

The Hartford Insurance Group, Inc. NYSE:HIG Company Conference Presentation

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Table of Contents

Call Participants	3
Presentation	4
Question and Answer	5

Call Participants

EXECUTIVES

Beth A. Costello
Chief Financial Officer

Christopher Jerome Swift
Chairman & CEO

ANALYSTS

Brian Robert Meredith
*UBS Investment Bank, Research
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Presentation

Brian Robert Meredith

UBS Investment Bank, Research Division

Thanks, everybody. Thanks for joining us for our next fireside chat. I'm Brian Meredith. I am the insurance analyst here at UBS. With us for our next fireside chat, we've got Chris Swift, who's the Chairman and CEO of the Hartford; and Beth Costello, who's the Chief Financial Officer. I'm going to ask a couple of questions and then encourage you, the audience also I'll reach out to you all to see if you have any questions as well. I think there's a way you can also do questions online as well if you'd rather do that. Let's start big picture, Chris. Maybe talk a little bit about what your key kind of strategic priorities are for 2025.

Christopher Jerome Swift

Chairman & CEO

Well, first, Brian, thank you for inviting Beth and I to your conference. We always enjoy it. I would say our priorities aren't just for '25, it's -- we think in terms of 3, 4 years down the road and plan accordingly. But I would say there's probably 4 things that come immediately to mind and probably not surprising to you. It's just we need to continue to focus on our underwriting discipline. And that means tools means data, see how maybe AI affects that down the road, but we need to be the underwriters underwriter as I've said.

I think from there, have you think in terms of being more growth and innovative, more growth-orientated in competing in the spaces that we want to compete in, primarily SME and middle market. So we think we have the distribution, the product sets to capture more market share. And then the innovative side of it is also what we want to do. And we're putting really the customer, including their advisers, the agents, but we define sort of the customer as the ultimate user of our risk product.

We'd like to improve that overall experience. And we're making it sort of a centerpiece of the next 3 years. I would say from there then, the last 2 would be just technology in generally. I think you know, you've been following us for a long time. We're builders, investors, and we've taken a long-term view of what we need to have in our 4 walls from a competitive side to differentiate ourselves. And that will continue. I'm not going to go into too many details because some of that stuff, we actually have patents pending on some processes and technologies. But just know that we want to continue to innovate, again, to do more with our customer, do more from an efficiency side, have our employees feel like they have data and information at their fingertips.

We call that augmenting human talent. So there's a whole category of investing in technology. And then lastly, I would just say that we've made a lot of progress, but I think we can make additional progress in sort of our industry vertical specialization. I think there is some products that we need to think about and one that we're thinking about rolling out right now is Cyber, which is new for us. If you think about other aspects of the property casualty business or even the Group Benefits business, when we think about dental and vision in our partnership with Beam, we're thinking in terms of industry specializations vertical sub-product expertise that we think our economy will need in the future.

So we're not just looking sort of what is the next excess liability vertical we need to -- I mean we're really thinking down the road of where is our economy going, what are our future emerging risk and we want to be in a position to take advantage of that. So those are, I'd say, the 4 big things.

Question and Answer

Brian Robert Meredith

UBS Investment Bank, Research Division

Got you. Just following up on the technology. Is there any specific area that you think you really need -- you may have some technology debt that you really need to invest in, be it group benefits, commercial, small commercial areas is like, hey, this is an area we need to focus on.

Christopher Jerome Swift

Chairman & CEO

Yes. I would give you the context of everything on the P&C side, I think we have foundational elements that are first class. Because that's what we've been working on for really a long time, last 10, 12 years. So think of claim systems, think of recently with Prevail, which is a product set, but it's also our technology at Duck Creek. Think of Guidewire and everything we have our core products on, on 1 system. And that will ultimately allow, I think, for faster innovation and experimentation going forward. And we're trying to get group benefits in that same basic foundational element.

We probably have another 18 months of heavy investing to do. But really pleased with all our digital interfaces. We have 1 website for any customer of any of our businesses or product lines where you could interact with us. And then as I alluded to, I think the next leg of this journey from a real differentiation side will be AI and how and where we deploy that. So...

