well. Obviously, rates have -- from a pricing perspective, felt pressure there, although we have seen a lift from average wage growth, which is obviously added to the overall premium that we've seen there. So that is an area that when we talked about our view for 2023 and we provided outlook as to what we expected from an underlying combined ratio perspective in Commercial Lines, we said in 87 to 89.

But within that, we said that we're probably feeling like about 0.5 point of pressure from workers' comp. And even with that 0.5 point, again, very profitable, continues to be a growth area for us, not a significant change that we're seeing at this point.

Joshua David Shanker
BofA Securities, Research Division

So making predictions is really hard to do. And so when you think about workers' comp, I think that there's a general sense that despite it being very profitable, that one's very profitable and underpriced simultaneously. There's been no rate increases in a long time, decreases mostly. And obviously, macro conditions have helped the profitability of workers' comp.

If we look 5 years into the future and think about the regulators and then -- and their role in establishing the price, when the macro conditions ameliorate that might make it less profitable, what recourses Hartford have to maintain the profitability of that line over the years to come?

Beth A. Costello
Executive VP & CFO

Yes. So I'm not going to make a prediction per se on what will happen in 5 years. I will say, though, that we have navigated through market conditions and workers' comp for years. And if you look at our performance over a period of time, we've outperformed from a loss ratio perspective by about 5 points.

So I do think -- and we've talked about this, that as we look at some of the COVID year starting to fall off where some of the experience was maybe very favorable from a frequency perspective, that will start to work into rate filings. And we do expect at some point to see a pivot there.

Obviously, interest rates can be a component of that as well. But I'll point out that as interest rates went down, it wasn't as if pricing was going up significantly to compensate for that. So there's a lot of components that go into managing a workers' comp book.

We also are very selective in what business we're putting on, what classes of business, where we see growth. In our Middle Market business, we've actually seen our workers' comp margins improve over this period because we've been doing a lot to re-underwrite the book. And that business where you really are underwriting account by account and looking at loss experience and taking that into consideration, we'll be able to manage through that.

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So it's a long way of saying, Josh, I can't predict exactly when things might turn. But from where we sit, it continues to be a line that we know how to manage, that we can maintain profitability, and the returns are very strong. If that starts to pivot at some point, that will go into our view as to what new business we want to put on, how we think about renewals and all that because we are a company that is focused on underlying margins at the end of the day.

Joshua David Shanker
BofA Securities, Research Division

And if we think about the trends underlying the success in workers' comp, part of this fantastic job market we're in right now. To the extent that unemployment retreats back from all-time lows, is that an issue? I mean, clearly, there's a premium issue. But do we notice over time that increasing unemployment leads to higher claims? And as an aside, is there any correlation with the claims experience on the disability book during those periods of retrenchment of the economy?

Beth A. Costello
Executive VP & CFO

Yes. So I'll cover each separately because it's a little bit different, the experience that we see when we look back. When we start with workers' comp, unemployment going up in and of itself, we don't see as a significant trigger to additional loss activity. Again, at the end of the day, someone being injured on the job still has to prove that they were injured. And so yes, you can have maybe some things on the margin, but it's not as if you'd expect to see a huge influx of claims just because unemployment was going up.

But we actually monitor more closely is the opposite, which is when unemployment starts to go down having been up and employers are hiring new employees because our data would suggest that a high percentage of workers' comp claims come from workers who are injured their first year on the job.

So what we watch for very closely is how those cycles are going, what industries that we might want to be more careful about. So think construction, an industry where people don't know exactly what they're doing, it could result in injury. So we see, again, more of the area for us to watch is when we start to see kind of coming out of a slowdown in activity.

On the disability side, a little different. I would say that in recessionary environments, you can see some uptick. And again, someone has to prove that they're disabled. It's not as if just because unemployment is different has changed that it makes it easier for someone to be approved for disability.

But one of the things that we do see that happens sometimes in a more constrained job environment is what we refer to as recoveries, kind of getting people back to work because sometimes to be a little extended. Now the counter to that and something that we talk a lot about is it's important to remember that a disability claim, you're getting a percentage of your income and you're not getting 100%.

