S&P Global
Market Intelligence

# The Hartford Financial Services Group, Inc.

## NYSE:HIG

# Company Conference Presentation

**Thursday, September 7, 2023 1:20 PM GMT**

# Table of Contents

Call Participants .................................................................................. 3

Presentation .................................................................................. 4

Question and Answer .................................................................................. 5

# Call Participants

## EXECUTIVES

**Beth A. Costello**
*Executive VP & CFO*

**Christopher Jerome Swift**
*Chairman & CEO*

## ANALYSTS

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

**Unknown Analyst**

# Presentation

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

Good morning, everyone. We're going to get started in the interest of keeping on schedule and also because I think we've got a really interesting session coming up with Chris Swift, Chairman and CEO of The Hartford; and Beth Costello, CFO.

So I'm going to turn it over to Chris for some opening comments, and then I will ask a few questions of my own. As always, if you have any questions in the audience, please don't hesitate to let me know by raising your hand, and we'll turn it over to you.

With that, Chris, good morning. Thank you.

**Christopher Jerome Swift**
*Chairman & CEO*

It's great. It's great to be with you all, and thank you for having Beth and myself join you today. Just a quick -- a couple of quick points. One, I'm very pleased the way our 2 largest businesses are performing. If you look at it from a top line and bottom line perspective, both Commercial and Group Benefits, I think, is performing well and actually very, very pleasing. And more importantly, I think we see that continuing at least over the near term.

The one business that has its challenges or, as I like to say, the self-help improvement schedule is Personal Lines. I don't think we're unique from everyone else. But nonetheless, it is still a long slog to get back to targeted profitability, which we estimated sometime in 2025. But again, the team knows what needs to be done. We're working our filing programs, those that require prior approval and then using all our capabilities to file rates when needed in various states.

So I'd put it all together, we still feel like we're a 14% to 15% ROE organization this year and into next. And again, we're buying back our shares, which we think are attractive, and being thoughtful with our use of just excess capital in general. So where I'm at right now, I'm fairly bullish on the outlook for at least the next 12 to 24 months.

**Meyer Shields**
*Keefe, Bruyette, & Woods, Inc., Research Division*
It's fantastic [ to put over through it, so am I ].

# Question and Answer

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

But let's talk about one -- and we're going to talk about a lot because there are a lot of positive things going on that Hartford has taken advantage of in this environment. One of them is growth in commercial property. It's been a fairly long period where growing the property book is an explicit part of Hartford's strategy. One of the main stories this year has been elevated catastrophe weather-related losses. Accompanying that or exacerbating that has been a shift in the reinsurance environment where attachment points are higher, and that means that the primary companies are retaining a lot more risk.

So what I was hoping we could start off with is a discussion of how you see those concerns, the benefits of a turbulent marketplace and maybe the concerns of worsening or bad weather-related risks going on and how you're thinking about it -- how you're thinking about the property strategy in that context?

**Christopher Jerome Swift**
*Chairman & CEO*

Sure. I think the context, we just need to maybe just get some facts is that historically, we've been under-indexed commercial property. We'll keep homeowners aside for right now, which maybe has its own unique. But even if I look at it right today, we have about 8% of our premiums on an annualized basis in commercial property.

And really, what we've been working on very hard over really the last 7, 6 years is diversifying our product sets. That's why we did The Navigators acquisition, which has been very, very successful, to help us have more product sets to sell through our vast distribution network. We have all the distribution partners, but we needed more product capabilities.

And if you really look at history, we just deemphasized property for the last 20 years. But starting 5 years ago, we made the conscious decision to invest in more underwriting tools, better risk management, building out multi-peril models so that we can bring a broader-based property skill set to our distribution partner. That was before all the activities that you referred to as far as elevated catastrophes, whether it be this year or last year. Remember, we had some wildfire exposure going back to '16, '17 and '18.

So we've been working very hard. So as we sit here today, I feel very confident that we have the tools, the risk management capabilities and, more importantly, the talent on a national basis to make property more of a growth focus for us. That is also then going to generate exceptional risk-adjusted returns in this environment.