Beth A. Costello

Chief Financial Officer

And I think what I'd add to that, Chris, is that when you think about our technology and being able to innovate, obviously, it's really important that we can attract the right resources. And from how we're seeing from that world of technology is top notch, and we are able to attract people because it is exciting, the things that we're doing, the things that they want to work on to use your word, it's not talking about technology debt. It's really about the innovation piece of what we can do with this and using those new technologies.

Christopher Jerome Swift

Chairman & CEO

The other platform, again, it's a little longer-term project, but I would say it's a 6-year project, we're probably at the halfway point, but we're going to take all our data and applications to the cloud. Again, there's security benefits, there's efficient expense benefits, but there's speed and innovation benefits that we think will really monetize. And I know there's a lot of other fine companies that are working on that, too, but we're poised to lead the way.

Brian Robert Meredith

UBS Investment Bank, Research Division

Great. Let's talk about reserves. That's been a hot topic across the industry, general liability, commercial auto. The Hartford was not immune to what we're seeing in general liability. We saw that with the fourth quarter, some strengthening in GL. You were really confident in the conference call that it's been addressed, right? You're done. Maybe you can talk a little bit why you're that confident. Give us some color on kind of what happened and how you went about the process of figuring out the 130.

Christopher Jerome Swift

Chairman & CEO

Do you want to tag team. How about if I just lay the foundation on, yes, we weren't immune. I think our impacts, though are less than others, one, given our clientele, given I think the reserving philosophy that we thought we had, the rate execution on pricing, as I like to say, over the last 5 years, our average cost of goods sold in any liability product, primary excess umbrella, it's probably in the 10%, 10.5%, 11% range. And our pricing over the last 5 years is close to 12.5%.

So I think that's a pretty good indication that we weren't being Pollyannish or rosy with the trends we face. They just -- even our assumptions got overwhelmed by some of the recent social inflation trends, the slip and falls, just the plaintiffs' bar just being very, very aggressive. So I think we've dealt with that in the past. We trued up then accident year '24. We carried those trends forward into '25. They're already in pricing. So as we think about sort of 1/1 is the big selling season, we had our new liability trends that we were

pricing for. The team does an excellent job in executing based on what we set as objectives. I've got utmost confidence in all our segment underwriters, and we're moving forward. And we're moving forward with confidence that we've addressed it.

Beth A. Costello
Chief Financial Officer

And the only thing I'd add to that and what we were trying to convey as we talked about our results is that going into the fourth quarter, we had seen GL activity in the second and third quarter. Each of those quarters, we had taken about \$30 million of adverse development and trued up our current year. As we went into the fourth quarter, we saw those trends continuing, but it's not as if we saw trends 4x what we saw in the previous quarters. We said, okay, we have another quarter of this. We need to build into our estimates that some of this activity is just going to continue.

So more IBNR that we put up in the fourth quarter than in previous quarters. As Chris said, we also then looked at the current year, trued that up. And even with that felt great about where we ended the full year in Commercial Lines, relatively consistent with the prior year. So really strong position. And then, as Chris says, it really positions us into '25. And that feedback loop that we have between our underwriters, our claims folks, our actuaries allows us to get that into pricing even before we have all the models all tuned, they know that if the model tells you need this, you better get this because we're updating trends.

Brian Robert Meredith
UBS Investment Bank, Research Division

That's good. That's helpful. Maybe just adding on to that then, Chris, maybe we can talk a little bit on your perspective on this whole social inflation environment, right? And maybe what's driving it, what needs to be done to address these issues we're seeing right now? And do you think this new administration we have could be helpful, right, for the tort [law] environment.

Christopher Jerome Swift
Chairman & CEO

I promised myself I wasn't going to get agitated today, but that's your third question. Now in all seriousness, it is a difficult societal matter. Some might not think it's a problem. I think it's a problem. I think it's a tax on society that is really undiscussed, unknown of how it affects an average business or family.

So if I really go trace back to it and try to answer your question intellectually, I think once the lawyers were able to advertise probably going back 20, 30 years ago, maybe even longer, the game sort of changed. And the game there was how do you get the most money for someone, not necessarily the fastest, the best recovery, but it's just -- it's always about dollars, and they started building strategies to appeal to juries to judges. There's a lot of strategies then to elect certain types of officials that might be partial to that.

