



CHRISTOPHER J. SWIFT
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Dear Shareholders:

2014 was an outstanding year for The Hartford. Thanks to the commitment and hard work of more than 17,000 employees, we accelerated the transformation of the company and delivered strong financial results. The Hartford's core earnings¹ grew 9%, or 16% on a diluted per share basis. Net income was \$798 million, or \$1.73 per diluted share, and our core earnings return on equity¹ increased a full percentage point.

We continued to focus on increasing shareholder value in 2014. Our accomplishments included expanding core earnings and increasing return on equity in our Property & Casualty, Group Benefits and Mutual Funds businesses; selling the Japan annuity business and thereby substantially reducing the risk in our legacy life and annuity runoff business, known as Talcott Resolution; returning more than \$2 billion of capital to shareholders through share repurchases and dividends; and, executing a seamless leadership transition.

No discussion of 2014 would be complete without an expression of our deepest gratitude to Liam McGee and his family. Liam stepped down as Chairman, President and Chief Executive Officer and The Hartford was deeply saddened by his loss in February 2015. Liam was a great leader and made an indelible impression on The Hartford. He restored the company's financial strength and set us on a path to achieve our vision: to be an exceptional company, celebrated for financial performance, character and customer value.

In my previous role as The Hartford's Chief Financial Officer, I worked in partnership with Liam and in my new role as Chairman and Chief Executive Officer, I will continue to execute the strategy we developed for creating shareholder value: 1) profitably grow the company's focused portfolio of businesses, 2) further reduce the size and risk of the legacy annuity liabilities, and 3) deliver more customer value while increasing operating effectiveness and efficiency.

In 2014, we made significant progress in each of these three areas and our strategic and financial transformation is essentially complete. We have placed greater focus on our portfolio of businesses and continue to make important investments for future growth, including investments in products, capabilities, technology and talent.



Property & Casualty

In 2014, Property & Casualty core earnings were up 7% from 2013, driven by growth in Commercial Lines. We effectively balanced top-line growth and margins, reflecting underwriting discipline, investments in new products and capabilities, and generally stable loss costs.

Over the years, The Hartford has built a strong market position in providing insurance for small, medium and large sized businesses. Our Small Commercial business has unique skills in product, distribution and service, and a sharp focus on our customers and distribution partners. We finished 2014 with three consecutive quarters of double-digit new business growth driven by the full implementation of our quoting application, ICON, and other agency engagement initiatives. We continue to strengthen our market position in Middle Market, where we are building on our traditional strength in workers' compensation by both strengthening our general liability and commercial auto products and expanding our capabilities in areas such as construction, marine and property.

In Personal Lines, we made progress on several fronts in 2014. We continued to develop our 30-year relationship with AARP, both achieving greater efficiency in the direct channel and continuing to expand in the developing AARP Agency channel. We also rolled out our new auto product, Open Road, available now in 41 states. Open Road increases our pricing flexibility and market responsiveness.

We continue to focus on customer service and creating a great experience every time we interact with a customer, whether it is processing a claim, helping with a new policy or handling a billing question. We are pleased with the performance of our Claims Department, which handles claims with empathy, speed and accuracy.

Group Benefits

In Group Benefits, 2014 was another year of strong progress, with core earnings up 14% from 2013 and a significant increase in after-tax core earnings margin.¹ We have spent the past four years improving the profitability of this business by implementing significant price increases, along with material underwriting changes, in an environment of sustained low interest rates. This is never an easy process and we lost some customers along the way due to our disciplined pricing and underwriting initiatives. We are pleased that some of our customers who left us over the last few years have begun to return. We believe these customer win-backs reflect our service and claims capabilities, the differentiated experience we offer and our overall compelling value proposition.

Overall, new sales with an effective date of January 1, 2015 were up 60% from the prior year. As we expand in the voluntary market we are making additional investments in products and capabilities to provide an even better experience in an increasingly consumer-driven market. We are also investing in enhanced analytics and field resources that are aligned with our targeted markets.

Mutual Funds

Hartford Mutual Funds offers 46 funds in a variety of styles and asset classes subadvised by Wellington Management and had \$73.0 billion of assets under management at December 31, 2014.² The Wellington partnership has delivered solid fund performance across multiple time periods, with 50%, 80% and 72% of our equity funds beating their Morningstar peers on a 1-, 3-, and 5-year basis, respectively.

We had a good year in Mutual Funds in 2014, with core earnings increasing 17% from 2013, largely due to higher investment management fees. Mutual Fund sales were stable compared to 2013 and net flows were approximately break-even after adjusting for our exit from certain funds and the transfer of other funds to our investment operations.