And I think I've said on our earnings call, Meyer, that I mean you should not think of this as just a CAT strategy. I mean we'll take on CAT, but we really want fire perils on a national basis. So with that little market share, I think we could be very conscious in building, I'll call it, property capabilities and in-force on a national basis that gets us a good spread of risk. And if it does come with a little tornado or hail exposure, maybe a little wind, wildfire exposure, and we think we're getting the price for that CAT along with the price for the attritional losses with terms and conditions, attachment points, sublimits on flood and other things that -- as a property underwriter, and we've got more modern products, both for middle market, large and E&S and then global.

So you put it all together and we had about $2 billion of premium in 2022. We set a target to get to $2.5 billion this year. We'll tell you what the target is for '24 when we get there. But I think we're growing nicely. We're up about 23% in written premium volumes with a 15% overall rate increase. And if you look at large, it's even bigger growth because it's a smaller base.

If you look at E&S, E&S properties, I think, up 29% with 25 points of rate. And even in our reinsurance book, we're growing the property component there about 50% with 30-plus points of rate. So giving you all these facts and details to emphasize the point that it's profitable growth, we're under-indexed. We have the skills and capabilities, and we have a reinsurance program that is virtually unchanged from prior years with attachment points that have been consistent and aggregate retentions that we renewed also.

I don't know, Beth, if there's anything else on the reinsurance program you'd want to comment.

**Beth A. Costello**
*Executive VP & CFO*

No, I mean we commented, as we went through our renewals in January and some in July, that things were kind of in line with what we expected. We are expecting costs to be increased, and we had already incorporated that into our pricing models. We feel very good about the attachment points that we have and the overall protection that our reinsurance program provides us and gives us the ability to hit the growth rates that Chris is talking about.

**Christopher Jerome Swift**
*Chairman & CEO*

And then you might be interested to know, again, first half of the year, I would say our catastrophe results were a little elevated from expectations, I think a lot lower than industry, which speaks to, again, spread of risk selection, avoiding concentrations in certain areas. And really through the first 2 months of the third quarter, we're basically right on budget, our internal budget for CAT. And we'll see how that plays out the rest of the year, which we know there's still a lot of activity left in the CAT season.

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

Yes. Unfortunately, for better or for worse, we're also seeing faster hurricane formation. Let me shift gears a little bit to workers' compensation. Workers' compensation has been this remarkable story industry-wide for the past few years with sustained profitability despite some compounding flat or declining rate levels. That said, Hartford is still outperforming. And I think from my perspective, one of the areas that's underappreciated is the skill set at Hartford that allows that outperformance. I get that industry-wide results are good.

There is some chatter now about maybe workers' compensation loss trends inflecting, whether that's because wages are rising, whether that's a function of medical cost inflation. And again, it's specific to workers' compensation, not necessarily analogous to the CPI and maybe some other factors, maybe the employment picture in one direction or another. So in that backdrop, what's The Hartford's expectation for workers' compensation for the next, I'll say, 12 to 18 months?

**Christopher Jerome Swift**
*Chairman & CEO*

Well, we've talked about this in various sessions, I think, in the past. As really the nation's second-largest workers' comp player, I appreciate you giving us a pat on the back, if it was a pat on the back, of our deep expertise in this product line for many, many years, operating in all 50 states. We have a unique perspective. Our data is rich. Our claims practices are very superb, and it all contributes to the overall results.

So I think maybe, again, from a context side, what we see right now is generally a little outperformance on net rate driven by just better renewal pricing than expected and what we call the component of AOI, which is the wage inflationary components that we get credit for, just actually outperforming our expectations through the first 6 months of this year. So really, what that sets up, if that continues, is we have the opportunity to think about how we want to set the overall accident year. But I'm trying to give you the utmost comfort that this accident year is performing well and maybe even slightly ahead of our expectations.

From there, what we've generally talked about is, without specific numbers, frequency is still behaving very well. The long-term trend of our economy is just lower frequency, whether it be business mix. We'll have to see what happens with manufacturing if there is a resurgence of U.S. manufacturing. But generally, frequencies have been negative and are continuing to be negative in our judgment.

