UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to ___________

Commission file number 001-13958

THE HARTFORD

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3317783**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

One Hartford Plaza, Hartford, Connecticut 06155

(Address of principal executive offices) (Zip Code)

(860) **547-5000**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	HIG	The New York Stock Exchange
6.10% Notes due October 1, 2041	HIG 41	The New York Stock Exchange
7.875% Fixed-to-Floating Rate Junior Subordinated Debentures due 2042	HGH	The New York Stock Exchange
Depositary Shares, Each Representing a 1/1,000th Interest in a Share of 6.000% Non-Cumulative Preferred Stock, Series G, par value $0.01 per share	HIG PR G	The New York Stock Exchange

Indicate by check mark:

- whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
- whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
- whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

- whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 28, 2020, there were outstanding 358,196,405 shares of Common Stock, $0.01 par value per share, of the registrant.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020
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[a]The information required by this item is set forth in the Enterprise Risk Management section of Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.

Forward-looking Statements

Certain of the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “projects,” and similar references to future periods.

Forward-looking statements are based on management's current expectations and assumptions regarding future economic, competitive, legislative and other developments and their potential effect upon The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, the "Company" or "The Hartford"). Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from expectations, depending on the evolution of various factors, including the risks and uncertainties identified below, as well as factors described in such forward-looking statements; or in Part I, Item 1A, Risk Factors in The Hartford’s 2019 Form 10-K Annual Report, as amended in Part II Item 1A herein; and those identified from time to time in our other filings with the Securities and Exchange Commission.

- Risks relating to the pandemic caused by the spread of novel strain of coronavirus, specifically identified as the Coronavirus Disease 2019 (“COVID-19”) including impacts to the Company's insurance and product-related, regulatory/legal, recessionary and other global economic, capital and liquidity and operational risks
- Risks Relating to Economic, Political and Global Market Conditions:
    - challenges related to the Company’s current operating environment, including global political, economic and market conditions, and the effect of financial market disruptions, economic downturns, changes in trade regulation including tariffs and other barriers or other potentially adverse macroeconomic developments on the demand for our products and returns in our investment portfolios;
    - market risks associated with our business, including changes in credit spreads, equity prices, interest rates, inflation rate, foreign currency exchange rates and market volatility;
    - the impact on our investment portfolio if our investment portfolio is concentrated in any particular segment of the economy;
    - the impacts of changing climate and weather patterns on our businesses, operations and investment portfolio including on claims, demand and pricing of our products, the availability and cost of reinsurance, our modeling data used to evaluate and manage risks of catastrophes and severe weather events, the value of our investment portfolios and credit risk with reinsurers and other counterparties;
    - the risks associated with the discontinuance of the London Inter-Bank Offered Rate ("LIBOR") on the securities we hold or may have issued, other financial instruments and any other assets and liabilities whose value is tied to LIBOR;
    - the impacts associated with the withdrawal of the United Kingdom (“U.K.”) from the European Union (“E.U.”) on our international operations in the U.K. and E.U.
- Insurance Industry and Product-Related Risks:
    - the possibility of unfavorable loss development, including with respect to long-tailed exposures;
    - the significant uncertainties that limit our ability to estimate the ultimate reserves necessary for asbestos and environmental claims;
    - the possibility of a pandemic, earthquake, or other natural or man-made disaster that may adversely affect our businesses;
    - weather and other natural physical events, including the intensity and frequency of storms, hail, wildfires, flooding, winter storms, hurricanes and tropical storms, as well as climate change and its potential impact on weather patterns;
    - the possible occurrence of terrorist attacks and the Company’s inability to contain its exposure as a result of, among other factors, the inability to exclude coverage for terrorist attacks from workers' compensation policies and limitations on reinsurance coverage from the federal government under applicable laws;
    - the Company’s ability to effectively price its property and casualty policies, including its ability to obtain regulatory consents to pricing actions or to non-renewal or withdrawal of certain product lines;
    - actions by competitors that may be larger or have greater financial resources than we do;
    - technological changes, including usage-based methods of determining premiums, advancements in automotive safety features, the development of autonomous vehicles, and platforms that facilitate ride sharing,
    - the Company's ability to market, distribute and provide insurance products and investment advisory services through current and future distribution channels and advisory firms;
    - the uncertain effects of emerging claim and coverage issues;
- Financial Strength, Credit and Counterparty Risks:
    - risks to our business, financial position, prospects and results associated with negative rating actions or downgrades in the Company’s financial strength and credit ratings or negative rating actions or downgrades relating to our investments;

- capital requirements which are subject to many factors, including many that are outside the Company's control, such as National Association of Insurance Commissioners ("NAIC") risk based capital formulas, Funds at Lloyd's and Solvency Capital Requirement, which can in turn affect our credit and financial strength ratings, cost of capital, regulatory compliance and other aspects of our business and results;
- losses due to nonperformance or defaults by others, including credit risk with counterparties associated with investments, derivatives, premiums receivable, reinsurance recoverables and indemnifications provided by third parties in connection with previous dispositions;
- the potential for losses due to our reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses;
- state and international regulatory limitations on the ability of the Company and certain of its subsidiaries to declare and pay dividends;

- Risks Relating to Estimates, Assumptions and Valuations:
  - risk associated with the use of analytical models in making decisions in key areas such as underwriting, pricing, capital management, reserving, investments, reinsurance and catastrophe risk management;
  - the potential for differing interpretations of the methodologies, estimations and assumptions that underlie the Company's fair value estimates for its investments and the evaluation of intent-to-sell impairments and allowance for credit losses on available-for-sale securities;
  - the potential for further impairments of our goodwill or the potential for changes in valuation allowances against deferred tax assets;
- Strategic and Operational Risks:
  - the Company's ability to maintain the availability of its systems and safeguard the security of its data in the event of a disaster, cyber or other information security incident or other unanticipated event;
  - the potential for difficulties arising from outsourcing and similar third-party relationships;
  - the risks, challenges and uncertainties associated with capital management plans, expense reduction initiatives and other actions, which may include acquisitions, divestitures or restructurings;
  - risks associated with acquisitions and divestitures, including the challenges of integrating acquired companies or businesses, which may result in our inability to achieve the anticipated benefits and synergies and may result in unintended consequences;
  - difficulty in attracting and retaining talented and qualified personnel, including key employees, such as executives, managers and employees with strong technological, analytical and other specialized skills;
  - the Company's ability to protect its intellectual property and defend against claims of infringement;
- Regulatory and Legal Risks:
  - the cost and other potential effects of increased federal, state and international regulatory and legislative developments, including those that could adversely impact the demand for the Company's products, operating costs and required capital levels;
  - unfavorable judicial or legislative developments;
  - the impact of changes in federal, state or foreign tax laws;
  - regulatory requirements that could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests; and
  - the impact of potential changes in accounting principles and related financial reporting requirements.

Any forward-looking statement made by the Company in this document speaks only as of the date of the filing of this Form 10-Q. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Hartford Financial Services Group, Inc.
Hartford, Connecticut

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of The Hartford Financial Services Group, Inc. and subsidiaries (the "Company") as of June 30, 2020, the related condensed consolidated statements of operations, comprehensive income (loss), and changes in stockholders' equity for the three-month and six-month periods ended June 30, 2020 and 2019, and of cash flows for the six-month periods ended June 30, 2020 and 2019, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut
July 30, 2020

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except for per share data)	**2020**	**2019**	**2020**	**2019**
	(Unaudited)			
Revenues				
Earned premiums	$ 4,234	$ 4,166	$ 8,625	$ 8,106
Fee income	298	326	618	640
Net investment income	339	488	798	958
Net realized capital gains (losses)	109	80	(122)	243
Other revenues	88	32	105	85
Total revenues	**5,068**	**5,092**	**10,024**	**10,032**
Benefits, losses and expenses				
Benefits, losses and loss adjustment expenses	2,847	2,934	5,763	5,619
Amortization of deferred policy acquisition costs ("DAC")	429	392	866	747
Insurance operating costs and other expenses	1,125	1,141	2,301	2,189
Loss on reinsurance transaction	—	91	—	91
Interest expense	57	63	121	127
Amortization of other intangible assets	18	15	37	28
Total benefits, losses and expenses	**4,476**	**4,636**	**9,088**	**8,801**
Income before income taxes	**592**	**456**	**936**	**1,231**
Income tax expense	124	84	195	229
Net income	**468**	**372**	**741**	**1,002**
Preferred stock dividends	5	—	10	5
Net income available to common stockholders	**$ 463**	**$ 372**	**$ 731**	**$ 997**
Net income available to common stockholders per common share				
Basic	**$ 1.29**	**$ 1.03**	**$ 2.04**	**$ 2.76**
Diluted	**$ 1.29**	**$ 1.02**	**$ 2.03**	**$ 2.73**

See Notes to Condensed Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2020	2019	2020	2019
	(Unaudited)			
Net income	**$ 468**	**$ 372**	**$ 741**	**$ 1,002**
Other comprehensive income (loss):				
Changes in net unrealized gain on fixed maturities	1,428	664	371	1,343
Change in unrealized losses on fixed maturities for which an allowance for credit losses ("ACL") has been recorded	—		1	
Changes in other-than-temporary impairment ("OTTI") losses recognized in other comprehensive income		—		1
Changes in net gain on cash flow hedging instruments	(5)	11	39	16
Changes in foreign currency translation adjustments	1	3	(7)	4
Changes in pension and other postretirement plan adjustments	12	9	23	17
OCI, net of tax	**1,436**	**687**	**427**	**1,381**
Comprehensive income	**$ 1,904**	**$ 1,059**	**$ 1,168**	**$ 2,383**

See Notes to Condensed Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Balance Sheets

(in millions, except for share and per share data)	June 30, 2020	December 31, 2019
	(Unaudited)	
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $39,640 and $40,078, and ACL of $32 and $0)	$ 42,200	$ 42,148
Fixed maturities, at fair value using the fair value option	1	11
Equity securities, at fair value	756	1,657
Mortgage loans (net of ACL of $43 and $0)	4,399	4,215
Limited partnerships and other alternative investments	1,826	1,758
Other investments	178	320
Short-term investments	3,668	2,921
Total investments	53,028	53,030
Cash	291	185
Restricted cash	81	77
Premiums receivable and agents' balances (net of ACL of $183 and $145)	4,595	4,384
Reinsurance recoverables (net of allowance for uncollectible reinsurance of $111 and $114)	5,640	5,527
Deferred policy acquisition costs	812	785
Deferred income taxes, net	130	299
Goodwill	1,911	1,913
Property and equipment, net	1,135	1,181
Other intangible assets, net	996	1,070
Other assets	2,371	2,366
Total assets	**$ 70,990**	**$ 70,817**
Liabilities		
Unpaid losses and loss adjustment expenses	$ 36,870	$ 36,517
Reserve for future policy benefits	652	635
Other policyholder funds and benefits payable	750	755
Unearned premiums	6,872	6,635
Short-term debt	—	500
Long-term debt	4,350	4,348
Other liabilities	4,424	5,157
Total liabilities	**53,918**	**54,547**
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Preferred stock, $0.01 par value — 50,000,000 shares authorized, 13,800 shares issued at June 30, 2020 and December 31, 2019, aggregate liquidation preference of $345	334	334
Common stock, $0.01 par value — 1,500,000,000 shares authorized, 384,923,222 shares issued at June 30, 2020 and December 31, 2019	4	4
Additional paid-in capital	4,299	4,312
Retained earnings	13,167	12,685
Treasury stock, at cost — 26,824,475 and 25,352,977 shares	(1,211)	(1,117)
Accumulated other comprehensive income, net of tax	479	52
Total stockholders' equity	**17,072**	**16,270**
Total liabilities and stockholders' equity	**$ 70,990**	**$ 70,817**