So again, this problem just didn't start 5 years ago. I mean it's been building, I think, for a long time. But I think the good news on this is there are some state legislatures they're really starting to address this because it's both at the state court level and a federal court level. The committee on civil discourse is looking at it from a federal side. But it's the ground game, one-off, 1 legislature at a time, 1 governor at a time from a leadership side. But I'm encouraged. There are 4 or 5 major states that have issues that are trying to get their arms around it. But as I always say, the other side of the plaintiffs' bar, I mean, is equally powerful in motivating too. So -- but I think everyone can agree some simple disclosure on who's funding, particularly mass torts when you're dealing with millions and millions of dollars. And then just the inflationary trends of slip and falls, right? We just talked about what we booked.

I think there needs to be that grassroots efforts to really say what's enough. It's enough from an injury side. You could see some legislatures are capping awards and injuries. I plan to spend more time in Washington this coming year with our trade group and then individually working with senators and Congress people that might be sympathetic to listening and really thinking about solutions. It's early in the new administration. I think there might be some higher priorities if we're intellectually honest.

But that doesn't mean we can't get people's attention that are really looking fresh at how government works and how our judicial system really works.

Brian Robert Meredith
UBS Investment Bank, Research Division

Let's -- talking about regulation and stuff going on, California is one of those states that are obviously challenging always from a regulatory perspective. I guess maybe firstly, California fire losses, right? How should we think about California fire losses for the Hartford. And then, I guess, as an add-on to that question, Chris, what's the solution in California? I mean, it's going to become an affordability issue, I think, probably for people.

Christopher Jerome Swift
Chairman & CEO

Do you want to go on that one?

Beth A. Costello
Chief Financial Officer

Yes, I'll start. So for the wildfires, obviously, our claims folks have been working really hard with our insureds in those areas, both on the personal insurance side and the business insurance side. And sitting here today, when we look at the claims that we've received and look at our insured values in the areas, kind of looking at a range of around \$300 million to \$350 million pretax, and that's net of reinsurance. And then obviously, just to add on to that, depending on what layers of reinsurance we would be in maybe \$10 million to the high end \$30 million of reinstatement premium.

So kind of sizing it that way. And it really will be split between both commercial and personal insurance. And we've made our best estimate of looking at what might happen with the fair plan as well. So that would be -- in those losses and losses associated with the fair plan that ultimately aren't able to be recouped through surcharges or things like that also go into our reinsurance programs.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you.

Christopher Jerome Swift
Chairman & CEO

So I think your question was, are there solutions particular to California. Is that...

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes, California is more important.

Christopher Jerome Swift
Chairman & CEO

Yes. And again, just the context, the state-based system, I think, actually has worked fairly well for a long time. I mean if you look at the state-based model, the regulator -- the 1 regulator, whether he or she is elected or appointed by the executive -- Chief Executive of the state has a dual mandate to take care of customers with properly approved and vetted products, which gets a little bit at availability. And then they also have sort of the solvency component of the industry so that if you're domiciled in 1 of the 50 states, that is your primary regulator from a solvency side.

So those pieces of the equations generally have worked well, but sometimes they get out of balance and require correction. The state where we are today, Florida has gone through that, particularly with some of its assignment of benefits, it's lawyers and challenging things. And they're honestly, on the road to recovery.

Now it's not quite sort of cat-exposed solutions yet because citizens that still the insurer of last resort, that's probably over indexed. But we're having more capital come back into the Florida homeowners market and taking policies and business out of citizens. All that is healthy and part of, I think, a capital markets-based system that is private that is working in conjunction with the legislature here in Florida.

California, if you remember, going back to 1988, Proposition 103 was voted on by the electorate, not the legislature, not the governor, but it was really a consumer-driven proposition that really put onerous constraints on the industry from how much rate they could get at any 1 point in time. What was in a rate filing like reinsurance or can you use cat models or even expenses. You would think that expenses could be benchmarked from an industry side and you can have a fair representation of what it cost to do business in California, but no, they're suppressed.