And in an area where you have high inflation, there's an aspect of just what someone needs to sort of cover their costs. So those are trends again that we watch very carefully. Our claims department is very focused on looking at duration of claims, where we might start to see some durations extending and again, a lot of very active outreach to claimants to work with them to get them off of disability. So yes, we could see a little bit of movement there.

But even if I go back and think about previous recessionary environments, our data, the way our claims department is organized now coming out of the last recession, our claims and Group benefits -- our workers' comp and Group Benefits claims organizations were not together. They're tied very closely together, looking at trends and so forth. So I feel we're very -- we're positioned very differently going into whatever environment we might be seeing as we head into '23 and '24.

Joshua David Shanker
BofA Securities, Research Division

I have a lot of questions, but if I ask them all, I imagine there'll be no time for the audience to ask any questions. So I want to pause, and you can raise your hand. Any time, we can stop. But somebody does want to ask a question, that's a possibility. Just -- and I'll continue. But let me know by raising your hand, and we'll get to that.

All right. So 1 of the things that's -- I feel is unique at The Hartford -- not completely unique, but compared to a lot of peer companies, CAT volatility over the years has been remarkably low relative to what we've seen. Some of that is reinsurance planning. Some of that is exposure management. Can you talk a little bit about, a, Hartford's success in managing that volatility; and b, what higher catastrophe reinsurance pricing means for The Hartford in this new 2023 cycle twist?

Beth A. Costello

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Executive VP & CFO

Sure. So as it relates to managing catastrophe risk, we have been very focused on that for many, many years. So looking very closely at our concentrations in coastal areas as we think about hurricane, we've been very focused on tornado, hail events because we've obviously seen increases in that type of activity. So it really has been around exposure management, working with our risk management groups to understand where we have concentrations, how we look at those concentrations across our businesses.

Another example is wildfires in California. If you go back a few years, we did have some concentrations in some of the areas that were hit, and we've done a lot where we can to prune that exposure. So I would say it has been more about exposure management than relying on reinsurance.

When you look at our catastrophe reinsurance programs, we've got a per occurrence set of treaties, which is really there to manage a large event. And other than -- for the most part, it attaches at around $350 million. We do have a sublayer that covers things that are nonnamed tropical storms and earthquake, which we have tapped into occasionally. And actually, it's been the winter storms where we've seen that activity.

And then we have an aggregate treaty, which is really provided for protection of just a series of small events. And so we really look to manage it both ways. We -- and both of those treaties, we have not tapped into them very significantly over the last several years. Again, on the underlier treaty that we have, the 2 winter storms that we had, we saw a potential for some recovery. Obviously, you have to pay the claims out to see if we actually will have a recovery. But based on our estimates, we had booked some offset.

And then on our aggregate treaty, I think we had 1 year where we hit it. And actually, our CAT estimates had come down since that initial year, so a very small amount. So it hasn't been a big part of how we manage catastrophe risk. We did see increases in the cost of those programs this year. But again, stepping back and looking at the broader markets and what others experienced, given our experience, very manageable increases. The total premium for both of those programs in 2022 was slightly under $100 million, and the cost went up roughly 20%. So it's not a significant driver of impacting our profitability.

And part of what's been happening in the reinsurance market is a reaction to what's been happening in property markets in general, and that's been continuing to fuel price increases that we've seen. And we knew going into this season that we were expecting price increases at this level. And so our pricing models were already incorporating those costs as we looked at what we needed to get from a pricing perspective to maintain targeted returns. So that's how I would kind of characterize the various ways that we're looking at managing cat risk.

Joshua David Shanker
BofA Securities, Research Division

So if I look at a number of things, so I look at lower CAT volatility, noncorrelation between the workers' comp side of the book and the commercial side of the book; small claims in general for the company overall; diversified stream, whether it be from the Group Benefits business, Personal Lines business, the commercial business or the mutual fund business, all of these things have very diverse nonvolatile source of income. The financial leverage at Hartford isn't materially different from a lot of its large-cap peers. Is there room for Hartford to be -- have a higher debt load, better financial leverage? Does all this diversity and lack of volatility in the results, is there the possibility of Hartford having more financial flexibility?