Hartford Mutual Funds redefined its brand identity, introducing its new tagline, “Our benchmark is the investorSM,” and its focus on “human-centric investing,” a unique approach that leverages the emotional relationships between clients, their money and their financial advisors. We have also introduced new products, including new share classes and a global long/short equity fund.

Talcott Resolution

In 2014, core earnings for Talcott increased 5%, from 2013, due to lower costs for contract holder initiatives and strong performance on limited partnerships and other alternative investments. During the year, we completed the sale of the Japan annuity business and made significant progress in reducing the size and risk of the runoff book of business in Talcott, with variable annuity and fixed annuity contract counts declining 13% and 18%, respectively. With the improved risk profile in Talcott, we expect to dividend \$1.5 billion to our holding company in 2015 and 2016, providing The Hartford significant financial flexibility for future capital actions and investments in new capabilities.

“We are a passionate, collaborative team with a common vision for The Hartford and a commitment to a high-performance culture.”

Leadership Transition and Talent

2014 was a year of significant changes in The Hartford’s senior leadership team. I succeeded Liam McGee as Chief Executive Officer and subsequently as Chairman of the Board. We appointed Doug Elliot as President, with responsibility for the Property & Casualty and Group Benefits businesses. Beth Bombara was appointed Chief Financial Officer, Bill Bloom joined The Hartford as Executive Vice President of Operations and Technology and Ray Sprague was named to lead Personal Lines. I’m pleased and proud to work with these outstanding executives. We are a passionate, collaborative team with a common vision for The Hartford and a commitment to a high-performance culture.

In addition to ensuring that we have an excellent leadership team, we also remain focused on ensuring that we attract, develop and retain the best talent in our industry. We offer growth opportunities in an inclusive environment that supports employee engagement and empowerment.

We partner with a leading consulting firm each year to measure our employee engagement and empowerment. I am pleased that in the 2014 survey, The Hartford came out close to the top decile in a broad group of 800 companies. This represents a substantial improvement over the past three years.

As important as it is to have an outstanding leadership team and engaged, empowered employees, it is equally important that all of our employees work together toward common goals with an understanding of how each of our responsibilities and actions fit into the larger picture. We continue to make great strides with our One Hartford approach, which is designed to broaden perspectives, promote efficiency and support teamwork.

Character

A key component of our vision is to be celebrated for our character. For The Hartford, character includes an unwavering commitment to integrity and ethical conduct; caring for customers, partners and one another; engaging with and serving the communities in which we work and live; protecting the environment; and fostering a diverse and inclusive culture.

Diversity and inclusion is very important to The Hartford and is part of Liam's legacy that we carry forward. With the election of Teresa Roseborough to our board of directors effective April 2015, we are proud that our board is comprised of 36% female leaders.



REMEMBERING LIAM E. MCGEE

Former Chairman, President and CEO of The Hartford
(1954 - 2015)

The Hartford was deeply saddened by the passing of former Chairman, President and CEO, Liam E. McGee. Liam was a man of commitment, integrity and compassion, and we were fortunate to have him join The Hartford during a challenging time in the company's history. He made the tough decisions necessary to guide the company through this period, with an unwavering focus on what was best for our company, our customers, our employees, our shareholders and our community.

Thanks to Liam's leadership and tireless efforts, the company executed on a strategic and financial transformation that is now essentially complete. His vision of The Hartford as an exceptional company, celebrated for financial performance, character and customer value will continue to be a guiding principle for all of our colleagues.

Being celebrated for character is a significant part of Liam's legacy. Liam was committed to never, ever losing the character of The Hartford - our commitment to ethics, integrity, our community and one another - the character that has made The Hartford strong for more than 200 years.

We are forever thankful for Liam's many contributions to our company and our community along with his guidance, wisdom and friendship. We owe him and his family a debt of gratitude.

In 2015, we were named for the seventh time as one of the “World’s Most Ethical Companies” by the Ethisphere Institute. The Hartford was one of only two Property & Casualty companies to receive this honor this year. We were named a Best Employer For Healthy Lifestyles® by The National Business Group on Health and a Best Place to Work for LGBT Equality for the seventh time. In recognition of The Hartford’s commitment to environmental stewardship, we were named to the Dow Jones Sustainability Index for the third consecutive year and to the Carbon Disclosure Project Leadership Index for the seventh consecutive year.



We launched our new Communities with HART initiative in 2014, committing \$16 million over 5 years to help small business succeed by providing loans and training to those that lack access to traditional sources of capital. Our first two investments include \$1.25 million to the Accion U.S. Network to benefit 500 small businesses and \$1.5 million to Junior Achievement USA to support 100,000 students. In 2014, we also continued our 20-year support of U.S. Paralympics with programs and funding.