I think the specific pressure that you might have been alluding to was medical services and inflation. And again, I might sound like a broken record, but I think it's worth repeating that generally, we price and reserve for a 5% medical trend, we have for a long time. And I think that's worked out pretty well. What's worked out fairly well is that generally, that trend has been lower at least the last couple of years. And generally, I estimate that about 50% of that trend is actually emerging in our incurred triangles over the last couple of years.

So again, building margin, whether it's on the balance sheet or eventually comes through the P&L, the margins are there. And if there's any shocks in inflation, we got the balance sheet and the margin in our current accident year picks to absorb that. So then some might say, well, medical CPI, the indexes are going up, and they are, and they have been. But we've also talked about a basis difference between broad-based medical CPI and what carriers like us and other carriers will actually experience. And there's a lot of fundamental differences between the 2.

First and foremost is we're getting injured workers back to health. And that generally involves outpatient treatment and physician office visits as opposed to in-hospital visits that can be more expensive, and their costs are probably rising faster than broad-based indices in other areas. So you put it all together, and then combined with our outstanding claim capabilities where we challenge and regularly review medical bills, pushback, we have contracts, multiyear contracts that have stated and set rates for procedures, it lends itself to a lag effect on any long-term medical CPI trends that are emerging.

Now I don't know how long that lag effect will really take place. It depends on a carrier. But I can tell you, from our perspective, the multiyear contracts and our claims capability give us quite a bit of distance between perceived headline CPI medical trends and what we're going to experience. So as we sit here today, I feel good about the accident year pick, feel good about the balance sheet. And obviously, we're watching these trends closely, and we can make needed pricing adjustments. But we do have some margin built into our pricing today.

Would you add anything, Beth?

**Beth A. Costello**
*Executive VP & CFO*

No, I think you covered all the pieces of it.

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

Okay. I'm going to ask one related question to workers' compensation, and you've talked about this in context...

**Christopher Jerome Swift**
*Chairman & CEO*

Am I choking you up?

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

No, no, no, it's all right. I've only had 3 coffees, so I'm a little behind. Your Group Benefits book offers some significant data synergies with workers' compensation. And I was hoping you could talk about that with some examples of how that actually helps you generate better insights, better results?

**Christopher Jerome Swift**
*Chairman & CEO*

Yes, it's a great point. Again, context just because I think it's important, workers' comp, we're getting people back to work caused by a workplace injury. That allows us to dictate, in some cases, or help determine course of medical procedures and treatment that need to be, in essence, preapproved or approved by us that will be reimbursed. So we're quite actively involved in the medical side. Again, we're not delivering care, but we're actively involved in the care required or at least what we're going to reimburse for to getting people back to work.

Disability, long-term disability and short term, think about it as a disabling condition that you're not able to work, where we're replacing net income, usually at 50% or 70%, depending on what an employer chooses. We're not involved in the medical course of treatment at all. We have -- obviously, we could challenge medical records when we get them. We can ask questions. We could make sure people are legitimately disabled and continuing to be disabled, but it's more passive from the medical side.

The way we run the claim departments, they are somewhat by product line, but there's a layer of management and a layer of data science that sits on top of all that. And what we've been able to do is curate data to understand trends that are happening in both and then trends that there might be interdependencies for depending on what product line you're in. What I specifically mean is that generally, what we've been able to determine with our advanced data and analytics is that comorbidities extend disability and extend getting workers back to work.

And what do I mean? You could think in terms of diabetes, you can think in terms of prescription drug use or abuse in certain areas, you could think of mental health. All that data is being brought forth in both product lines. And then our clinical nurses, which we have about 300 or so in the organization, can actually then intervene, both on the comp side and disability side with course-correcting treatment, with suggestions where we can make it.

And more importantly then, when a customer uses both our comp and disability product from a risk side, there's additional layer of service that we've created for those customers just to have better insights on what's causing the leaves across various parts of their organization, whether it be comp leaves, disability leaves, whether it be paid family leaves. We have a broader array of data sets that we're able to share with the client. So I think it's working well.

It's not intuitive to cross-sell just naturally because purchasing is usually done on the P&C side by a risk manager, HR in the disability side. But our brokers -- remember, most of our brokers have 50% of their revenues coming from medical and benefits. So we've been able to work with them either on a product line basis or a combined basis more and more frequently. They want, call it, an account round with one of the product lines they don't sell and actually bring us in. And again, then you'll add that additional layer of service or insights, it's been pretty successful and it really works for us.