Beth A. Costello
Executive VP & CFO

Yes. So managing our financial leverage and our debt leverage, we've been on a path -- I mean you at the beginning talked about the journey that we've been on, and we have been reducing our financial leverage over several years because it was very high. And I feel like where we've gotten ourselves to now is really in the targeted range that we wanted to be and feel very good about how we think about managing that debt load. So not looking to increase that leverage. I wouldn't say that that's necessarily a rating agency restriction. It's just how we think about managing our balance sheet and the financial flexibility that we want to have.

And when I step back and look at the excess capital that we're generating, the amount of capital that we're taking out of our subsidiaries, that has been increasing as their underlying income has increased. Group Benefits had a little bit of a divot given some of the impacts that it felt from COVID, but sort of back on a nice trajectory. I think overall, it puts us in a really good position.

Joshua David Shanker
BofA Securities, Research Division

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All right. Let's go to Personal Lines a little bit. If I go back 15 years ago, I think Hartford probably had a march around 4% in Personal Lines. And now it's, I think, about 2.25%. I mean I don't know exactly what is it. Is there a economies of scale requirement for you to be successful? Can you be -- obviously, you want to grow that business and look at that possibility in a second. But does the current scale of the company inhibit its success in any way?

Beth A. Costello
Executive VP & CFO

No, I don't think of the scale of our Personal Lines business right now as being an issue as we think about the overall profitability. As you know, our focus on Personal Lines is very niche. It's focused on our relationship with AARP. So it's a very targeted approach to the marketplace. We're not looking to be everything to everybody. Really focused on that -- leveraging that AARP relationship.

We've done things over the last several years that I think positions us better for growth after we get out of this period of higher loss costs and getting to profitability and continuing to penetrate into that market. And what we felt that we needed to do was to really revamp our product set and our tools and just how we interacted with customers.

I mean, as you know, right customers expect a more digital experience and all of those things. So we have been implementing a new Personal Line system as well as a new product. We've been rolling that out in various states. Very pleased with the traction that we were seeing there. Again, we have paused a little bit on our marketing spend until we get back to profitability because we want to grow once we get to the place that we feel that we're covering loss costs. But I would not say that our size prohibits us from competing effectively in that space.

Joshua David Shanker
BofA Securities, Research Division

So a little of this change that you renegotiated your relationship with AARP to allow you more flexibility in nonrenewing certain risks that didn't fit your profile. And then we immediately dovetailed in this period of very, very high loss cost. Do we have any evidence that the new sort of binding constraints you have with customers has a positive effect or it's just too soon? And then this other thing happened. And so we don't know whether the re-underwriting or renegotiating for the contract is going to have that success.

Beth A. Costello
Executive VP & CFO

Yes. So just as a reminder, one of the components that we changed relative to how we go to market with our AARP customers is that we used to offer what was referred to as a lifetime continuation agreement, which basically meant that we couldn't just nonrenew a customer. We had to offer a price. The price wasn't guaranteed. But obviously a very regulated industry. So you are somewhat limited in price increases that you can do.

And what we found in conjunction with AARP is the -- that feature was really not something that was valued as much as it had been in the past. And because we had that feature to the point that you made on underwriting, we had to be just very, very, very selective day 1 when we issued a new policy to make sure we knew everything about it because we really kind of had one chance, so to speak, and then you sort of were in this life continuation agreement.

And so since the customer really wasn't valuing it, it was limiting us in our ability to really go to market in a much more customer-friendly way, where you didn't have to keep asking question after question after question. It's good for AARP because they want to see us sell more policies to their membership. So it wasn't as if this was some big negotiation that they felt they were losing something because at the end of the day, they want a product that's contemporary for their customers as well.

And yes, I would say that our early indications in some of the states as we started to launch is we do feel that it will have an impact. Again, to your point, more to be seen because we have pulled back a little bit on the marketing. And so the new business will ramp up again. But we do think that it positions us very well to be able to compete, to be able to provide customers just a better all-around experience.