See Notes to Condensed Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity

(in millions, except for share data)	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	(Unaudited)			
Preferred Stock	$ 334	$ 334	$ 334	$ 334
Common Stock	4	4	4	4
Additional Paid-in Capital				
Additional Paid-in Capital, beginning of period	4,286	4,329	4,312	4,378
Issuance of shares under incentive and stock compensation plans	(5)	(6)	(84)	(74)
Stock-based compensation plans expense	18	21	71	76
Issuance of shares for warrant exercise	—	(44)	—	(80)
Additional Paid-in Capital, end of period	4,299	4,300	4,299	4,300
Retained Earnings				
Retained Earnings, beginning of period	12,819	11,572	12,685	11,055
Cumulative effect of accounting changes, net of tax	—	—	(18)	—
Adjusted balance, beginning of period	12,819	11,572	12,667	11,055
Net income	468	372	741	1,002
Dividends declared on preferred stock	(5)	—	(10)	(5)
Dividends declared on common stock	(115)	(108)	(231)	(216)
Retained Earnings, end of period	13,167	11,836	13,167	11,836
Treasury Stock, at cost				
Treasury Stock, at cost, beginning of period	(1,220)	(1,014)	(1,117)	(1,091)
Treasury stock acquired	—	(27)	(150)	(27)
Issuance of shares under incentive and stock compensation plans	9	14	91	85
Net shares acquired related to employee incentive and stock compensation plans	—	(1)	(35)	(31)
Issuance of shares for warrant exercise	—	44	—	80
Treasury Stock, at cost, end of period	(1,211)	(984)	(1,211)	(984)
Accumulated Other Comprehensive Income (Loss), net of tax				
Accumulated Other Comprehensive Income (Loss), net of tax, beginning of period	(957)	(885)	52	(1,579)
Total other comprehensive income	1,436	687	427	1,381
Accumulated Other Comprehensive Income (Loss), net of tax, end of period	479	(198)	479	(198)
Total Stockholders' Equity	**$ 17,072**	**$ 15,292**	**$ 17,072**	**$ 15,292**
Preferred Shares Outstanding				
Preferred Shares Outstanding, beginning of period	13,800	13,800	13,800	13,800
Issuance of preferred shares	—	—	—	—
Preferred Shares Outstanding, end of period	13,800	13,800	13,800	13,800
Common Shares Outstanding				
Common Shares Outstanding, beginning of period (in thousands)	357,934	360,865	359,570	359,151
Treasury stock acquired	—	(505)	(2,661)	(505)
Issuance of shares under incentive and stock compensation plans	175	325	1,860	1,859
Return of shares under incentive and stock compensation plans to treasury stock	(10)	(20)	(670)	(621)
Issuance of shares for warrant exercise	—	940	—	1,721
Common Shares Outstanding, at end of period	358,099	361,605	358,099	361,605
Cash dividends declared per common share	**$ 0.325**	**$ 0.30**	**$ 0.65**	**$ 0.60**
Cash dividends declared per preferred share	**$ 375.00**	**$ —**	**$ 750.00**	**$ 375.00**

See Notes to Condensed Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
(in millions)	**2020**	**2019**
Operating Activities	(Unaudited)	
Net income	$ 741	$ 1,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized capital losses (gains)	122	(243)
Amortization of deferred policy acquisition costs	866	747
Additions to deferred policy acquisition costs	(856)	(799)
Depreciation and amortization	269	221
Other operating activities, net	95	64
Change in assets and liabilities:		
Decrease (increase) in reinsurance recoverables	(123)	57
Net change in accrued and deferred income taxes	175	277
Increase in insurance liabilities	597	565
Net change in other assets and other liabilities	(619)	(887)
Net cash provided by operating activities	**1,267**	**1,004**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	9,023	10,770
Fixed maturities, fair value option	9	4
Equity securities, at fair value	1,353	1,024
Mortgage loans	536	346
Partnerships	43	122
Payments for the purchase of:		
Fixed maturities, available-for-sale	(8,362)	(11,027)
Equity securities, at fair value	(671)	(951)
Mortgage loans	(762)	(280)
Partnerships	(187)	(167)
Net proceeds from derivatives	139	45
Net additions of property and equipment	(51)	(44)
Net proceeds from (payments for) short-term investments	(883)	2,090
Other investing activities, net	28	(1)
Amount paid for business acquired, net of cash acquired	—	(1,901)
Net cash provided by investing activities	**215**	**30**
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	29	106
Withdrawals and other deductions from investment and universal life-type contracts	(26)	(77)
Net decrease in securities loaned or sold under agreements to repurchase	(418)	(178)
Repayment of debt	(500)	(413)
Net return of shares under incentive and stock compensation plans	(28)	(39)
Treasury stock acquired	(150)	(27)
Dividends paid on preferred stock	(10)	(11)
Dividends paid on common stock	(224)	(216)
Net cash used for financing activities	**(1,327)**	**(855)**
Foreign exchange rate effect on cash	(45)	(17)
Net increase in cash and restricted cash	110	162
Cash and restricted cash – beginning of period	262	121
Cash and restricted cash– end of period	**$ 372**	**$ 283**
Supplemental Disclosure of Cash Flow Information		
Income tax paid	$ 3	$ 1
Interest paid	$ 124	$ 137

See Notes to Condensed Consolidated Financial Statements.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Hartford Financial Services Group, Inc. is a holding company for insurance and financial services subsidiaries that provide property and casualty insurance, group life and disability products and mutual funds and exchange-traded products to individual and business customers (collectively, “The Hartford”, the “Company”, “we” or “our”).

On May 23, 2019, the Company completed the acquisition of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.137 billion in cash, including transaction expenses.

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, which differ materially from the accounting practices prescribed by various insurance regulatory authorities. These Condensed Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2019 Form 10-K Annual Report. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year.

The accompanying Condensed Consolidated Financial Statements and Notes are unaudited. These financial statements reflect all adjustments (generally consisting only of normal accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. The Company's significant accounting policies are summarized in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report.

Consolidation

The Condensed Consolidated Financial Statements include the accounts of The Hartford Financial Services Group, Inc., and entities in which the Company directly or indirectly has a controlling financial interest. Entities in which the Company has significant influence over the operating and financing decisions but does not control are reported using the equity method. All intercompany transactions and balances between The Hartford and its subsidiaries and affiliates have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining property and casualty and group long-term disability insurance product reserves, net of reinsurance; evaluation of goodwill for impairment; valuation of investments and derivative instruments; valuation allowance on deferred tax assets; and contingencies relating to corporate litigation and regulatory matters.

Reclassifications

Certain reclassifications have been made to prior year financial information to conform to the current year presentation.

Adoption of New Accounting Standards

Goodwill

On January 1, 2020, the Company adopted the Financial Accounting Standards Board's ("FASB") updated guidance on testing goodwill for impairment with no effect at adoption. The updated guidance requires impairment of goodwill if the carrying value of the reporting unit is greater than the estimated fair value, with the amount of the impairment not to exceed the carrying value of the reporting unit’s goodwill. Goodwill is reviewed for impairment at least annually and more frequently if events occur or circumstances change that would indicate that a triggering event for a potential impairment has occurred. Under the updated guidance, changes in market-based factors are more likely to result in a goodwill impairment than under the prior accounting guidance, whether a reporting unit's fair value is estimated using an income approach or a market approach. For example, changes in the weighted average cost of capital that is used to discount expected cash flows under the income approach or changes in market-based factors such as peer company price to earnings multiples or price to book multiples under a market approach can significantly affect changes to the estimated fair value of each reporting unit and such changes could result in impairments that have a material effect on our results of operations and financial condition.

Financial Instruments - Credit Losses

On January 1, 2020, the Company adopted the FASB’s updated guidance for recognition and measurement of credit losses on financial instruments. The new guidance replaces the “incurred loss” approach with an “expected loss” model for recognizing credit losses for financial instruments carried at other than fair value. Under the new model, for financial instruments carried at other than fair value, such as mortgage loans, reinsurance recoverables and receivables, an allowance for credit losses

("ACL") is recognized which is an estimate of credit losses expected over the life of financial instruments. Under the prior accounting model an ACL was recognized using an incurred loss approach. The new guidance also requires that we estimate a liability for credit losses ("LCL") on off balance sheet credit exposures such as financial guarantees and mortgage loan commitments that the Company cannot unconditionally cancel.

Credit losses on fixed maturities, AFS carried at fair value continue to be measured based on the present value of expected future cash flows compared to amortized cost; however, the losses are now recognized through an ACL and no longer as an adjustment to the amortized cost. Recoveries of impairments on fixed maturities, AFS are now recognized as reversals of the ACL and no longer accreted as investment income through an adjustment to the investment yield. The ACL on fixed maturities, AFS cannot cause the net carrying value to be below fair value and, therefore, it is possible that future increases in fair value due to decreases in market interest rates could cause the reversal of the ACL and increase net income. The new guidance also requires purchased financial assets with a more-than-insignificant amount of credit deterioration since original issuance to be recorded based on contractual amounts due and an initial allowance recorded at the date of purchase.

The Company adopted the guidance effective January 1, 2020, through a cumulative-effect adjustment that decreased retained earnings by $18, representing a net increase to the ACL and LCL, after-tax. No ACL was recognized at adoption for fixed maturities AFS; rather, these investments are evaluated for an ACL prospectively. The Company does not have any purchased financial assets with a more than insignificant amount of credit deterioration since original issuance.

Impact of Adoption on Condensed Consolidated Balance Sheet

	Balance as of January 1, 2020		
	Opening Balance	Cumulative Effect of Accounting Change	Adjusted Opening Balance
Mortgage loans	$ 4,215		$ 4,215
ACL on mortgage loans	—	$ (19)	(19)
Mortgage loans, net of ACL	**4,215**	**(19)**	**4,196**
Premiums receivable and agents' balances	4,529		4,529
ACL on premiums receivable and agents' balances	(145)	23	(122)
Premiums receivable and agents' balances, net of ACL	**4,384**	**23**	**4,407**
Reinsurance recoverables	5,641		5,641
ACL and allowance for disputed amounts on reinsurance recoverables	(114)	(2)	(116)
Reinsurance recoverables, net of allowance for uncollectible reinsurance	**5,527**	**(2)**	**5,525**
Deferred income tax asset, net	299	5	304
Other liabilities	(5,157)	(25)	(5,182)
Retained Earnings	$ 12,685	$ (18)	$ 12,667

Summary of Adoption Impacts

Net increase to ACL and LCL	$ (23)
Net tax effects	5
Net decrease to retained earnings	$ (18)

Reference Rate Reform

On March 12, 2020, the Company adopted the FASB's temporary guidance which allows The Hartford to account for contract modifications made solely due to rate reform (such as replacing LIBOR with another reference rate) as continuations of existing contracts and to maintain hedge accounting when the hedging effectiveness between a financial instrument and its hedge is only affected by the change to a replacement rate. As a result, The Hartford will not recognize gains and losses during the transition period of LIBOR to an alternative reference rate that would otherwise have arisen from accounting assessments and remeasurements. The guidance expires for contract modifications made and hedge relationships entered into or evaluated after December 31, 2022. The Company is not required to measure the effect of adoption on its financial position, cash flows or net income because the guidance provides relief from accounting for the effects of the change to a replacement rate.

Mortgage Loan Modification

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Section 4013 of the CARES Act allows financial institutions the option to suspend the requirement to disclose and account for loan modifications as troubled debt restructurings for loan modifications related to the novel strain of coronavirus, specifically identified as the Coronavirus Disease 2019 ("COVID-19") pandemic occurring between March 1, 2020 and the earlier of 60 days after the end of the national emergency or December 31, 2020. The Company's adoption of Section 4013 of the CARES Act had no impact on our results of operations, financial position or cash flows because The Hartford has not granted significant concessions to borrowers on its mortgage loans that would have been disclosed and accounted for as troubled debt restructurings.

2. BUSINESS ACQUISITION

Navigators Group

On May 23, 2019, The Hartford acquired Navigators Group, a specialty underwriter, for total consideration of $2.121 billion and recorded provisional estimates of the fair value of the assets acquired and liabilities assumed. In the second quarter of 2020, The Hartford finalized its provisional estimates and recorded additional assets of $9 and liabilities of $7 with a net reduction in goodwill of $2. The following table presents the preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date, the measurement period adjustments recorded, and the final purchase price allocation.