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

Okay. Fantastic. Beth, is there anything...

**Beth A. Costello**
*Executive VP & CFO*

No, I think...

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

Okay. So I'm going to move to the Global Specialty side of things. Pricing there is all over the map. We've got public D&O rates collapsing. Catastrophe as well as property rates are skyrocketing, and I assume some stuff is in the middle. I was hoping you could give us some insight, first of all, what you're seeing? And second, how does this variated performance actually makes sense? Why is this happening?

**Christopher Jerome Swift**
*Chairman & CEO*

It's one of those great mysteries in life. I don't know.

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

That's good for poetry.

**Christopher Jerome Swift**
*Chairman & CEO*

No, it's -- so I think what's happening, again, in context, Global Specialty, I'd say the 2 large top-of-the-house trends is anything casualty-related. Primary excess umbrella is running firm from a pricing side. And then you can add, obviously, property in there. Anything in the large property excess shared in layer is just running hot.

So if you -- for our book, if I give you some numbers, we have about $1 billion of premium in the wholesale channel. Prices are up about 11% in that segment, and that segment includes casualty, property. Construction is sort of an industry vertical concentration within there. And again, that business is running rate increases about 11%, and I see that continuing at least through the end of the year.

You mentioned E&O, D&O or financial lines. Obviously, it's under pressure, particularly from the public side. We've shifted probably 12 to 18 months ago to focus a little bit more on the private D&O side and then emphasized more the management liability and professional liabilities, think of contractors, liabilities and things along those lines. So we've actually shifted the book.

We only have about $200 million of gross written premium in the public D&O. So it's not going to take a big hit on growth or -- but it will obviously improve our profitability from a return perspective because I just think, at least in the U.S., it's flipped where it's not going to be accretive. And just pricing has come down too much given the exposures, and it's just not going to be accretive.

I think the third area I just would comment upon is international. Our international specialty book has a focus in on D&O, both private and public. But again, similar trends there. The public D&O is -- it's actually quite negative. For us, it's about 11 points of rate. Profitability there is still okay, but I see a tipping point come where we're going to have to pull capital out of that product line also. I think on the positive side, both in the U.S. and internationally, anything cargo-wise, ocean marine, is high-single to low double-digits rates. And we have an energy capability in London that, again, is in that high single-digit casualty capabilities.

Our trade credit and political risk business continues to chug along with high single-digit prices. So -- and then U.S. surety, I would say, has just been a steady Eddie, nothing close to double-digit rates, but keeping up with trend. So always a little worry about large losses during sort of challenged economic times. There has been some, but not in a concentrated fashion in our book of business to date. So we feel pretty good with our broad-based mix.

The one specialty line of business that is minor for us, but still has an important trend, is cyber. So we view cyber as a product that is an accommodation, particularly to our small business owners, and then those middle-market customers that really need some protection, usually in a shared and layered approach there. So cyber has gotten a little soft, but it's still generally positive. But the rate increases -- the rate of increases have come down substantially over the last 2 quarters, but generally, still feel good about that overall profitability and where that product line is going to.

And it's going to more monitoring, real-time monitoring, which we've been a long advocate for and companies applying corrective actions. And if you're not applying corrective actions, that generally has an underwriting implication, either on new or on renewal or midterm. So generally, a stable product line, but relatively small for The Hartford at about $150 million of premium.

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

Okay. Fantastic. One other line of business that I wanted to delve into is commercial auto. It's a big line of business. Other than the COVID period, the industry has kind of been struggling to get rates to catch up with loss trend. And I was hoping you could talk about maybe Hartford's exposure and experience in commercial auto.

**Christopher Jerome Swift**
*Chairman & CEO*

Yes. Again, context, we have about a little less than $1 billion of commercial auto premium between small and middle. To the contrary, to your point, usually, I'm not going to argue with you, but we have decent profitability there this year and last year on an accident year basis. There's always some noise with prior year development, particularly coming out of the '15 to '19 accident years. But on an accident year basis, we're hovering around a 95% overall combined ratio, which is dramatically different than it was 7, 8 years ago.