Joshua David Shanker
BofA Securities, Research Division

All right. So moving over to Group Benefits sort of circuitously. Back in '19, when you bought Navigators, part of the rationale was that your distributors want to work with fewer carriers who have a full shelf and a diversity of products. And so Hartford pivoted into some E&S lines and some specialty lines and could be everything to the distributor in some ways.

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When I hear that same sort of conversation with a number of the life insurance companies, especially in group benefits, they talk about wanting to have that full shelf, whether it be dental and vision, supplemental health, AD&D, all kinds of some all volunteers. You are a scale player in life and in disability. Does Hartford benefits need to be a full shelf offering to be competitive over the long term in this space?

Beth A. Costello
Executive VP & CFO

So we'll start with -- as you said, we're very competitive today with product suite that we have. And we have been expanding some of those supplemental programs. And you can see that in our disclosures that our premium continues to grow in those areas. And so do we need to have things that you mentioned like dental or vision? I don't believe we need to have them. But we do look to continue to just enhance that product suite.

I think one of the things that we're seeing more so than just those product features is that the customers that we're dealing with, what they're really interested in is a seamless experience. Now all of us work for companies, all of us go through the process of signing up for benefits, which can be very confusing, challenging. Our HR departments continue to need assistance with that, continues to be a lot of push in various states for family leave provisions, which get very complicated.

So what we're investing in right now is a new platform in our Group Benefits business that will continue to make that process easier and easier. And one of the things that we find that employers are particularly interested in finding better ways to manage is to manage leave absence of their employees. It sounds simple, but trying to manage when people go on maternity leave, when they're on FMLA, when they're on disability and understanding all of those components and making it easy for their employees to understand what their benefits are when they're entitled to them, that's what we see as really continuing to be a game changer in this space. And so we're really excited about the investments that we're making in those platforms that will continue to just sort of make that ease of doing business.

It's a thing I've mentioned a couple of times today because it is a focus that we as a company have is, what is the experience our customer is having, how do we continue to make their experience seamless, easy and that we're easy to do business with.

Joshua David Shanker
BofA Securities, Research Division

Taking pivotal way, let's go to investment income a little bit. In 2022, for a lot of companies in your peer group, it was a rough year for investment income. Although the fixed coupon yields went up dramatically, the equity markets caused some losses on the limited partner side. Your limited partnerships are constructed a bit differently than a lot of your peers. You had some contributions. It was not as difficult a year for you as some others.

As we look to 2023, should we expect lumpiness in the results of your alternative investment strategies? And how should we think about that in the context of, in general, fixed maturities in equity coupons and dividends being much better next year than they were in the past?

Beth A. Costello
Executive VP & CFO

Yes. So on our limited partnership portfolio, really think about that portfolio is split roughly between private equity and real estate JV funds. And both of those did perform very well in 2022, particularly on the real estate side. And that was really generated by sales of underlying properties. We just definitely saw more sales than we had anticipated at the beginning of the year. And overall, that's what contributed to just a very strong return overall limited partnerships.

Our private equity portfolio is really focused in sort of middle-market buyout-type funds, and those 2 were very resilient through the course of '22. As we look to '23, and we covered this on our earnings call, we expect that our returns in this space are going to be lower than what we've seen in the last several years, and we talked about it in the 4% to 6% range. And that's a little bit below what we would consider sort of our long-term average. We do think that, that will change as we go into '24 and '25. But just looking at various conditions and we look at 2023, we do expect it to be lower.

And I really do expect feel it more in the first half of the year than the second half. And the reason I say that is just even looking at the first quarter, we're not seeing that we're going to have any real estate sales. And so on our real estate JV funds, a long time when you don't have sales activity, you have a little bit of a drag just because of the way the accounting works on the depreciation on those investments.

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So I could see our real estate JV funds being close to 0 to maybe even a little negative kind of in the first quarter and into second. And so it's the same thing with private equity. But then as we look forward into the second half, we'd expect to maybe be above that 4% to 6% to make up for that. So really, I'm not expecting to see a straight line 4% to 6% over the course of the year, a little more challenged in the first half and then seeing better performance in the second half.