Fair Value of Assets Acquired and Liabilities Assumed at the Acquisition Date

	Preliminary Values as of May 23, 2019 (as previously reported)	Measurement Period Adjustments	Adjusted Values as of May 23, 2019
Assets			
Cash and invested assets	$ 3,848	$ 3	$ 3,851
Premiums receivable	492	6	498
Reinsurance recoverables	1,100	(3)	1,097
Prepaid reinsurance premiums	238	—	238
Other intangible assets	580	—	580
Property and equipment	83	—	83
Other assets	99	3	102
Total Assets Acquired	**6,440**	**9**	**6,449**
Liabilities			
Unpaid losses and loss adjustment expenses	2,823	—	2,823
Unearned premiums	1,219	—	1,219
Long-term debt	284	—	284
Deferred income taxes, net	48	(1)	47
Other liabilities	568	8	576
Total Liabilities Assumed	**4,942**	**7**	**4,949**
Net identifiable assets acquired	**1,498**	**2**	**1,500**
Goodwill [1]	623	(2)	621
Net Assets Acquired	**$ 2,121**	**$ —**	**$ 2,121**

[1] Non-deductible for income tax purposes.

The measurement period adjustments, determined as if the accounting had been completed as of the acquisition date, had no effect on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020.

The following table presents supplemental pro forma amounts of revenue and net income for the Company for the six months ended June 30, 2019, as though the business was acquired on January 1, 2018. Pro forma adjustments include the revenue and earnings of Navigators Group as well as amortization of identifiable intangible assets acquired.

Pro Forma Results

	Six months ended June 30, 2019
Total Revenue	$ 10,708
Net Income	$ 997

3. EARNINGS PER COMMON SHARE

Computation of Basic and Diluted Earnings per Common Share

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except for per share data)	2020	2019	2020	2019
Earnings				
Net income	$ 468	$ 372	$ 741	$ 1,002
Less: Preferred stock dividends	5	—	10	5
Net income available to common stockholders	**$ 463**	**$ 372**	**$ 731**	**$ 997**
Shares				
Weighted average common shares outstanding, basic	358.1	361.4	358.3	360.7
Dilutive effect of warrants [1]	—	0.5	—	0.9
Dilutive effect of stock-based awards under compensation plans	1.2	3.2	1.9	3.3
Weighted average common shares outstanding and dilutive potential common shares	**359.3**	**365.1**	**360.2**	**364.9**
Net income available to common stockholders per common share				
Basic	**$ 1.29**	**$ 1.03**	**$ 2.04**	**$ 2.76**
Diluted	**$ 1.29**	**$ 1.02**	**$ 2.03**	**$ 2.73**

[1] On June 26, 2019, the Capital Purchase Program warrants issued in 2009 expired.

4. SEGMENT INFORMATION

The Company currently conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Hartford Funds, as well as a Corporate category.

Net Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Commercial Lines	$ (66)	$ 191	$ 55	$ 554
Personal Lines	371	62	469	158
Property & Casualty Other Operations	5	11	10	34
Group Benefits	101	113	205	231
Hartford Funds	39	38	75	68
Corporate	18	(43)	(73)	(43)
Net income	**468**	**372**	**741**	**1,002**
Preferred stock dividends	5	—	10	5
Net income available to common stockholders	**$ 463**	**$ 372**	**$ 731**	**$ 997**

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Earned premiums and fee income:				
Commercial Lines				
Workers' compensation	$ 720	$ 832	$ 1,536	$ 1,656
Liability	337	233	680	401
Marine	67	27	132	27
Package business	383	365	760	717
Property	185	175	390	331
Professional liability	149	98	292	166
Bond	68	65	138	125
Assumed reinsurance	72	29	138	29
Automobile	181	172	369	330
Total Commercial Lines	2,162	1,996	4,435	3,782
Personal Lines				
Automobile	462	565	1,005	1,126
Homeowners	241	246	481	493
Total Personal Lines [1]	703	811	1,486	1,619
Group Benefits				
Group disability	719	723	1,445	1,427
Group life	632	638	1,239	1,281
Other	72	61	130	123
Total Group Benefits	1,423	1,422	2,814	2,831
Hartford Funds				
Mutual fund and Exchange-Traded Products ("ETP")	207	227	432	443
Talcott Resolution life and annuity separate accounts [2]	20	24	42	46
Total Hartford Funds	227	251	474	489
Corporate	17	12	34	25
Total earned premiums and fee income	4,532	4,492	9,243	8,746
Net investment income	339	488	798	958
Net realized capital gains (losses)	109	80	(122)	243
Other revenues	88	32	105	85
Total revenues	**$ 5,068**	**$ 5,092**	**$ 10,024**	**$ 10,032**

[1] For the three months ended June 30, 2020 and 2019, AARP members accounted for earned premiums of $633 and $726, respectively. For the six months ended June 30, 2020 and 2019, AARP members accounted for earned premiums of $1.3 billion and $1.4 billion, respectively.

[2] Represents revenues earned for investment advisory services on the life and annuity separate account AUM sold in May 2018 that is still managed by the Company's Hartford Funds segment.

Revenue from Non-Insurance Contracts with Customers

		Three Months Ended June 30,		Six Months Ended June 30,	
	Revenue Line Item	2020	2019	2020	2019
Commercial Lines					
Installment billing fees	Fee income	$ 5	$ 9	$ 13	$ 18
Personal Lines					
Installment billing fees	Fee income	9	10	18	19
Insurance servicing revenues	Other revenues	21	23	40	42
Group Benefits					
Administrative services	Fee income	45	45	88	90
Hartford Funds					
Advisor, distribution and other management fees	Fee income	207	228	431	446
Other fees	Fee income	20	22	43	43
Corporate					
Investment management and other fees	Fee income	12	11	25	24
Transition service revenues	Other revenues	—	6	2	12
Total non-insurance revenues with customers		**$ 319**	**$ 354**	**$ 660**	**$ 694**

5. FAIR VALUE MEASUREMENTS

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs. The fair value hierarchy levels are as follows:

Level 1 — Fair values based primarily on unadjusted quoted prices for identical assets or liabilities, in active markets that the Company has the ability to access at the measurement date.

Level 2 — Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.

Level 3 — Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine fair values that the Company has classified within Level 3.

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of June 30, 2020

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
Asset-backed-securities ("ABS")	$ 1,416	$ —	$ 1,393	$ 23
Collateralized loan obligations ("CLOs")	2,187	—	2,088	99
Commercial mortgage-backed securities ("CMBS")	4,211	—	4,191	20
Corporate	18,563	—	17,454	1,109
Foreign government/government agencies	972	—	972	—
Municipal	9,394	—	9,394	—
Residential mortgage-backed securities ("RMBS")	3,895	—	3,416	479
U.S. Treasuries	1,562	450	1,112	—
Total fixed maturities	42,200	450	40,020	1,730
Fixed maturities, FVO	1	—	1	—
Equity securities, at fair value	756	320	370	66
Derivative assets				
Credit derivatives	7	—	7	—
Foreign exchange derivatives	5	—	5	—
Total derivative assets [1]	12	—	12	—
Short-term investments	3,668	3,125	529	14
Total assets accounted for at fair value on a recurring basis	**$ 46,637**	**$ 3,895**	**$ 40,932**	**$ 1,810**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Foreign exchange derivatives	$ 16	$ —	$ 16	$ —
Interest rate derivatives	(86)	—	(86)	—
Total derivative liabilities [2]	(70)	—	(70)	—
Total liabilities accounted for at fair value on a recurring basis	**$ (70)**	**$ —**	**$ (70)**	**$ —**

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2019

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	$ 1,476	$ —	$ 1,461	$ 15
CLOs	2,183	—	2,088	95
CMBS	4,338	—	4,329	9
Corporate	17,396	—	16,664	732
Foreign government/government agencies	1,123	—	1,120	3
Municipal	9,498	—	9,498	—
RMBS	4,869	—	4,309	560
U.S. Treasuries	1,265	330	935	—
Total fixed maturities	42,148	330	40,404	1,414
Fixed maturities, FVO	11	—	11	—
Equity securities, at fair value	1,657	1,401	183	73
Derivative assets				
Credit derivatives	11	—	11	—
Interest rate derivatives	1	—	1	—
Total derivative assets [1]	12	—	12	—
Short-term investments	2,921	1,028	1,878	15
Total assets accounted for at fair value on a recurring basis	**$ 46,749**	**$ 2,759**	**$ 42,488**	**$ 1,502**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Credit derivatives	$ (1)	$ —	$ (1)	$ —
Equity derivatives	(15)	—	—	(15)
Foreign exchange derivatives	(2)	—	(2)	—
Interest rate derivatives	(60)	—	(60)	—
Total derivative liabilities [2]	(78)	—	(63)	(15)
Contingent consideration [3]	(22)	—	—	(22)
Total liabilities accounted for at fair value on a recurring basis	**$ (100)**	**$ —**	**$ (63)**	**$ (37)**

[1] Includes derivative instruments in a net positive fair value position after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law.

[2] Includes derivative instruments in a net negative fair value position (derivative liability) after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law.

[3] For additional information see the Contingent Consideration section below.

In connection with the acquisition of Navigators Group, the Company has overseas deposits in Other Invested Assets of $48 and $38 as of June 30, 2020 and December 31, 2019, respectively, which are measured at fair value using the net asset value as a practical expedient.

Fixed Maturities, Equity Securities, Short-term Investments, and Derivatives

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of

future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.

- Internal matrix pricing, which is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer's financial strength and term to maturity, using an independent public security index and trade information, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding, use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

The fair value of derivative instruments is determined primarily using a discounted cash flow model or option model technique and incorporates counterparty credit risk. In some cases, quoted market prices for exchange-traded and OTC cleared derivatives may be used and in other cases independent broker quotes may be used. The pricing valuation models primarily use inputs that are observable in the market or can be corroborated by observable market data. The valuation of certain derivatives may include significant inputs that are unobservable, such as volatility levels, and reflect the Company's view of what other market participants would use when pricing such instruments.

Valuation Controls

The process for determining the fair value of investments is monitored by the Valuation Committee, which is a cross-functional group of senior management within the Company. The purpose of the Valuation Committee is to provide oversight of the pricing policy, procedures and controls, including approval of valuation methodologies and pricing sources. The Valuation Committee reviews market data trends, pricing statistics and trading statistics to ensure that prices are reasonable and consistent with our fair value framework. Controls and procedures used to assess third-party pricing services are reviewed by the Valuation Committee, including the results of annual due-diligence reviews. Controls include, but are not limited to, reviewing daily and monthly price changes, stale prices, and missing prices and comparing new trade prices to third-party pricing services, weekly price changes to published bond prices of a corporate bond index, and daily OTC derivative market valuations to counterparty valuations. The Company has a dedicated pricing unit that works with trading and investment professionals to challenge the price received by a third party pricing source if the Company believes that the valuation received does not accurately reflect the fair value. New valuation models and changes to current models require approval by the Valuation Committee. In addition, the Company's enterprise-wide Operational Risk Management function provides an independent review of the suitability and reliability of model inputs, as well as an analysis of significant changes to current models.

Valuation Inputs

Quoted prices for identical assets in active markets are considered Level 1 and consist of on-the-run U.S. Treasuries, money market funds, exchange-traded equity securities, open-ended mutual funds, certain short-term investments, and exchange traded futures and option contracts.