So we've been at it for 7 or 8 years of putting substantial rate into the book, re-underwriting the book, doing better underwriting on the book with drivers and kicking out drivers that just aren't insurable based on driving patterns. So to the point where we're not meeting our targeted returns of 15%, but with a 95% combined ratio, it's accretive, and we see a path over the next couple of years to get to our targeted ratios.

But the dynamics in this line of business aren't anything new to you. You've written more about it than most, is there's still plenty of lawyers in the world. Litigation rates are high. Representation rates are high. Average settlements are increasing, particularly on the bodily injury side. And you sprinkle in a nuclear verdict here or there, it takes a toll on the line. But again, with disciplined underwriting and rate actions over the last 7 or 8 years, I think we're in a position to continue to improve this line with discipline to meet our targeted returns.

**Beth A. Costello**
*Executive VP & CFO*

And Chris, I think you'd agree that we also see the added benefit of increased use of telematics and how that can also improve our ability to underwrite and to see how drivers are behaving. And for us, it's also really important when we look at where we're providing insurance is our -- are those companies taking that to heart and using it because we definitely see correlation between companies that monitor, what their drivers are doing and how they're behaving and taking that seriously with the overall performance. So I think we'll continue to see added use of that.

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

Fantastic. And are we talking about telematics as an underwriting tool, pricing tool or both?

**Christopher Jerome Swift**
*Chairman & CEO*

Both.

**Beth A. Costello**
*Executive VP & CFO*

It's really both, yes.

**Christopher Jerome Swift**
*Chairman & CEO*

I think both. And again, Beth brings up a good point. You should not think, though, that we're applying that to large fleets. We're not in the large fleet business. But I mean we do have some clients that have 100, 200 vehicles that are leaning in from the risk management side to help bend the behavior curve of distracted driving.

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

Okay. Fantastic. I am going to move on to Personal Lines. But if there are questions in the room, I want to stop just to attend to those. If not -- I'm sorry, yes, we've got a question. We're just going to bring you the mic.

**Unknown Analyst**

What do you do on the underwriting front to deal with the nuclear vertical situation? Are you just offering lower top-end limits or what?

**Christopher Jerome Swift**
*Chairman & CEO*

Yes, it's limits management. Again, if you think about our book of business, small and middle, we're generally in the $1 million to $2 million primary limits. And then you really have to be judicial with your umbrella or excess strategies, any of those accounts, generally middle market accounts. So that's the best way to control it.

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

Okay. So moving on to Personal Lines, which no one likes to talk about, so we're going to. You've got one thing in common with the rest of the industry, which is struggling with significantly and surprisingly difficult severity trends; and one unique aspect, which is the AARP distribution relationship. How are you balancing those 2 concerns as you work your way towards restoring profitability?

**Christopher Jerome Swift**
*Chairman & CEO*

Do you want to tag team this one?

**Beth A. Costello**
*Executive VP & CFO*

Okay.

**Christopher Jerome Swift**
*Chairman & CEO*

Again, context, we've had a 35-plus-year relationship with AARP, very proud of it. We've created, I think, some unique product capabilities and insights into the mature market segment, which generally means 60-plus. AARP has got strategies to try to be in the 50 to 60 category, but the majority of our business is still 60-plus. That relationship is one of an endorsed carrier relationship on an exclusive basis. So we're the exclusive endorsed party for home and auto products nationally. In exchange for that endorsement, we pay them royalty fees based on premium volumes. Premium -- so viewed as a commission. That's their role in the relationship.

And we co-brand some things. You've seen the advertising. They have nothing to do with pricing. They have nothing to do with rate filings, have nothing to do with claim settlements. So they leave that up to us to manage to their benefit, though, if we can grow and have obviously good profitability. So that's a major distinction. Sometimes maybe people don't understand the underwriting, the growth, the investing strategies that we have are all of ours. We keep them informed, but then it's one of co-marketing and positioning the AARP brand with our brand in that mature market segment. That's the nature of the relationship.

So I would tell you, from a priority side, it's not surprising that our sole focus is getting this put back to profitability no matter what happens to PIF count or the top line, full stop. Obviously, AARP will have a point of view. But contractually, those are our decisions, and we'll keep them posted on it. So that's what I would say on that.