And then as it relates to our fixed maturity portfolio, yes, we've been benefiting from increases in interest rates. We still continue to see our reinvestment rate higher than what our sales and maturity yield is. So again, as we go through 2023, we do expect to continue to see some lift there. So we had an ex limited partnership yield of about 3.2% in 2022. And we said we'd expect to see that increase about 50 to 60 basis points over the course of 2023.

Joshua David Shanker
BofA Securities, Research Division

Pivoting to the other side of the balance sheet onto the loss reserves. Obviously, during the 2021 years, there was a dearth of payments for claims, in many ways due to court closures and whatnot. And that of courts have reopened now, it's happening. One of your competitors on their conference call cited 16 to 19 has adversely developed. We haven't seen your 10-K yet we'll learn about the different movements. Obviously, you guys very rigorously examine your reserves. But can you talk about your view as what's evolving in terms of the content of the loss reserves and what we've learned over the past year?

Beth A. Costello
Executive VP & CFO

Yes. So stepping back at the highest level, I feel very good about our overall reserves and how they're situated and overall strength of the balance sheet. We disclose every quarter by significant line of business where we take reserve actions. And if you go back and look over the last several quarters, we've seen releases continuing in workers' comp. That line has continued to perform very well.

We've also seen releases in catastrophes, where a lot of times a catastrophe happens, especially at the end of the quarter, you make your best estimate, you make estimates around what you're experiencing from large losses. And some of what we saw coming both in the '22 accident year as well as in prior years as some of those large losses just weren't as large as we had thought. So we saw reductions there.

Other lines like general liability and commercial auto, we have seen some adverse development, some of that related to court activity and cases. And we make our best judgment quarter after quarter, and we'll adjust accordingly. Again, in the size of our overall balance sheet, I don't think significant movements but definitely have been there. And that's going to continue to be an area for us to just watch, so really good.

We look at our more current accident years and how we've established our initial loss picks. We don't make changes in the more current years we really hold them. And so to your point on we were seeing decreased court activity and things like that in those more recent years, we didn't -- haven't adjust them. So feel very good about how they're positioned.

Joshua David Shanker
BofA Securities, Research Division

I feel badly that Chris isn't here. But for this next question, I kind of glad he's not because it's always provokes an eyeroll on his part when I ask it.

Beth A. Costello
Executive VP & CFO

I have a good eyeroll, too.

Joshua David Shanker
BofA Securities, Research Division

All right. So back when Hartford was a different business and offered variable annuities also, there is a cross-pollination probably with a large mutual fund complex. And today, Hartford retains the distribution rights for this mutual fund complex with a nice cash flow production. But somehow it doesn't feel like it fits with everything else. And that's okay. Sometimes we make investments in things that produce cash flow. Is Hartford the best owner of this business? And where does it fit in the overall Hartford story?

Beth A. Costello
Executive VP & CFO

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Yes. So obviously, a question that we get often. And I'd say the answer is very consistent. We really view it as an investment. It is separate. It is -- there's no overlap with our other businesses. It's an investment that we look to get a healthy dividend out of. I mean, obviously, it's been impacted by broader market conditions and so forth. But overall, when you look at what that complex has been doing, how it expanded its sub-adviser relationships so it's not just with one, added a second, performs very well.

And as Chris and I have said in the past, we do evaluate periodically what is the best use of that business. And where we sit today, having it as part of our portfolio makes sense. But I liken it -- I compare it to some of the other things that we had that were not core that took up a lot of management time. This does not. It really is separate. It's an investment, and I think it's an investment that is producing good results for us.

Joshua David Shanker
BofA Securities, Research Division

Well, thank you very much. We've heard the class in the other room, and there's a clock here. So we know we're out of time. But please, Beth Costello, everyone, thank you very much. And I hope you have a great day today, and Aflac is coming up next.

Beth A. Costello
Executive VP & CFO

Great. Thank you.

Joshua David Shanker
BofA Securities, Research Division
Thank you

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