Valuation Inputs Used in Levels 2 and 3 Measurements for Securities and Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
Fixed Maturity Investments	
Structured securities (includes ABS, CLOs, CMBS and RMBS)	
• Benchmark yields and spreads • Monthly payment information • Collateral performance, which varies by vintage year and includes delinquency rates, loss severity rates and refinancing assumptions • Credit default swap indices Other inputs for ABS, CLOs and RMBS: • Estimate of future principal prepayments, derived from the characteristics of the underlying structure • Prepayment speeds previously experienced at the interest rate levels projected for the collateral	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for less liquid securities or those that trade less actively, including subprime RMBS: • Estimated cash flows • Credit spreads, which include illiquidity premium • Constant prepayment rates • Constant default rates • Loss severity
Corporates	
• Benchmark yields and spreads • Reported trades, bids, offers of the same or similar securities • Issuer spreads and credit default swap curves Other inputs for investment grade privately placed securities that utilize internal matrix pricing: • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for below investment grade privately placed securities and private bank loans: • Independent broker quotes • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature
U.S. Treasuries, Municipals, and Foreign government/government agencies	
• Benchmark yields and spreads • Issuer credit default swap curves • Political events in emerging market economies • Municipal Securities Rulemaking Board reported trades and material event notices • Issuer financial statements	• Credit spreads beyond observable curve • Interest rates beyond observable curve
Equity Securities	
• Quoted prices in markets that are not active	• For privately traded equity securities, internal discounted cash flow models utilizing earnings multiples or other cash flow assumptions that are not observable
Short-term Investments	
• Benchmark yields and spreads • Reported trades, bids, offers • Issuer spreads and credit default swap curves • Material event notices and new issue money market rates	• Independent broker quotes
Derivatives	
Credit derivatives	
• Swap yield curve • Credit default swap curves	Not applicable
Equity derivatives	
• Equity index levels • Swap yield curve	• Independent broker quotes • Equity volatility
Foreign exchange derivatives	
• Swap yield curve • Currency spot and forward rates • Cross currency basis curves	Not applicable
Interest rate derivatives	
• Swap yield curve	• Independent broker quotes • Interest rate volatility

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Significant Unobservable Inputs for Level 3 - Securities

Assets accounted for at fair value on a recurring basis	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
			As of June 30, 2020				
CLOs [3]	$ 79	Discounted cash flows	Spread	486 bps	486 bps	486 bps	Decrease
Corporate [4]	$ 994	Discounted cash flows	Spread	78 bps	1,007 bps	323 bps	Decrease
RMBS [3]	$ 479	Discounted cash flows	Spread [6]	43 bps	528 bps	167 bps	Decrease
			Constant prepayment rate [6]	—%	11%	5%	Decrease [5]
			Constant default rate [6]	1%	7%	3%	Decrease
			Loss severity [6]	—%	100%	77%	Decrease
			As of December 31, 2019				
CLOs [3]	$ 95	Discounted cash flows	Spread	246 bps	246 bps	246 bps	Decrease
CMBS [3]	$ 1	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9 bps	1,832 bps	161 bps	Decrease
Corporate [4]	$ 633	Discounted cash flows	Spread	93 bps	788 bps	236 bps	Decrease
RMBS [3]	$ 560	Discounted cash flows	Spread [6]	5 bps	233 bps	79 bps	Decrease
			Constant prepayment rate [6]	—%	11%	6%	Decrease [5]
			Constant default rate [6]	1%	6%	3%	Decrease
			Loss severity [6]	—%	100%	70%	Decrease

[1] The weighted average is determined based on the fair value of the securities.
[2] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[3] Excludes securities for which the Company bases fair value on broker quotations.
[4] Excludes securities for which the Company bases fair value on broker quotations; however, included are broker priced lower-rated private placement securities for which the Company receives spread and yield information to corroborate the fair value.
[5] Decrease for above market rate coupons and increase for below market rate coupons.
[6] Generally, a change in the assumption used for the constant default rate would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rate and would have resulted in wider spreads.

Significant Unobservable Inputs for Level 3 - Derivatives [1]

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [2]	Impact of Increase in Input Value [3]
			As of December 31, 2019				
Equity options	$ (15)	Option model	Equity volatility	13%	28%	17%	Increase

[1] As of June 30, 2020, the fair values of the Company's level 3 derivatives were less than $1 and are excluded from the table.
[2] The weighted average is determined based on the fair value of the derivatives.
[3] Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table. Changes are based on long positions, unless otherwise noted. Changes in fair value will be inversely impacted for short positions.

The tables above exclude certain securities for which fair values are predominately based on independent broker quotes. While the Company does not have access to the significant unobservable inputs that independent brokers may use in their pricing process, the Company believes brokers likely use inputs similar to those used by the Company and third-party pricing services to price similar instruments. As such, in their pricing models, brokers likely use estimated loss severity rates, prepayment rates, constant default rates and credit spreads. Therefore, similar to non-broker priced securities, increases in these inputs would generally cause fair values to decrease. As of June 30, 2020, no significant adjustments were made by the Company to broker prices received.

Contingent Consideration

The acquisition of Lattice Strategies LLC ("Lattice") on July 29, 2016 required the Company to make payments to former owners of Lattice of up to $60 contingent upon growth in exchange-traded products ("ETP") assets under management ("AUM") over a period of four years beginning on the date of acquisition. The contingent consideration was measured at fair value on a quarterly basis by projecting future eligible ETP AUM over the contingency period to estimate the amount of expected payout. The future expected payout had been discounted back to the valuation date using a risk-adjusted discount rate of 10.0%. The risk-adjusted discount rate is an internally generated and significant unobservable input to fair value.

In January 2020, we made a third payment of $10 after Lattice AUM reached $3.0 billion. Given the dramatic market declines and outflow in March, 2020, the Lattice AUM declined to $2.3 billion as of March 30, 2020 and the Company reduced the remaining contingent consideration liability to zero, recognizing an $11.9 before tax reduction in expense in first quarter 2020. The earn out period ended on July 29, 2020 with no additional consideration payable.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The Company uses derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified with the same fair value hierarchy level as the associated asset or liability. Therefore, the realized and unrealized gains and losses on derivatives reported in the Level 3 rollforward may be offset by realized and unrealized gains and losses of the associated assets and liabilities in other line items of the financial statements.

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Three Months Ended June 30, 2020

		Total realized/ unrealized gains (losses)							
	Fair value as of March 31, 2020	Included in net income [1]	Included in OCI [2]	Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2020
Assets									
Fixed Maturities, AFS									
ABS	$ 19	$ —	$ —	$ 23	$ —	$ —	$ —	$ (19)	$ 23
CLOs	83	—	4	19	(7)	—	—	—	99
CMBS	18	—	—	3	(1)	—	—	—	20
Corporate	709	(22)	61	22	(28)	(19)	412	(26)	1,109
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	(3)	—
RMBS	487	—	13	21	(42)	—	—	—	479
Total Fixed Maturities, AFS	1,319	(22)	78	88	(78)	(19)	412	(48)	1,730
Equity Securities, at fair value	69	(3)	—	—	—	—	—	—	66
Short-term investments	14	—	—	—	—	—	—	—	14
Total Assets	**$ 1,402**	**$ (25)**	**$ 78**	**$ 88**	**$ (78)**	**$ (19)**	**$ 412**	**$ (48)**	**$ 1,810**
Liabilities									
Contingent Consideration	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Liabilities	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Six Months Ended June 30, 2020

	Fair value as of January 1, 2020	Total realized/ unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2020
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 15	$ —	$ (1)	$ 43	$ —	$ —	$ —	$ (34)	$ 23
CLOs	95	—	(2)	19	(13)	—	—	—	99
CMBS	9	—	—	13	(2)	—	—	—	20
Corporate	732	(32)	(19)	116	(64)	(27)	459	(56)	1,109
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	(3)	—
RMBS	560	—	(12)	26	(88)	(7)	—	—	479
Total Fixed Maturities, AFS	1,414	(32)	(34)	217	(167)	(34)	459	(93)	1,730
Equity Securities, at fair value	73	(10)	—	3	—	—	—	—	66
Short-term investments	15	—	—	—	(1)	—	—	—	14
Total Assets	**$ 1,502**	**$ (42)**	**$ (34)**	**$ 220**	**$ (168)**	**$ (34)**	**$ 459**	**$ (93)**	**$ 1,810**
Liabilities									
Contingent Consideration	$ (22)	$ 12	$ —	$ —	$ 10	$ —	$ —	$ —	$ —
Derivatives, net [4]									
Equity	(15)	36	—	—	—	(21)	—	—	—
Total Derivatives, net [4]	(15)	36	—	—	—	(21)	—	—	—
Total Liabilities	**$ (37)**	**$ 48**	**$ —**	**$ —**	**$ 10**	**$ (21)**	**$ —**	**$ —**	**$ —**

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Three Months Ended June 30, 2019

	Fair value as of March 31, 2019	Total realized/ unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2019
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 9	$ —	$ —	$ 5	$ —	$ —	$ —	$ (9)	$ 5
CLOs	114	—	—	202	(10)	—	—	(20)	286
CMBS	12	—	—	24	(1)	—	—	—	35
Corporate	525	—	2	58	(4)	(39)	34	(8)	568
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	771	—	—	90	(58)	—	—	(45)	758
Total Fixed Maturities, AFS	1,434	—	2	379	(73)	(39)	34	(82)	1,655
Equity Securities, at fair value	73	—	—	4	—	(5)	—	—	72
Derivatives, net [4]									
Equity	1	(4)	—	—	—	—	—	—	(3)
Total Derivatives, net [4]	1	(4)	—	—	—	—	—	—	(3)
Total Assets	**$ 1,508**	**$ (4)**	**$ 2**	**$ 383**	**$ (73)**	**$ (44)**	**$ 34**	**$ (82)**	**$ 1,724**
Liabilities									
Contingent Consideration	(29)	(2)	—	—	10	—	—	—	(21)
Total Liabilities	**$ (29)**	**$ (2)**	**$ —**	**$ —**	**$ 10**	**$ —**	**$ —**	**$ —**	**$ (21)**

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Six Months Ended June 30, 2019

	Fair value as of January 1, 2019	Total realized/ unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2019
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 10	$ —	$ —	$ 5	$ (1)	$ —	$ —	$ (9)	$ 5
CLOs	100	—	—	237	(10)	(6)	—	(35)	286
CMBS	12	—	1	24	(2)	—	—	—	35
Corporate	520	(1)	9	95	(6)	(64)	46	(31)	568
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	920	1	(2)	134	(112)	(35)	—	(148)	758
Total Fixed Maturities, AFS	1,565	—	8	495	(131)	(105)	46	(223)	1,655
Equity Securities, at fair value	77	(1)	—	9	—	(13)	—	—	72
Derivatives, net [4]									
Equity	3	(6)	—	—	—	—	—	—	(3)
Interest rate	1	(1)	—	—	—	—	—	—	—
Total Derivatives, net [4]	4	(7)	—	—	—	—	—	—	(3)
Total Assets	**$ 1,646**	**$ (8)**	**$ 8**	**$ 504**	**$ (131)**	**$(118)**	**$ 46**	**$ (223)**	**$ 1,724**
Liabilities									
Contingent Consideration	$ (35)	$ (6)	$ —	$ —	$ 20	$ —	$ —	$ —	$ (21)
Total Liabilities	**$ (35)**	**$ (6)**	**$ —**	**$ —**	**$ 20**	**$ —**	**$ —**	**$ —**	**$ (21)**

[1]Amounts in these columns are generally reported in net realized capital gains (losses). All amounts are before income taxes.
[2]All amounts are before income taxes.
[3]Transfers in and/or (out) of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs. Transfers into Level 3 for the three and six months ended June 30, 2020, were primarily related to private securities that were priced using internal matrix pricing in the prior period, but changed to broker pricing in the current period.
[4]Derivative instruments are reported in this table on a net basis for asset (liability) positions and reported in the Condensed Consolidated Balance Sheets in other investments and other liabilities.