So all these things have sort of compounded over the years. And obviously, we've lived through a tremendously disruptive inflationary period and a period of time when climate patterns have changed, which has been nothing short of explosive in California as we're seeing with the fires.

So look, I think it has the governor's attention. I think it has the legislature's attention, it has the insurance commissioners attention. But basically, you've got to allow risk and price to be matched up a little bit better, and we need to have access to all the other tools that we use as an industry from predicting catastrophes, using reinsurance because most people still reinsure at some level.

So I think if you look at it objectively, everyone should know what needs to be done, but it just requires a leadership, leadership to say this is what we need to do for the citizens of California. And as one industry participant and I'll speak for others through our trade group, we want to be part of the solution. We want to be part of the long-term fix so that more capital could come back in and where Californians have greater availability of insurance protection. It might be at a higher price, but that's reflective of that environment, Brian.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. Flipping over to Commercial Lines. So renewal written price increases, fourth quarter ex comp, up 9.7%, acceleration from third quarter '24. Looking back, I think it may be the highest that your renewal rate has been since the hard markets, the early 2000s. So I guess -- the rest of the industry is starting to talk about commercial lines pricing moderating, but you're still seeing improvement. Maybe talk a little bit and tell people kind of how your different business will kind of differentiate from the general industry and why you're still seeing more price?

Christopher Jerome Swift
Chairman & CEO

Well, we alluded to it before. I think when you operate sort of at that small to middle market segment, we call the SME space, there's a little more stability. There's a little more elasticity on price and retention. And while property sort of in the large property area starting to soften, we're still getting good double-digit rates. I think we talked on our fourth quarter earnings call and the SME segment, which includes a little bit in middle market, we're probably getting mid-teen rates on liability and property. And one, it's needed, just given the trends that we just talked about, whether it be in property or liability. But the market seems to be accepting that. And again, [indiscernible] with us with our technology, our speed and accuracy and ease of doing business, I think we're capturing more market share naturally while still getting the rates that we want to keep up with loss cost trends.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And that kind of goes to the next question, you kind of alluded to that and maybe we'll continue on here with that is if I look at the commercial line written premium growth, that Hartford has experienced over the last 3 to 5 years, you outpaced the industry by about 100 basis points when I look at your peers, right? Maybe you can provide some context around that and your overweight comp, too, by the way, which is another thing that really makes it even more impressive.

Maybe you can talk about some of the things that you've kind of done over the last 5 to 10 years to kind of solidify and improve that growth profile of the company and what it looks like here going forward?

Christopher Jerome Swift
Chairman & CEO

Well, it's probably not one thing. There's a multitude of new things, and I'll -- between Beth and I will try to reprise it in a way that's digestible. But we talked about it technology-wise. All the investments in technology, I think, have helped from a speed and a turnaround time. I think our underwriters have more to sell. I think we're account rounding more with our comp product, which is our largest product line, but you of all people ought to know, we diversified that down from 40%, 45% down to about 25% today.

But that's selling other products and building other product capabilities, that's building the risk management tools to be a bigger property writer like some of our good competitors. So yes, I think it's a series of things, foundational elements that we did and then a series of -- and we always had good distribution relationships. But then how did we want to talk, how did we want to market? How do we tell our story to our 15,000 appointed agents across the country. So I think we've done a good job effectively just building a growth mindset and then adding the innovation mindset. I think, will only allow us to capture more market share going forward.

Beth A. Costello
Chief Financial Officer

Yes. And just to add a little more color there. I think when you look at our small business area. I mean the fact that they had over \$1 billion in new premium this year, new written premium just speaks to the power of what's been built there. And over 75% of the quotes that we give are on the glass, no human touch.

So I still bristled when you said technical debt in our small commercial business. There is no -- nothing about our technology, that is debt, it is a huge asset, and the team just continues to leverage that and be able to look for ways to bring in other product sets from other parts of our business, whether it's from the professional lines, E&S, all of those things. So as Chris said, there's just a lot that we're building on. We built a lot and really, I think, positions us well as we head into 2025.

Christopher Jerome Swift
Chairman & CEO

Yes. One item, and Beth mentioned it, but we did an acquisition in 2019 that maybe curled some people's hair like yours or turned it more gray.