Now if you want to get into specifics of what's really happening with loss cost trends and filings and profitability, I'm happy to talk about that. But I think we've been pretty clear is that, unfortunately, we missed our combined ratio on an underlying basis targets this year, I said it on the second quarter call, probably about 9 points. As we head into the second half of the year, I think that's going to hold, but time will tell.

**Beth A. Costello**
*Executive VP & CFO*

Just as a clarity, 9 points on auto.

**Christopher Jerome Swift**
*Chairman & CEO*

On auto, yes.

**Beth A. Costello**
*Executive VP & CFO*

So it has a little bit lower on total Personal Lines, of course, yes.

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

So less on Personal and [ even on ] consolidated?

**Christopher Jerome Swift**
*Chairman & CEO*

Correct. Correct. Home is actually performing well, both on an underlying basis and then obviously with a CAT load in there. I mean it's actually performing well. So then the strategies become, how quickly can you get rate into the book and when will it turn? In the context, I think I've given you all in prior settings is about 47% of our premium volume is in states that require prior approval. 53% then, we could file and use or use and file and start to get the needed rate actions into those states. So 50% of the book has a longer tail to get rate into it, and there's a handful of states that are probably even longer than that. West Coast states, one, city state...

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

Somewhere around here, perhaps?

**Christopher Jerome Swift**
*Chairman & CEO*

A New Jersey, Massachusetts, I mean, so those are challenging states to get rate in on an approved basis. So what we've said is that we think we'll have about 20 points of rate in the auto book by the fourth quarter and continuing into '24. We estimate that we probably will need another 15 to 20 points of rate in '24 to be able to hit our targeted margins and ROE targets in 2025.

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

And that's assuming essentially stable severity trends from what we're seeing now?

**Christopher Jerome Swift**
*Chairman & CEO*

I would say trends that revert slightly.

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

Okay. Right. And I guess we're seeing that in the Manheim Index, for example, which is one of the things that we watch. So that, I think, makes a lot of sense.

Again, I'm going to move to Group Benefits, but if there are questions here on the P&C side or really anything, don't hesitate to let me know. Group Benefits had a really good second quarter. And it does seem -- I'm sorry, there's a question back there. Right. Okay. [ Robbie ]?

**Unknown Analyst**

This is almost maybe more industry homeowners' question than one about HIG's experience in particular. But how do you think about maybe the CAT experience the industry's had, particularly last quarter, but it's been elevated for a little while, and the reflexivity of that in the pricing or policy construction over time at homeowners?

**Christopher Jerome Swift**
*Chairman & CEO*

Well, obviously, it's obvious. So I'm sorry to be obvious, but tornado and hail continues to be the biggest exposure we and, I think, most of the industry is experiencing. And that -- those trends in tornado and hail are moving East, say, from Colorado to Missouri into Tennessee. And so there's an eastern movement of those trends, primarily driven by weather patterns and moisture patterns and things like that. So for us, we're [ maniacal ] about. It's really just spread of risk and just watching to make sure we just don't have any concentrations in micro areas, micro zones that can really cause an outsized loss.

If you look at the second quarter results, I mean they were elevated, but they weren't outsized compared to others. That's primarily because you got to be disciplined in populous states. I mean Texas is a populous state, but you've got to be really disciplined on how much you want in any one ZIP code, neighborhood, things like that. And that continues up to Colorado with hail and then into the Greater Midwest area. So that's what we worry about more than anything.

And we'll see what happens with the hurricane season. But again, just to give you context, we have not been in new business in homeowners in...

**Beth A. Costello**
*Executive VP & CFO*

In Florida.

**Christopher Jerome Swift**
*Chairman & CEO*

In Florida for 15 years, 20 years maybe?

**Beth A. Costello**
*Executive VP & CFO*

2007.

**Christopher Jerome Swift**
*Chairman & CEO*

2007, we exited completely. That was a difficult conversation with AARP at the time, I've been told. But again, they accepted our decision from an underwriting, pricing and economic side. And we probably have about $25 million of premium, $20 million of premium in Florida home today. So we've limited quite a bit of wind exposure by that policy over the last 20-odd years.