Changes in Unrealized Gains (Losses) for Financial Instruments Classified as Level 3 Still Held at End of Period

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	2020	2019	2020	2019	2020	2019
	Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]		Changes in Unrealized Gain/ (Loss) included in OCI [3]		Changes in Unrealized Gain/ (Loss) included in Net Income [1] [2]		Changes in Unrealized Gain/ (Loss) included in OCI [3]	
Assets								
Fixed Maturities, AFS								
CLOs	$ —	$ —	$ 4	$ —	$ —	$ —	$ (2)	$ —
Corporate	—	—	61	2	—	(1)	(12)	9
RMBS	—	—	13	—	—	—	(11)	(1)
Total Fixed Maturities, AFS	—	—	78	2	—	(1)	(25)	8
Equity Securities, at fair value	(3)	—	—	—	(9)	—	—	—
Derivatives, net								
Equity	—	(4)		—	—	(6)	—	—
Interest rate	—	—	—	—	—	(1)	—	—
Total Derivatives, net	—	(4)	—	—	—	(7)	—	—
Total Assets	**$ (3)**	**$ (4)**	**$ 78**	**$ 2**	**$ (9)**	**$ (8)**	**$ (25)**	**$ 8**
Liabilities								
Contingent Consideration	$ —	$ (2)	$ —	$ —	$ 12	$ (6)	$ —	$ —
Total Liabilities	**$ —**	**$ (2)**	**$ —**	**$ —**	**$ 12**	**$ (6)**	**$ —**	**$ —**

[1]All amounts in these rows are reported in net realized capital gains (losses). All amounts are before income taxes.
[2]Amounts presented are for Level 3 only and therefore may not agree to other disclosures included herein.
[3]Changes in unrealized gain (loss) on fixed maturities, AFS are reported in changes in net unrealized gain on securities in the Condensed Consolidated Statements of Comprehensive Income. Changes in interest rate derivatives are reported in changes in net gain on cash flow hedging instruments in the Condensed Consolidated Statements of Comprehensive Income.

Fair Value Option

The Company has elected the fair value option for certain RMBS that contain embedded credit derivatives with underlying credit risk. These securities are included within Fixed Maturities, FVO on the Condensed Consolidated Balance Sheets and changes in the fair value of these securities are reported in net realized capital gains and losses.

As of June 30, 2020 and December 31, 2019, the fair value of assets using the fair value option was $1 and $11, respectively, within the residential real estate sector.

For the three and six months ended June 30, 2020 and 2019 there were no realized capital gains (losses) related to the fair value of assets using the fair value option.

Financial Instruments Not Carried at Fair Value

Financial Assets and Liabilities Not Carried at Fair Value

	June 30, 2020			December 31, 2019		
	Fair Value Hierarchy Level	Carrying Amount [1]	Fair Value	Fair Value Hierarchy Level	Carrying Amount	Fair Value
Assets						
Mortgage loans	Level 3	$ 4,399	$ 4,586	Level 3	$ 4,215	$ 4,350
Liabilities						
Other policyholder funds and benefits payable	Level 3	$ 758	$ 760	Level 3	$ 763	$ 765
Senior notes [2]	Level 2	$ 3,260	$ 4,088	Level 2	$ 3,759	$ 4,456
Junior subordinated debentures [2]	Level 2	$ 1,090	$ 1,026	Level 2	$ 1,089	$ 1,153

[1]As of June 30, 2020, carrying amount of mortgage loans is net of ACL of $43.
[2]Included in long-term debt in the Condensed Consolidated Balance Sheets, except for current maturities, which are included in short-term debt.

6. INVESTMENTS

Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Before tax)	2020	2019	2020	2019
Gross gains on sales	$ 96	$ 69	$ 174	$ 113
Gross losses on sales	(22)	(19)	(30)	(40)
Equity securities [1]	75	30	(311)	162
Change in ACL on fixed maturities, AFS [2]	(20)		(32)	
Change in ACL on mortgage loans [2]	(22)		(24)	
Intent-to-sell impairments	—	—	(5)	—
Net OTTI losses recognized in earnings		—		(2)
Valuation allowances on mortgage loans		1		1
Other, net [3]	2	(1)	106	9
Net realized capital gains (losses)	**$ 109**	**$ 80**	**$ (122)**	**$ 243**

[1] The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of June 30, 2020, were $67 and $(34) for the three and six months ended June 30, 2020, respectively. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of June 30, 2019, were $29 and $74 for the three and six months ended June 30, 2019, respectively.

[2] Represents the change in ACL recorded during the period following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

[3] Includes gains (losses) from transactional foreign currency revaluation of $0 and $10 for the three and six months ended June 30, 2020 , respectively. For the same periods, also includes gains (losses) on non-qualifying derivatives of $7 and $99, respectively. For the three and six months ended June 30, 2019, includes gains (losses) on non-qualifying derivatives of $(7) and $8, respectively.

Proceeds from the sales of fixed maturities, AFS totaled $4.1 billion and $7.2 billion for the three and six months ended June 30, 2020, respectively, and $4.6 billion and $8.9 billion for the three and six months ended June 30, 2018, respectively.

Accrued Interest Receivable on Fixed Maturities, AFS and Mortgage Loans

As of June 30, 2020 and December 31, 2019, the Company reported accrued interest receivable related to fixed maturities, AFS of $323 and $334, respectively, and accrued interest receivable related to mortgage loans of $14 and $14, respectively. These amounts are recorded in other assets on the Condensed Consolidated Balance Sheets and are not included in the amortized cost or fair value of the fixed maturities or mortgage loans. The Company does not include the current accrued interest receivable balance when estimating the ACL. The Company has a policy to write-off accrued interest receivable balances that are more than 90 days past due. Write-offs of accrued interest receivable are recorded as a credit loss component of realized capital gains and losses.

Interest income on fixed maturities and mortgage loans is accrued unless it is past due over 90 days or management deems the interest uncollectible.

Recognition and Presentation of Intent-to-Sell Impairments and ACL on Fixed Maturities, AFS

The Company will record an "intent-to-sell impairment" as a reduction to the amortized cost of fixed maturities, AFS in an unrealized loss position if the Company intends to sell or it is more likely than not that the Company will be required to sell the fixed maturity before a recovery in value. A corresponding charge is recorded in net realized capital losses equal to the difference between the fair value on the impairment date and the amortized cost basis of the fixed maturity before recognizing the impairment.

When fixed maturities are in an unrealized loss position and the Company does not record an intent-to-sell impairment, the Company will record an ACL for the portion of the unrealized loss due to a credit loss. Any remaining unrealized loss on a fixed maturity after recording an ACL is the non-credit amount and is recorded in OCI. The ACL is the excess of the amortized cost over the greater of the Company's best estimate of the present value of expected future cash flows or the security's fair value. Cash flows are discounted at the effective yield that is used to record interest income. The ACL cannot exceed the unrealized loss and, therefore, it may fluctuate with changes in the fair value of the fixed maturity if the fair value is greater than the Company's best estimate of the present value of expected future cash flows. The initial ACL and any subsequent changes are recorded in net realized capital gains and losses. The ACL is written off against the amortized cost in the period in which all or a portion of the related fixed maturity investment is determined to be uncollectible.

Developing the Company’s best estimate of expected future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. The Company's considerations include, but are not limited to, (a) changes in the financial condition of the issuer and/or the underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) credit ratings, (d) payment structure of the security and (e) the extent to which the fair value has been less than the amortized cost of the security.

For non-structured securities, assumptions include, but are not limited to, economic and industry-specific trends and fundamentals, instrument-specific developments including changes in credit ratings, industry earnings multiples and the issuer’s ability to restructure and execute asset sales.

For structured securities, assumptions include, but are not limited to, various performance indicators such as historical and projected default and recovery rates, credit ratings, current and projected delinquency rates, loan-to-value ratios ("LTVs"), average cumulative collateral loss rates that vary by vintage year, prepayment speeds, and property value declines. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries which may include estimating the underlying collateral value.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

ACL on Fixed Maturities, AFS by Type

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
(Before tax)	Corporate	Total	Corporate	Total
Balance as of beginning of period	$ (12)	$ (12)	$ —	$ —
Credit losses on fixed maturities where credit losses were not previously recorded	(23)	(23)	(35)	(35)
Reduction due to sales	2	2	2	2
Net increases (decreases) in allowance on fixed maturities that had an allowance in a previous period	1	1	1	1
Balance as of end of period	**$ (32)**	**$ (32)**	**$ (32)**	**$ (32)**

Cumulative Credit Impairments on Fixed Maturities, AFS

	Three Months Ended June 30,	Six Months Ended June 30,
(Before tax)	2019	2019
Balance as of beginning of period	$ (18)	$ (19)
Additions for credit impairments recognized on [1]:		
Fixed maturities not previously impaired	—	(2)
Reductions for credit impairments previously recognized on:		
Fixed maturities that matured or were sold during the period	—	3
Balance as of end of period	**$ (18)**	**$ (18)**

[1] These additions are included in the net OTTI losses recognized in earnings in the Condensed Consolidated Statements of Operations.

Fixed Maturities, AFS

Fixed Maturities, AFS, by Type

	June 30, 2020					December 31, 2019				
	Amortized Cost	ACL [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [2]
ABS	$ 1,387	$ —	$ 30	$ (1)	$ 1,416	$ 1,461	$ 18	$ (3)	$ 1,476	$ —
CLOs	2,246	—	—	(59)	2,187	2,186	5	(8)	2,183	—
CMBS	4,067	—	208	(64)	4,211	4,210	141	(13)	4,338	(4)
Corporate	17,283	(32)	1,441	(129)	18,563	16,435	986	(25)	17,396	—
Foreign govt./govt. agencies	906	—	70	(4)	972	1,057	66	—	1,123	—
Municipal	8,604	—	804	(14)	9,394	8,763	737	(2)	9,498	—
RMBS	3,750	—	149	(4)	3,895	4,775	97	(3)	4,869	—
U.S. Treasuries	1,397	—	165	—	1,562	1,191	75	(1)	1,265	—
Total fixed maturities, AFS	**$ 39,640**	**$ (32)**	**$ 2,867**	**$ (275)**	**$ 42,200**	**$ 40,078**	**$ 2,125**	**$ (55)**	**$ 42,148**	**$ (4)**

[1] Represents the ACL recorded following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

[2] Represents the amount of cumulative non-credit impairment losses recognized in OCI on fixed maturities that also had credit impairments. These losses are included in gross unrealized losses as of December 31, 2019.

Fixed Maturities, AFS, by Contractual Maturity Year

	June 30, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 1,312	$ 1,324	$ 1,082	$ 1,090
Over one year through five years	7,274	7,556	7,200	7,401
Over five years through ten years	7,601	8,129	7,395	7,803
Over ten years	12,003	13,482	11,769	12,988
Subtotal	28,190	30,491	27,446	29,282
Mortgage-backed and asset-backed securities	11,450	11,709	12,632	12,866
Total fixed maturities, AFS	**$ 39,640**	**$ 42,200**	**$ 40,078**	**$ 42,148**

Estimated maturities may differ from contractual maturities due to call or prepayment provisions. Due to the potential for variability in payment speeds (i.e. prepayments or extensions), mortgage-backed and asset-backed securities are not categorized by contractual maturity.

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk. The Company had no investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's stockholders' equity as of June 30, 2020 or December 31, 2019 other than U.S. government securities and certain U.S. government agencies.

Unrealized Losses on Fixed Maturities, AFS

Unrealized Loss Aging for Fixed Maturities, AFS by Type and Length of Time as of June 30, 2020

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 127	$ (1)	$ —	$ —	$ 127	$ (1)
CLOs	1,435	(34)	723	(25)	2,158	(59)
CMBS	734	(59)	17	(5)	751	(64)
Corporate	1,646	(99)	179	(30)	1,825	(129)
Foreign govt./govt. agencies	136	(4)	1	—	137	(4)
Municipal	319	(14)	—	—	319	(14)
RMBS	195	(3)	35	(1)	230	(4)
U.S. Treasuries	236	—	—	—	236	—
Total fixed maturities, AFS in an unrealized loss position	**$ 4,828**	**$ (214)**	**$ 955**	**$ (61)**	**$ 5,783**	**$ (275)**

Unrealized Loss Aging for Fixed Maturities, AFS by Type and Length of Time as of December 31, 2019

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 398	$ (3)	$ 9	$ —	$ 407	$ (3)
CLOs	679	(2)	923	(6)	1,602	(8)
CMBS	538	(7)	20	(6)	558	(13)
Corporate	789	(9)	328	(16)	1,117	(25)
Foreign govt./govt. agencies	101	—	29	—	130	—
Municipal	222	(2)	—	—	222	(2)
RMBS	614	(3)	68	—	682	(3)
U.S. Treasuries	88	—	34	(1)	122	(1)
Total fixed maturities, AFS in an unrealized loss position	**$ 3,429**	**$ (26)**	**$ 1,411**	**$ (29)**	**$ 4,840**	**$ (55)**

As of June 30, 2020, fixed maturities, AFS in an unrealized loss position consisted of 1,149 fixed maturities, primarily in the corporate sectors, most notably energy issuers, as well as issuers in the financial services sector and issuers within the travel, leisure, and gaming industry, and CMBS and CLO sectors, which were depressed largely due to widening of credit spreads since the fixed maturities were purchased. As of June 30, 2020, 96% of these fixed maturities were depressed less than 20% of cost or amortized cost. The increase in unrealized losses during the six months ended June 30, 2020 was primarily attributable to wider credit spreads, partially offset by lower interest rates.