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes.

Christopher Jerome Swift
Chairman & CEO

But I'm so glad we did that deal. If you really think about where the E&S markets exploded to over 20 -- 22% of all commercial lines to have additional distribution with the wholesalers to have a dedicated channel there to have the profits and improvements in the returns that we have in our global specialty business today, I do that deal in a heartbeat.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. One more, and then we'll turn it over to the audience. I'm going to dig into the weeds a little bit on this one. So commercial lines insurance, underlying core loss ratios and core margins, we chat a little bit about on the conference call, you said despite some favorable noncat weather, I think it could be kind of consistent with 2024, 2025, maybe unpack that a little bit for us? Kind of how do we think about it, get to the moving pieces? Is that exclusive of non-cat weather, including noncat weather you think it would be flat?

Christopher Jerome Swift
Chairman & CEO

What did I say on the call? I was not going to unpack and go -- why would you think I would change my mind 2 weeks after I just said that. But just because we like you and respect to you, I would still say the components of margin expansion are still alive and well for us across many different business segments, right, whether it be small, middle, global specialty. And I think the only thing I would say is I don't see the comp world all that differently. But remember, meaning compared to last year, I think medical trend and loss costs will be fairly stable. And pricing will be slightly negative again. But when you put it all together, as you mix in some of our new products so you mix in more property, as you think about some of the improvements that we're going to drive for in liability lines broad-based. And if you think about our expense efficiency programs, our continuous improvement mindset. Just giving you a little nuggets to put into your calculator to sort of say, yes, that makes a lot of sense.

Beth A. Costello
Chief Financial Officer

The only thing I'd add to that is, if you broke down all the components and we look at sort of all the puts and takes, there's not any 1 big thing that's being offset by 1 other than going the other way. I mean, it's a lot sort of on the margin, which is why when we look at it and say that we can be relatively consistent, we see how all the pieces fit together, and it's all the things that Chris spoke to that are already underway.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense.

Christopher Jerome Swift

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Chairman & CEO

Our property underwriting is really good. We've got good tools, good models. So whether it be cat, whether it be non-cat, I feel good about sort of our attritional losses and then the cat loads ex the California fires that we'll have to just deal with separately.

Brian Robert Meredith

UBS Investment Bank, Research Division

Got you. Anything from the audience? If not, I've got plenty more. So let's go to the next one. So you had a goal, I believe, it was \$300 million of E&S premium in 2024. You met that. Anything you could share for '25 as far as moving into the E&S markets.

Christopher Jerome Swift

Chairman & CEO

No.

Brian Robert Meredith

UBS Investment Bank, Research Division

It is still an attractive area?

Christopher Jerome Swift

Chairman & CEO

It is still an attractive market. It's a growth area for us, but I'm not going to quantify what we think we could do from a growth rate side. Remember, we've gone basically from 0 to \$300 million over the last 3, 4 years. So the relationships that we have with sort of the big 3 wholesalers and the ability to turn on what we call more cities and more locations in their network. There's still untapped market potential that we're going to get after.

Brian Robert Meredith

UBS Investment Bank, Research Division

So maybe the question is, do you expect -- continue to be a larger percentage of your overall commercial insurance business over the next 5 years?

Christopher Jerome Swift

Chairman & CEO

Yes. I think the E&S growth rates will continue to be some of the highest in the platform -- commercial platform.

Brian Robert Meredith

UBS Investment Bank, Research Division

And I guess -- and we've talked about this before, but it was an interesting point, why as a typical standard commercial lines insurance company historically, right? Now granted you got Navigators and you've got some good E&S capabilities now. Why the push more towards E&S? Is there a structural reason that it's just a better market to be in now?

Christopher Jerome Swift

Chairman & CEO

Well, I think basically, the freedom of rate and form is a powerful motivator for risk these days, whether it be property risk in certain areas, whether it be liability risk that we just talked about, the ability to just really customize what perils you want to cover with an appropriate price and what perils you don't. It's a pretty good chassis.