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

Okay. Moving on to Group Benefits. I was hoping you could talk a little bit comparing pre-COVID, post-COVID, both in terms of claim emergence and policyholder behavior and how that impacts underwriting and pricing.

**Christopher Jerome Swift**
*Chairman & CEO*

We didn't tag team on the last question.

**Beth A. Costello**
*Executive VP & CFO*

I added some points of view. Yes, I corrected you.

**Christopher Jerome Swift**
*Chairman & CEO*

Oh, you did. Okay. All right. You want to -- so we'll tag team here. So Group Benefits, there's a life component; there's a disability component, both short term and long term; and then there's a voluntary product capability, think of critical illness, hospital indemnity, accidental death type of policies.

I think the question is probably most relevant on the life insurance side because pre-pandemic, during the pandemic and post-pandemic, I think our disability results have been very stellar. We might had a little pop in COVID on STD as people dealt with the virus, and there were some early learnings that -- what needed to be learned. But generally, it's a small product line. There's not very much risk in those products, but we did have a little bit of elevation in utilization of STD benefits, but that's back to normal.

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

That's short-term disability. I think it stands for something else also.

**Beth A. Costello**
*Executive VP & CFO*

Yes.

**Christopher Jerome Swift**
*Chairman & CEO*

I didn't go there. You did.

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

I'm a child.

**Christopher Jerome Swift**
*Chairman & CEO*

Yes. So then on the life insurance side, what we're seeing is this shift from a pandemic state to an endemic state, which COVID is continuing to circulate. And hopefully, no one has contracted it recently. But I mean it's still circulating, probably less lethal, but it has primary and secondary impacts.

Obviously, the primary impact is depending on your health, I mean you can still die from COVID. And then the secondary impacts is that you don't die from COVID, but you increase your mortality or shorten your life expectancy by just living through the disease. And there's lingering effects and all those challenges. You could put it into the comorbidity range. So COVID losses, mortality losses have actually come down and stayed down.

The elevation in mortality that we're continuing to experience, and we really do forecast that to continue for the next 3 or 4 years, is the secondary impacts from COVID or just higher mortality rates in general compared to pre-COVID. And that's what I think we've seen pretty consistently over the last 6 or 7 quarters. So you might ask, what have we been doing about it? I would say over the last 15 months, we've been trying to get in additional rate for this endemic state of COVID in this pull forward of mortality.

And generally, we've been asking our clients to pay 2% to 3% more on mortality rates. That's our goal. Obviously, there's individual account decisions made on renewals and retention implications. But generally, we're getting more life insurance premiums to cover for that elevated mortality that we think is going to persist for the next 3 or 4 years.

What would you add?

**Beth A. Costello**
*Executive VP & CFO*

No, I would agree with all that. And then just to reemphasize that on the long-term disability side just continues to perform very well. We talk all the time about, for this business, we look at a 6% to 7% core earnings margin and definitely see ourselves earning that. And the disability trends just continue to be very, very favorable.

**Christopher Jerome Swift**
*Chairman & CEO*

And I would say, the only other component here of just -- we retained the first $1 million of life insurance benefit for our own account. And then we have reinsurance through Munich Re for any dollar face amounts above $1 million, which again, in certain industries, that happens frequently. So we do cut off a tail -- severity events with that reinsurance program.

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

Right. And we've got time for one more question. So I wanted to see if anyone here has one. And if not, I'll talk about capital management because Hartford has been remarkably disciplined in terms of share repurchases, in terms of your guidance, in terms of the execution. What would it take for you to increase or accelerate the share repurchase program?

**Beth A. Costello**
*Executive VP & CFO*

Well, I'll start with what you said, which is I think we've had a very well-disciplined program. And I think deploying excess capital for share repurchases we see as being very accretive, especially where our shares trade. And as we've talked about, as our businesses continue to increase earnings and we can increase the dividends that we take out of subs, that will increase the amount of excess capital that we have. But we do like to deploy it in a very systematic, consistent way. And I think that, that has worked to our advantage, and we're continuing to execute on the plan that we have.

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

Okay. Fantastic. With that, please join me in thanking Chris and Beth for a very helpful session.

**Christopher Jerome Swift**
*Chairman & CEO*
Thank you.

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