Most of the fixed maturities depressed for twelve months or more relate to the corporate and CLO sectors. Corporate fixed maturities and CLO securities were primarily depressed because current market spreads are wider than at the respective purchase dates. Certain other corporate fixed maturities were depressed because of their variable-rate coupons and long-dated maturities, and current credit spreads are wider than at their purchase dates. The Company neither has an intention to sell nor does it expect to be required to sell the fixed maturities outlined in the preceding discussion. The decision to record credit impairments on fixed maturities, AFS in the form of an ACL requires us to make qualitative and quantitative estimates of expected future cash flows. Given the uncertainty about the ultimate impact of the COVID-19 pandemic on issuers of these securities, actual cash flows could ultimately deviate significantly from our expectations resulting in realized losses in future periods.

Mortgage Loans

ACL on Mortgage Loans

The Company reviews mortgage loans on a quarterly basis to estimate the ACL with changes in the ACL recorded in net realized capital gains and losses. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. The Company utilizes a third-party forecasting model to estimate lifetime expected credit losses at a loan level under multiple economic scenarios. The scenarios use macroeconomic data provided by an internationally recognized economics firm that generates forecasts of varying economic factors such as GDP growth, unemployment and interest rates. The economic scenarios are projected over 10 years. The first two to four years of the 10-year period assume a specific modeled economic scenario (including moderate upside, moderate recession and severe recession scenarios) and then revert to historical long-term assumptions over the remaining period. Using these economic scenarios, the forecasting model projects property-specific operating income and capitalization rates used to estimate the value of a future operating income stream. The operating income and the property valuations derived from capitalization rates are compared to loan payment and principal amounts to create debt service coverage ratios ("DSCRs") and LTVs over the forecast period. The model overlays historical data about mortgage loan performance based on DSCRs and LTVs and projects the probability of default, amount of loss given a default and resulting expected loss through maturity for each loan under each economic scenario. Economic scenarios are probability-weighted based on a statistical analysis of the forecasted economic factors and qualitative analysis. The Company records the change in the ACL on mortgage loans based on the weighted-average expected credit losses across the selected economic scenarios. In response to significant economic stress experienced as a result of the COVID-19 pandemic, during the first six months of 2020, the Company increased the weight of both a moderate and severe recession in our estimate of the ACL. The ultimate impact to the Company's financial statements could vary significantly from our estimates depending on, among other things, the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective. The impact on our commercial mortgage loan portfolio will also be impacted by borrower behavior in response to the economic stress. Borrowers with lower LTVs have an incentive to continue to make payments of principal and/or interest in order to preserve the equity they have in the underlying commercial real estate properties. As property values decline, borrowers have less incentive to continue to make payments.

When a borrower is experiencing financial difficulty, including when foreclosure is probable, the Company measures an ACL on individual mortgage loans. The ACL is established for any shortfall between the amortized cost of the loan and the fair value of the collateral less costs to sell. As of June 30, 2020, the Company did not have any mortgage loans for which an ACL was established on an individual basis.

Estimates of collectibility from an individual borrower require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, cash flow projections may change based upon new information about the borrower's ability to pay and/or the value of underlying collateral such as changes in projected property value estimates. There were no mortgage loans held-for-sale as of June 30, 2020 or December 31, 2019. For the three and six months ended June 30, 2020 and 2019, respectively, the Company did not have any modifications that were accounted for as troubled debt restructurings.

ACL on Mortgage Loans

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
ACL as of beginning of period	**$ (21)**	**$ (1)**	**$ —**	**$ (1)**
Cumulative effect of accounting changes [1]			(19)	
Adjusted beginning ACL	**(21)**	**(1)**	**(19)**	**(1)**
Current period provision	(22)	1	(24)	1
ACL as of June 30,	**$ (43)**	**$ —**	**$ (43)**	**$ —**

[1] Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

The increase in the allowance for the three and six months ended June 30, 2020, is the result of giving increased weight to recession scenarios in response to the COVID-19 pandemic as well as lower estimated property values and operating income to better reflect current economic conditions. In addition, for the six months ended June 30, 2020, the increase in the allowance includes the recognition of an ACL in connection with the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of these Notes to Condensed Consolidated Financial Statements.

The weighted-average LTV ratio of the Company's mortgage loan portfolio was 56% as of June 30, 2020, while the weighted-average LTV ratio at origination of these loans was 61%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan with property values based on appraisals updated no less than annually. Factors considered in estimating property values include, among other things, actual and expected property cash flows, geographic market data and the ratio of the property's net operating income to its value. DSCR compares a property's net operating income to the borrower's principal and interest payments and are updated no less than annually through reviews of underlying properties.

Mortgage Loans LTV & DSCR by Origination Year as of June 30, 2020

	2020		2019		2018		2017		2016		2015 & Prior		Total	
Loan-to-value	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost [1]	Avg. DSCR
65% - 80%	$ 8	2.59x	$ 266	1.85x	$ 248	2.07x	$ 80	1.63x	$ 80	1.85x	$ 131	1.74x	$ 813	1.89x
Less than 65%	393	2.58x	705	2.68x	450	2.02x	428	1.88x	207	2.98x	1,446	2.89x	3,629	2.59x
Total mortgage loans	**$ 401**	**2.58x**	**$ 971**	**2.45x**	**$ 698**	**2.04x**	**$ 508**	**1.84x**	**$ 287**	**2.66x**	**$ 1,577**	**2.79x**	**$ 4,442**	**2.46x**

[1] Amortized cost of mortgage loans excludes ACL of $43.

Mortgage Loans LTV & DSCR

	December 31, 2019	
Loan-to-value	Amortized Cost	Avg. DSCR
65% - 80%	$ 376	1.53x
Less than 65%	3,839	2.56x
Total mortgage loans	**$ 4,215**	**2.46x**

Mortgage Loans by Region

	June 30, 2020		December 31, 2019	
	Amortized Cost [1]	Percent of Total	Amortized Cost	Percent of Total
East North Central	$ 284	6.4%	$ 270	6.4%
Middle Atlantic	338	7.6%	319	7.5%
Mountain	185	4.2%	109	2.6%
New England	398	9.0%	344	8.2%
Pacific	931	20.9%	906	21.5%
South Atlantic	955	21.5%	944	22.4%
West North Central	44	1.0%	46	1.1%
West South Central	475	10.7%	439	10.4%
Other [2]	832	18.7%	838	19.9%
Total mortgage loans	**$ 4,442**	**100.0%**	**$ 4,215**	**100.0%**

[1] Amortized cost of mortgage loans excludes ACL of $43.
[2]Primarily represents loans collateralized by multiple properties in various regions.

Mortgage Loans by Property Type

	June 30, 2020		December 31, 2019	
	Amortized Cost [1]	Percent of Total	Amortized Cost	Percent of Total
Commercial				
Industrial	$ 1,298	29.2%	$ 1,167	27.7%
Multifamily	1,427	32.1%	1,313	31.2%
Office	757	17.1%	723	17.2%
Retail	785	17.7%	735	17.4%
Single Family	135	3.0%	137	3.2%
Other	40	0.9%	140	3.3%
Total mortgage loans	**$ 4,442**	**100.0%**	**$ 4,215**	**100.0%**

[1] Amortized cost of mortgage loans excludes ACL of $43.

Past-Due Mortgage Loans

Mortgage loans are considered past due if a payment of principal or interest is not received according to the contractual terms of the loan agreement, which typically includes a grace period. As of June 30, 2020 and December 31, 2019, the Company held no mortgage loans considered past due.

Mortgage Servicing

The Company originates, sells and services commercial mortgage loans on behalf of third parties and recognizes servicing fee income over the period that services are performed. As of June 30, 2020, under this program, the Company serviced mortgage loans with a total outstanding principal of $6.6 billion, of which $3.5 billion was serviced on behalf of third parties and $3.1 billion was retained and reported in total investments on the Company's Condensed Consolidated Balance Sheets. As of December 31, 2019, the Company serviced mortgage loans with a total outstanding principal balance of $6.4 billion, of which $3.5 billion was serviced on behalf of third parties and $2.9 billion was retained and reported in total investments on the Company's Condensed Consolidated Balance Sheets. Servicing rights are carried at the lower of cost or fair value and were $0 as of June 30, 2020 and December 31, 2019, because servicing fees were market-level fees at origination and remain adequate to compensate the Company for servicing the loans.

Purchased Financial Assets with Credit Deterioration

Purchased financial assets with credit deterioration ("PCD") are purchased financial assets with a “more-than-insignificant” amount of credit deterioration since origination. PCD assets are assessed only at initial acquisition date and for any investments identified, the Company records an allowance at acquisition with a corresponding increase to the amortized cost basis. As of June 30, 2020, the Company held no PCD fixed maturities, AFS or mortgage loans.

Variable Interest Entities

The Company is engaged with various special purpose entities and other entities that are deemed to be VIEs primarily as an investor through normal investment activities but also as an investment manager.

A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company’s assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in the Company’s Condensed Consolidated Financial Statements.

Consolidated VIEs

As of June 30, 2020 and December 31, 2019, the Company did not hold any securities for which it is the primary beneficiary.

Non-consolidated VIEs

The Company, through normal investment activities, makes passive investments in limited partnerships and other alternative investments. For these non-consolidated VIEs, the Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments. The Company’s maximum exposure to loss as of June 30, 2020 and December 31, 2019 was limited to the total carrying value of $1.2 billion and $1.1 billion, respectively, which are included in limited partnerships and other alternative investments in the Company's Condensed Consolidated Balance Sheets. As of June 30, 2020 and December 31, 2019, the Company has outstanding commitments totaling $746 and $851, respectively, whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management. For further discussion of these investments, see Equity Method Investments within Note 6 - Investments of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report.

In addition, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are included in ABS, CLOs, CMBS and RMBS and are reported in fixed maturities, AFS, and fixed maturities, FVO, in the Company's Condensed Consolidated Balance Sheets. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

Securities Lending, Repurchase Agreements, and Other Collateral Transactions and Restricted Investments

The Company enters into securities financing transactions as a way to earn additional income or manage liquidity, primarily through securities lending and repurchase agreements.

Securities Lending and Repurchase Agreements

	June 30, 2020	December 31, 2019
	Fair Value	Fair Value
Securities Lending Transactions:		
Gross amount of securities on loan	$ 165	$ 606
Gross amount of associated liability for collateral received [1]	$ 169	$ 621
Repurchase agreements:		
Gross amount of recognized receivables for reverse repurchase agreements	$ 14	$ 15

[1] Cash collateral received is reinvested in fixed maturities, AFS and short-term investments which are included in the Condensed Consolidated Balance Sheets. Amount includes additional securities collateral received of $0 and $34 which are excluded from the Company's Condensed Consolidated Balance Sheets as of June 30, 2020 and December 31, 2019, respectively.

Securities Lending

Under a securities lending program, the Company lends certain fixed maturities within the corporate, foreign government/ government agencies, and municipal sectors as well as equity securities to qualifying third-party borrowers in return for collateral in the form of cash or securities. For domestic and non-domestic loaned securities, respectively, borrowers provide collateral of 102% and 105% of the fair value of the securities lent at the time of the loan. Borrowers will return the securities to the Company for cash or securities collateral at maturity dates generally of 90 days or less. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, except in the event of default by the counterparty, and is not reflected on the Company's Condensed Consolidated Balance Sheets. Additional collateral is obtained if the fair value of the collateral falls below 100% of the fair value of the loaned securities. The agreements are continuous and do not have stated maturity dates and provide the counterparty the right to sell or re-pledge the securities loaned. If cash, rather than securities, is received as collateral, the cash is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Condensed Consolidated Balance Sheets. Income associated with securities lending transactions is reported as a component of net investment income in the Company's Condensed Consolidated Statements of Operations.