Brian Robert Meredith

UBS Investment Bank, Research Division

Yes. Is it easy to turn on that E&S engine in the standard commercial lines kind of underwriters philosophy? Or is it completely kind of separate.

Christopher Jerome Swift

Chairman & CEO

We keep it separate, right? So we don't mix retail and wholesale. Products are separate, businesses and underwriters are separate. And yes, that's one of the I think, key priorities. There might be a handful of us that approach it that way. But yes, it's sort of like Coke and Pepsi. You can't mix them.

Brian Robert Meredith

UBS Investment Bank, Research Division

Can't mix them. Makes sense. Maybe we can talk a little bit about Personal Lines Insurance business, changes that you've been seeing in your Personal Lines business? How is it positioned right now for better growth and profitability as we look going forward.

Christopher Jerome Swift

Chairman & CEO

Well, besides sort of the inflationary period that we lived through that required fairly meaningful remediation of the industry book of business, but particularly ours, I feel good about what we've built, again, as a new chassis, a new platform where we started building that, and you know this, Brian, is that our AARP relationship of almost 40 years is really a preferred market segment that we recommitted to 1 another in essence, for a 10-year contract extension.

So I think our contract goes through 2033, 1/1/2033. And we built new products, and we built a new technology platform that is more modern. We've introduced telematics, we have better digital tools for our customers. We're in 45 states right now. So I'm declaring that basically, the rollout of prevail, the product and chassis into our direct response model, which is AARP, is virtually complete and we'll get back to targeted profitability on our overall book of business in midyear. I think then what's really next is -- and we alluded to it and I think other discussions that we've had, Brian, is that we're really studying the agency channel and seeing if our preferred market orientation can work in an independent agent channel with the Prevail product and the Prevail technology. And that's what we're working on.

And when we're ready to roll it out, we'll let you know. But I think that's the evolution of how we think about that business. And then we get back to sort of targeted margins in the 20-plus ROE range. We feel pretty good about the earnings contribution lift that we'll get to the overall franchise once we get to those targeted margins.

Brian Robert Meredith

UBS Investment Bank, Research Division

Where are we in the transition to 6-month policies.

Christopher Jerome Swift

Chairman & CEO

Say it again.

Brian Robert Meredith

UBS Investment Bank, Research Division

Aren't you going to 6-month policies.

Christopher Jerome Swift

Chairman & CEO

Yes, the Prevail chassis has 6 months.

Beth A. Costello

Chief Financial Officer

For auto.

Christopher Jerome Swift

Chairman & CEO

Home is 12. But I would envision using that same chassis in the agency channel, too. It's fast recycling, right? We've improved our cycle times with a 6-month policy, but we also improved our cycle times with data and analytics that really drive all the adjustments you need to do...

Beth A. Costello

Chief Financial Officer

I think as we've talked about before. Brian, we're not converting the legacy book from the 12 months to the 6 months, it's new business. So as far as percentage of policy, still a higher percentage of auto is still 12 months, but that will roll in over time.

Brian Robert Meredith

UBS Investment Bank, Research Division

Makes sense. Let's pivot over to Group Benefits. Been an incredibly attractive business for the last several years, right. Great margins on the business. Maybe talk a little bit about where the margins are headed. I know you told us to think about margins heading back to kind of historical norms. What's been driving the kind of really good margins? And why should they head back to historical norms.

Christopher Jerome Swift

Chairman & CEO

Yes, we've probably been telling you to look at historical norms for the last 5 years, and we've always been able to outperform. So I'm not saying history is a predictor of the future, but we're going to try to outperform the historical norms. And really what we've always said, Brian, is that, that 6 to 7 is how we're pricing products in this next 3-year cycle.

Remember, we're making 3-year rate guarantees. The assumption is that basically incidence is at all-time lows, particularly over the last 2 or 3 years, and our planning assumption has a little bit of a reversion to the mean there. And if we generate 6 to 7 points of margin on a GAAP stated ROE basis, that's probably in the 11% ROE range. If you convert that then to tangible ROEs with a goodwill and other intangibles we have in our book, it's probably plus 15% in the 15% to 16%.