The Hartford in 2015 and Beyond

As we entered 2015, the economic environment in the U.S. had improved substantially, with acceleration in job creation and an expansion in gross domestic product, while interest rates remain lower than expected, which will continue to pressure margins going forward.

We are committed to improving The Hartford’s return on equity and growing book value per share to drive top quartile shareholder returns. To accomplish these objectives, we will focus on four major areas.

“We are committed to improving The Hartford’s return on equity and growing book value per share to drive top quartile shareholder returns.”

First, we are expanding our product and underwriting capabilities to meet the needs of a broader set of policyholders. In 2015, we plan to strengthen our presence in geographies where we have been under-represented. In Group Benefits, we have expanded our voluntary product suite to include Disability FLEX, critical illness, and accident coverages.

Second, we will continue to extend our distribution in 2015. One of The Hartford’s great historical strengths is our deep relationship with our distribution partners, and we are working to expand and deepen our relationships to ensure we are the partner of choice in a consolidating agent/broker community. The feedback we are hearing from our distribution partners is that The Hartford is 100% back and many have indicated a desire to do more business with us in certain classes of business where we have not historically operated in a significant way.

When considering insurance products, many of our customers start their buying process online. We are sensitive and responsive to evolving customer preferences and are continuing to build and expand our digital and multi-channel distribution capabilities in Personal Lines and Small Commercial. We were also pleased to have expanded our partnership with AARP to extend our small business services to their members.

Third, we are focused on improving the customer experience and our operating efficiency. We are making investments in technologies such as our new Property & Casualty claims system, which improves claims efficiency and consistency, as well as the entire claims experience for the policyholder and agent. Additional technology deployments provide improved underwriting analysis and pricing/loss avoidance capabilities. To enhance our distribution, our investments will also provide independent agents and customers with an improved, intuitive experience and quoting accuracy.

Our work to improve our operations also includes a continued focus on attracting, developing and retaining the best talent in our industry. Competition for talent is increasing. We are committed to being the employer of choice for the current and next generation of insurance talent. We offer great career and employee development opportunities, and will continue to invest in technology, develop capabilities, and apply process improvements to enable all employees to achieve their best.

Finally, we are focused on effectively managing capital, and as the runoff of Talcott continues, we plan to reduce the amount of excess capital held in that unit. In 2015, we expect to complete the expanded two-year capital management plan that was announced in July 2014. The \$3.9 billion capital management plan includes \$2.8 billion for share repurchases and \$1.1 billion for debt reduction over 2014 and 2015. We expect to have future capital flexibility and will continue to deploy capital in accretive ways - for share repurchases, debt reduction, dividends and investments in our capabilities to enhance shareholder value.

With the sale of the Japan annuity business and significant improvements in our Property & Casualty and Group Benefits businesses, the company's strategic and financial transformation and restructuring is essentially complete. The Hartford enters 2015 with a clear strategic direction and a focused portfolio of businesses. We are a strong competitor in each of our markets. With targeted investments to support future growth, we are supplementing existing strengths in underwriting and claims with enhanced capabilities in product, distribution and service. From a balance sheet perspective, we have financial strength, flexibility and a substantially improved risk profile.

I am confident that the company is well positioned to create value for our shareholders on a consistent and sustained basis.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Swift", written in a cursive style.

CHRISTOPHER J. SWIFT
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Certain statements made in this letter to shareholders should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about The Hartford's future results of operations. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those discussed in our 2014 Annual Report on Form 10-K, in our Quarterly Reports on Form 10-Q and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this letter to shareholders, which speaks as of April 8, 2015.

ABOUT THE HARTFORD

With more than 200 years of expertise, The Hartford (NYSE:HIG) is a leader in property and casualty insurance, group benefits and mutual funds. The company is widely recognized for its service excellence, sustainability practices, trust and integrity. More information on the company and its financial performance is available at www.thehartford.com.

From time to time, The Hartford uses its website to disseminate material company information. Financial and other important information regarding The Hartford is routinely accessible through and posted on our website at <http://ir.thehartford.com>. In addition, you may automatically receive email alerts and other information about The Hartford when you enroll your email address by visiting the "Email Alerts" section at <http://ir.thehartford.com>.

HIG-F

¹ Denotes a financial measure not calculated based on generally accepted accounting principles ("non-GAAP financial measures"). Information regarding non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures, is provided in The Hartford's Investor Financial Supplement for the fourth quarter 2014, which is available at the Investor Relations section of The Hartford's website at <http://ir.thehartford.com>.

² Excluding assets used in certain annuity products.

The Hartford® is The Hartford Financial Services Group, Inc. and its subsidiaries. Its headquarters is in Hartford CT.

Prepare. Protect. Prevail.SM

One Hartford Plaza
Hartford, CT 06155



Business Insurance
Employee Benefits
Auto
Home