Repurchase Agreements

From time to time, the Company enters into repurchase agreements to manage liquidity or to earn incremental income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. The maturity of these transactions is generally ninety days or less. Repurchase agreements include master netting provisions that provide both parties the right to offset claims and apply securities held by them with respect to their obligations in the event of a default. Although the Company has the contractual right to offset claims, the Company's current positions do not meet the specific conditions for net presentation.

Under repurchase agreements, the Company transfers collateral of U.S. government and government agency securities and receives cash. For repurchase agreements, the Company obtains cash in an amount equal to at least 95% of the fair value of the securities transferred. The agreements require additional collateral to be transferred under specified conditions and provide the counterparty the right to sell or re-pledge the securities transferred. The cash received from the repurchase program is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Condensed Consolidated Balance Sheets. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturities, AFS with the obligation to repurchase those securities recorded in other liabilities on the Company's Condensed Consolidated Balance Sheets.

From time to time, the Company enters into reverse repurchase agreements where the Company purchases securities and simultaneously agrees to resell the same or substantially the same securities. The maturity of these transactions is generally within one year. The agreements require additional collateral to be transferred to the Company under specified conditions and the Company has the right to sell or re-pledge the securities received. The Company accounts for reverse repurchase agreements as collateralized financing. The receivable for reverse repurchase agreements is included within short-term investments in the Company's Condensed Consolidated Balance Sheets.

Other Collateral Transactions

As of June 30, 2020 and December 31, 2019, the Company pledged collateral of $34 and $37, respectively, of U.S. government securities and municipal securities or cash primarily related to certain bank loan participations committed to through a limited partnership agreement. These amounts also include collateral related to letters of credit.

For disclosure of collateral in support of derivative transactions, refer to the Derivative Collateral Arrangements section in Note 7 - Derivatives of Notes to Condensed Consolidated Financial Statements.

Other Restricted Investments

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of June 30, 2020 and December 31, 2019, the fair value of securities on deposit was $2.5 billion and $2.3 billion, respectively.

In addition, as of June 30, 2020, the Company held fixed maturities and short-term investments of $604 and $24, respectively, in trust for the benefit of syndicate policyholders, deposited fixed maturities of $64 into a Lloyd's of London ("Lloyd's") trust account to provide a portion of the required capital, and maintained other investments of $48 primarily consisting of overseas deposits in various countries with Lloyd's to support underwriting activities in those countries. As of December 31, 2019, the Company held fixed maturities and short-term investments of $447 and $189, respectively, in trust and other investments of $38 primarily consisting of overseas deposits in various countries with Lloyd's. Lloyd's is an insurance market-place operating worldwide. Lloyd's does not underwrite risks. The Company accepts risks as the sole member of Lloyd's Syndicate 1221 ("Lloyd's Syndicate").

7. DERIVATIVES

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company’s investment policies.

Strategies that Qualify for Hedge Accounting

Some of the Company's derivatives satisfy hedge accounting requirements as outlined in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements, included in The Hartford’s 2019 Form 10-K Annual Report. Typically, these hedging instruments include interest rate swaps and, to a lesser extent, foreign currency swaps where the terms or expected cash flows of the hedged item closely match the terms of the swap. The interest rate swaps are typically used to manage interest rate duration of certain fixed maturity securities or debt instruments issued. The hedge strategies by hedge accounting designation include:

Cash Flow Hedges

Interest rate swaps are predominantly used to manage portfolio duration and better match cash receipts from assets with cash disbursements required to fund liabilities. These derivatives primarily convert interest receipts on variable-rate fixed maturity securities to fixed rates. The Company has also entered into interest rate swaps to convert the variable interest payments on the 3 month LIBOR + 2.125% junior subordinated debt to fixed interest payments. For further information, see the Junior Subordinated Debentures section within Note 13 - Debt of Notes to the Consolidated Financial Statements, included in The Hartford's 2019 Form 10-K Annual Report.

Foreign currency swaps are used to convert foreign currency denominated cash flows related to certain investment receipts to U.S. dollars in order to reduce cash flow fluctuations due to changes in currency rates.

The Company also previously entered into forward starting swap agreements to hedge the interest rate exposure related to the future purchase of fixed-rate securities, primarily to hedge interest rate risk inherent in the assumptions used to price certain group benefits liabilities.

Non-qualifying Strategies

Derivative relationships that do not qualify for hedge accounting (“non-qualifying strategies”) primarily include hedging and replication strategies that utilize credit default swaps. In addition, hedges of interest rate, foreign currency and equity risk of certain fixed maturities and equities do not qualify for hedge accounting. The non-qualifying strategies include:

Credit Contracts

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in the value of fixed maturity securities. Credit default swaps are also used to assume credit risk related to an individual entity or referenced index as a part of replication transactions. These contracts require the Company to pay or receive a periodic fee in exchange for compensation from the counterparty should the referenced security issuers experience a credit event, as defined in the contract. The Company also enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

Interest Rate Swaps, Swaptions and Futures

The Company uses interest rate swaps, swaptions and futures to manage interest rate duration between assets and liabilities. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap going forward. As of June 30, 2020 and December 31, 2019, the notional amount of interest rate swaps in offsetting relationships was $7.6 billion.

Foreign Currency Swaps and Forwards

The Company enters into foreign currency swaps to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars. The Company may at times enter into foreign currency forwards to hedge non-U.S. dollar denominated cash.

Equity Index Options

The Company enters into equity index options to hedge the impact of a decline in the equity markets on the investment portfolio. The Company also enters into covered call options on equity securities to generate additional return.

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities, based upon the net of the fair value amounts, income accruals and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. The Company's derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company's derivative activity. Notional amounts are not necessarily reflective of credit risk.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Derivative Balance Sheet Presentation

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Hedge Designation/ Derivative Type	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2020	Dec. 31, 2019
Cash flow hedges								
Interest rate swaps	$ 2,340	$ 2,040	$ —	$ —	$ —	$ 1	$ —	$ (1)
Foreign currency swaps	287	270	21	(1)	21	3	—	(4)
Total cash flow hedges	**2,627**	**2,310**	**21**	**(1)**	**21**	**4**	**—**	**(5)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	8,333	9,338	(86)	(59)	4	3	(90)	(62)
Foreign exchange contracts								
Foreign currency swaps and forwards	270	464	—	(1)	—	—	—	(1)
Credit contracts								
Credit derivatives that purchase credit protection	5	124	—	(3)	—	—	—	(3)
Credit derivatives that assume credit risk [1]	600	500	7	13	7	13	—	—
Credit derivatives in offsetting positions	224	29	—	—	5	5	(5)	(5)
Equity contracts								
Equity index swaps and options	4	941	—	(15)	—	15	—	(30)
Total non-qualifying strategies	**9,436**	**11,396**	**(79)**	**(65)**	**16**	**36**	**(95)**	**(101)**
Total cash flow hedges and non-qualifying strategies	**$12,063**	**$13,706**	**$ (58)**	**$ (66)**	**$ 37**	**$ 40**	**$ (95)**	**$ (106)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 270	$ 244	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	1,490	1,277	12	12	14	13	(2)	(1)
Other liabilities	10,303	12,185	(70)	(78)	23	27	(93)	(105)
Total derivatives	**$12,063**	**$13,706**	**$ (58)**	**$ (66)**	**$ 37**	**$ 40**	**$ (95)**	**$ (106)**

[1]The derivative instruments related to this strategy are held for other investment purposes.

Offsetting of Derivative Assets/ Liabilities

The following tables present the gross fair value amounts, the amounts offset, and net position of derivative instruments eligible for offset in the Company's Condensed Consolidated Balance Sheets. Amounts offset include fair value amounts, income accruals and related cash collateral receivables and payables associated with derivative instruments that are traded under a common master netting agreement, as described in the preceding discussion. Also included in the tables are financial collateral receivables and payables, which are contractually permitted to be offset upon an event of default, although are disallowed for offsetting under U.S. GAAP.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Offsetting Derivative Assets and Liabilities

	(i)	(ii)	(iii) = (i) - (ii)		(iv)	(v) = (iii) - (iv)
			Net Amounts Presented in the Statement of Financial Position		Collateral Disallowed for Offset in the Statement of Financial Position	
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Derivative Assets [1] (Liabilities) [2]	Accrued Interest and Cash Collateral (Received) [3] Pledged [2]	Financial Collateral (Received) Pledged [4]	Net Amount
As of June 30, 2020						
Other investments	$ 37	$ 35	$ 12	$ (10)	$ 1	$ 1
Other liabilities	$ (95)	$ (10)	$ (70)	$ (15)	$ (78)	$ (7)
As of December 31, 2019						
Other investments	$ 40	$ 37	$ 12	$ (9)	$ 1	$ 2
Other liabilities	$ (106)	$ (23)	$ (78)	$ (5)	$ (73)	$ (10)

[1] Included in other investments in the Company's Condensed Consolidated Balance Sheets.
[2] Included in other liabilities in the Company's Condensed Consolidated Balance Sheets and is limited to the net derivative payable associated with each counterparty.
[3] Included in other investments in the Company's Condensed Consolidated Balance Sheets and is limited to the net derivative receivable associated with each counterparty.
[4] Excludes collateral associated with exchange-traded derivative instruments.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

Gain (Loss) Recognized in OCI

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest rate swaps	$ 4	$ 13	$ 36	$ 20
Foreign currency swaps	(4)	4	24	4
Total	**$ —**	**$ 17**	**$ 60**	**$ 24**

Gain (Loss) Reclassified from AOCI into Income

	Three Months Ended June 30,						Six Months Ended June 30,					
	2020			2019			2020			2019		
	Net Realized Capital Gain/ (Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/ (Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/ (Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/ (Loss)	Net Investment Income	Interest Expense
Interest rate swaps	$ —	$ 7	$ (2)	$ 2	$ —	$ 1	$ —	$ 10	$ (2)	$ 2	$ —	$ 1
Foreign currency swaps	—	1	—	—	—	—	—	2	—	—	1	—
Total	**$ —**	**$ 8**	**$ (2)**	**$ 2**	**$ —**	**$ 1**	**$ —**	**$ 12**	**$ (2)**	**$ 2**	**$ 1**	**$ 1**
Total amounts presented on the Condensed Consolidated Statement of Operations	**$ 109**	**$ 339**	**$ 57**	**$ 80**	**$ 488**	**$ 63**	**$ (122)**	**$ 798**	**$ 121**	**$ 243**	**$ 958**	**$ 127**

As of June 30, 2020, the Company had $35 of before tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to net investment income over the term of the investment cash flows.

During the three and six months ended June 30, 2020 and 2019, the Company had no net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

Non-qualifying Strategies

For non-qualifying strategies, including embedded derivatives that are required to be bifurcated from their host contracts and accounted for as derivatives, the gain or loss on the derivative is recognized currently in earnings within net realized capital gains (losses).

Non-qualifying Strategies Recognized within Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Foreign exchange contracts				
Foreign currency swaps and forwards	$ —	$ (1)	$ 3	$ —
Interest rate contracts				
Interest rate swaps, swaptions, and futures	1	(7)	21	(15)
Credit contracts				
Credit derivatives that purchase credit protection	(2)	(1)	4	—
Credit derivatives that assume credit risk	8	6	(4)	27
Equity contracts				
Equity index swaps and options	—	(4)	75	(4)
Total [1]	**$ 7**	**$ (7)**	**$ 99**	**$ 8**

[1] Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section in Note 5 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity or referenced index in order to synthetically replicate investment transactions that are permissible under the Company's investment policies. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer’s debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and baskets, which include standard diversified portfolios of corporate and CMBS issuers. The diversified portfolios of corporate and CMBS issuers are established within sector concentration limits and may be divided into tranches that possess different credit ratings.