So I know you get a little concerned when margins come down, but it's still healthy. We're still going to try to outperform. And I think the only matter that really requires some attention is we have a couple of states where we offer leave, particularly paid family and paid medical leaves. And that book of business is about \$250 million in total that we need to do some profit improvement. It's a nice problem to have because the products are being utilized.

People understand the benefits but we probably picked an incident rate for some of those paid family medical and leave products that were just a little too low. And generally, we're able to reprice those products every 1 year, 2 years at the max and we'll get after improving that. So you put it all together, 6 to 7s, we still like that. We're investing in this business, particularly in the down market. We're -- us and maybe 2 other folks are the absolute leaders in the national account space with 5,000 lives up. We do want to have a bigger presence, a better impact on 5,000 and below. And to do that, we do need to make some technology improvements to have a quote to underwriting to onboarding process that's just a little smoother and less friction for customers, and that's what we're working on.

Brian Robert Meredith

UBS Investment Bank, Research Division

Great. Maybe pivot over to capital management for a couple of minutes here. Maybe talk about priorities for 2025 from a capital management perspective, balancing kind of growth with growth in the business, both organic and inorganic with returning capital to shareholders.

Christopher Jerome Swift

Chairman & CEO

No, no. Go ahead.

Beth A. Costello

Chief Financial Officer

No, I think as we look at it, our priorities are consistent with how we've talked about them in the past. I mean we always start with looking at using our excess capital for where we can deploy in our businesses and to support the growth that we have. And I think we've shown that over the last several years. And feel really good about our trajectory there. And then from there, we continue to focus on maintaining a healthy dividend. And so you've seen us increase the dividend as our earnings have increased. And then as far as after that, we continue to see share repurchases as an effective use of our capital.

We've talked about the fact with our new authorization. We're on about a \$400 million run rate each quarter of repurchases of what we've been doing. And when we put all those pieces together, the investments we're making in our business, maintaining our dividend, what we do with the excess, feel very good about that. And as we've talked about before, from the capabilities that we have in-house,

we're not missing something. And so for us, as we think about inorganic, it would really have to be opportunistic and something that fits very well strategically and financially because right now, I think the path we're on is very good. I don't know if you'd add anything else to that.

Brian Robert Meredith

UBS Investment Bank, Research Division

One I've been asking to people, tariffs have been a big topic, obviously. How does tariffs impact the Hartford's business?

Christopher Jerome Swift

Chairman & CEO

Well, it's one of those things, obviously, all market participants need to watch. And if you had to sort of pick maybe 1 or 2 areas, and I didn't realize this until you sort of study trends, but 60% of our lumber gets imported from Canada. So if you think about just building materials because lumber is still used in many parts of the world. So rebuilding homes, new homes, values could be a little higher. And I think the other area is in either personal or commercial auto when you're dealing with sort of physical damage.

And if the tariffs really put additional cost on importing replacement parts or even new parts for existing -- for new cars, that will probably have an inflationary impact. I think my gut tells me that's probably more of a second half of '25 issue depending on how it gets resolved. And then obviously, a potential full year impacts in '26 and '27. But as we've planned, we feel good we have a range of outcomes that contemplate some of these things in our cost of goods sold pick. It's not -- it's not a high case. It's not a low case. I think for '25, we'll be okay, but we'll have to really think hard about '26 and '27, depending on what really gets negotiated.

Brian Robert Meredith

UBS Investment Bank, Research Division

Makes sense.

Christopher Jerome Swift

Chairman & CEO

I think rational minds both on Canadian government, the Mexican government and our government. No one wants to tip an economy into recession and have unintended consequences. So I really do believe that there'll be a negotiated outcome where everyone can declare victory.

Beth A. Costello

Chief Financial Officer

The only thing I'd add to what Chris said is that the teams are obviously watching it very closely. And I think with tariffs, if they come into play, they'll come into play quickly. And I think our teams are ready to react to that if they need to, there's always can be some lag. But to Chris' point, as we sort of think about '25 and what we're planning, we believe that we have some runway for that, but the teams are on it and watching it and ready to react if we need to.

Brian Robert Meredith

UBS Investment Bank, Research Division

Great. Awesome. I think we're over time. Thank you so much for your time. That was great. Thank you very much. Appreciate it.

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