Credit Risk Assumed Derivatives by Type

	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
As of June 30, 2020							
Single name credit default swaps							
Investment grade risk exposure	$ 100	$ 1	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	500	6	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	100	—	8 years	CMBS Credit	AAA	100	—
Below investment grade risk exposure	12	(4)	Less than 1 year	CMBS Credit	CCC	12	4
Total [5]	**$ 712**	**$ 3**				**$ 112**	**$ 4**
As of December 31, 2019							
Single name credit default swaps							
Investment grade risk exposure	$ 100	$ 3	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	400	10	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	1	—	Less than 1 year	CMBS Credit	A	1	—
Below investment grade risk exposure	14	(5)	Less than 1 year	CMBS Credit	CCC-	14	5
Total [5]	**$ 515**	**$ 8**				**$ 15**	**$ 5**

[1] The average credit ratings are based on availability and are generally the midpoint of the available ratings among Moody's, S&P and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.

[2] Notional amount is equal to the maximum potential future loss amount. These derivatives are governed by agreements and applicable law, which include collateral posting requirements. There is no additional specific collateral related to these contracts or recourse provisions included in the contracts to offset losses.

[3] The Company has entered into offsetting credit default swaps to terminate certain existing credit default swaps, thereby offsetting the future changes in value of, or losses paid related to, the original swap.

[4] Comprised of swaps of standard market indices of diversified portfolios of corporate and CMBS issuers referenced through credit default swaps. These swaps are subsequently valued based upon the observable standard market index.

[5] Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section in Note 5 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

Derivative Collateral Arrangements

The Company enters into various collateral arrangements in connection with its derivative instruments, which require both the pledging and accepting of collateral. As of June 30, 2020 and December 31, 2019, the Company pledged cash collateral with a fair value of less than $1 associated with derivative instruments. The collateral receivable has been recorded in other assets or other liabilities on the Company's Condensed Consolidated Balance Sheets as determined by the Company's election to offset on the balance sheet. As of June 30, 2020 and December 31, 2019, the Company also pledged securities collateral associated with derivative instruments with a fair value of $86 and $78, respectively, which have been included in fixed maturities on the Company's Condensed Consolidated Balance Sheets. The counterparties generally have the right to sell or re-pledge these securities.

In addition, as of June 30, 2020 and December 31, 2019, the Company has pledged initial margin of securities related to OTC-cleared and exchange traded derivatives with a fair value of $98 and $88, respectively, which are included within fixed maturities on the Company's Condensed Consolidated Balance Sheets.

As of June 30, 2020 and December 31, 2019, the Company accepted cash collateral associated with derivative instruments of $25 and $16, respectively, which was invested and recorded in the Company's Condensed Consolidated Balance Sheets in fixed maturities and short-term investments with corresponding amounts recorded in other investments or other liabilities as determined by the Company's election to offset on the balance sheet. The Company also accepted securities collateral as of June 30, 2020 and December 31, 2019, with a fair value of $1 as of both dates, which the Company has the right to sell or repledge. As of June 30, 2020 and December 31, 2019, the Company had no repledged securities and no securities held as collateral have been sold. Non-cash collateral accepted was held in separate custodial accounts and was not included in the Company's Condensed Consolidated Balance Sheets.

8. PREMIUMS RECEIVABLE AND AGENTS' BALANCES

Premiums Receivable and Agents' Balances

	As of June 30, 2020
Premiums receivable, excluding receivables for losses within a deductible and retrospectively-rated policy premiums	$ 4,177
Receivables for loss within a deductible and retrospectively-rated policy premiums, by credit quality:	
AAA	—
AA	141
A	61
BBB	222
BB	104
Below BB	73
Total receivables for losses within a deductible and retrospectively-rated policy premiums	**601**
Total Premiums Receivable and Agents' Balances, Gross	**4,778**
ACL	(183)
Total Premiums Receivable and Agents' Balances, Net of ACL	**$ 4,595**

ACL on Premiums Receivable and Agents' Balances

Premium receivable and agents' balances, excluding receivables for losses within a deductible and retrospectively-rated policy premiums, are primarily comprised of premiums due from policyholders, which are typically collectible within one year or less. The Company had an immaterial amount of receivables with a due date of more than one year that are past-due. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods.

For these balances, the ACL is estimated based on an aging of receivables and recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate. In response to significant economic stress experienced as a result of the COVID-19 pandemic, the Company increased the expected loss factors used to estimate the ACL based on collections experience during past moderate and severe recessions as well as experience during periods when we provided policyholders additional time to make premiums payments. In the second quarter of 2020, we gave greater weight to recent experience which has shown a higher level of aged and uncollectible receivables than previously estimated due to the economic stress our customers are facing.

A portion of the Company's Commercial Lines business is written with large deductibles or under retrospectively-rated plans. Under some commercial insurance contracts with a large deductible, the Company is obligated to pay the claimant the full amount of the claim and the Company is subsequently reimbursed by the policyholder for the deductible amount. As such, the Company is subject to credit risk until reimbursement is made. Retrospectively-rated policies are utilized primarily for workers' compensation coverage, whereby the ultimate premium is adjusted based on actual losses incurred. Although the premium adjustment feature of a retrospectively-rated policy substantially reduces insurance risk for the Company, it presents credit risk to the Company. The Company's results of operations could be adversely affected if a significant portion of such policyholders failed to reimburse the Company for the deductible amount or the amount of additional premium owed under retrospectively-rated policies. The Company manages these credit risks through credit analysis, collateral requirements, and oversight.

The ACL for receivables for loss within a deductible and retrospectively-rated policy premiums is estimated as the amount of the receivable exposed to loss multiplied by estimated factors for probability of default and the amount of loss given a default. The probability of default is assigned based on each policyholder's credit rating, or a rating is estimated if no external rating is available. Credit ratings are reviewed and updated at least annually. The exposure amount is estimated net of collateral and other credit enhancement, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical corporate defaults for receivables with similar durations estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The loss given default factors are based on a study of historical recovery rates for general creditors through multiple economic cycles. The Company's evaluation of the required ACL for receivables for loss within a deductible and retrospectively-rated policy premiums considers the current economic environment as well as the probability-weighted macroeconomic scenarios similar to the approach used for estimating the ACL for mortgage loans. See Note 6 - Investments of Notes to Condensed Consolidated Financial Statements. In response to significant economic stress experienced as a result of the COVID-19 pandemic during the first six months of 2020, the Company increased the weight of both a moderate and severe recession scenario in our estimate of the ACL.

The ultimate impact to the Company's financial statements from the COVID-19 pandemic could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective.

Rollforward of ACL on Premiums Receivable and Agents' Balances

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020		
	Premiums Receivable and Agents' Balances, Excluding Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Total	Premiums Receivable and Agents' Balances, Excluding Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Total
Beginning ACL	**$ (98)**	**$ (41)**	**$ (139)**	**$ (85)**	**$ (60)**	**$ (145)**
Cumulative effect of accounting change [1]	—	—	—	2	21	23
Adjusted beginning ACL	**(98)**	**(41)**	**(139)**	**(83)**	**(39)**	**(122)**
Current period provision	(48)	(3)	(51)	(76)	(5)	(81)
Current period gross write-offs	8	—	8	23	—	23
Current period gross recoveries	(1)	—	(1)	(3)	—	(3)
Ending ACL	**$ (139)**	**$ (44)**	**$ (183)**	**$ (139)**	**$ (44)**	**$ (183)**

[1]Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

The cumulative effect of accounting changes is attributable to the recognition of an ACL in connection with the adoption of accounting guidance for credit losses on January 1, 2020 that was less than the allowance recognized under the prior guidance. The adjusted beginning ACL was based on the Company’s historical loss information adjusted for current conditions and the forecasted economic environment at the time the guidance was adopted. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements. The increase in the allowance during the three and six months ended June 30, 2020 is primarily due to adjusting loss factors and an increase in aged premiums receivable as well as giving more weight to recession scenarios on receivables for loss within a deductible and retrospectively-rated policy premiums in response to the COVID-19 pandemic, as discussed above.

The Company records total credit loss expenses related to premiums receivable in insurance operating costs and other expenses. Write-offs of premiums receivable and agents' balances and any related ACL are recorded in the period in which the balance is deemed uncollectible.

9. REINSURANCE

The Company cedes insurance risk to reinsurers to enable the Company to manage capital and risk exposure. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company's procedures include carefully selecting its reinsurers, structuring agreements to provide collateral funds where necessary, and regularly monitoring the financial condition and ratings of its reinsurers.

Reinsurance Recoverables

Reinsurance recoverables include balances due from reinsurance companies and are presented net of an allowance for uncollectible reinsurance. Reinsurance recoverables include an estimate of the amount of gross losses and loss adjustment expense reserves that may be ceded under the terms of the reinsurance agreements, including incurred but not reported unpaid losses. The Company’s estimate of losses and loss adjustment expense reserves ceded to reinsurers is based on assumptions that are consistent with those used in establishing the gross reserves for amounts the Company owes to its claimants. The Company estimates its ceded reinsurance recoverables based on the terms of any applicable facultative and treaty reinsurance, including an estimate of how incurred but not reported losses will ultimately be ceded under reinsurance agreements. Accordingly, the Company’s estimate of reinsurance recoverables is subject to similar risks and uncertainties as the estimate of the gross reserve for unpaid losses and loss adjustment expenses.

Reinsurance Recoverables by Credit Quality Indicator as of June 30, 2020

	Property and Casualty	Group Benefits	Corporate	Total
A.M. Best Financial Strength Rating				
A++	$ 1,242	$ —	$ —	$ 1,242
A+	1,752	232	311	2,295
A	591	—	—	591
A-	26	9	—	35
B++	678	—	3	681
Below B++	23	1	—	24
Total Rated by A.M. Best	**4,312**	**242**	**314**	**4,868**
Mandatory (Assigned) and Voluntary Risk Pools	264	—	—	264
Captives	322	—	—	322
Other not rated companies	288	9	—	297
Gross Reinsurance Recoverables	**5,186**	**251**	**314**	**5,751**
Allowance for uncollectible reinsurance	(108)	(1)	(2)	(111)
Net Reinsurance Recoverables	**$ 5,078**	**$ 250**	**$ 312**	**$ 5,640**

The Company had no reinsurance recoverables with a due date of one year or more that are past-due. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods, generally 30, 60 or 90 days.

To manage reinsurer credit risk, a reinsurance security review committee evaluates the credit standing, financial performance, management and operational quality of each potential reinsurer. In placing reinsurance, the Company considers the nature of the risk reinsured, including the expected liability payout duration, and establishes limits tiered by reinsurer credit rating.

Where its contracts permit, the Company secures future claim obligations with various forms of collateral or other credit enhancement, including irrevocable letters of credit, secured trusts, funds held accounts and group wide offsets. As part of its reinsurance recoverable review, the Company analyzes recent developments in commutation activity between reinsurers and cedants, recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers and the overall credit quality of the Company's reinsurers.

The Company periodically evaluates the recoverability of its reinsurance recoverable assets and establishes an allowance for uncollectible reinsurance. The allowance for uncollectible reinsurance reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance comprises an ACL and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance or charge off reinsurer balances that are determined to be uncollectible.

Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables become due, it is possible that future adjustments to the Company's reinsurance recoverables, net of the allowance, could be required, which could have a material adverse effect on the Company's consolidated results of operations or cash flows in a particular quarter or annual period.

The ACL is estimated as the amount of reinsurance recoverables exposed to loss multiplied by estimated factors for the probability of default and the amount of loss given a default. The probability of default is assigned based on each reinsurer's credit rating, or a rating is estimated if no external rating is available. Credit ratings are reviewed and updated at least annually. The probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The loss given default factors are based on a study of historical recovery rates for general creditors of corporations through multiple economic cycles or, in the case of purchased annuities funding structured settlements accounted for as reinsurance, historical recovery rates for annuity contract holders.

As shown in the table above, a portion of the total gross reinsurance recoverable balance relates to the Company's participation in various mandatory (assigned) and voluntary risk pools. Reinsurance recoverables due from pools are backed by the financial position of all insurance companies participating in the pools and the credit backing the reinsurance recoverable is not limited to the financial strength of each pool. The mandatory pools generally are funded through policy assessments or surcharges and if any participant in the pool defaults, remaining liabilities are apportioned among the other members.

The Company's evaluation of the required ACL for reinsurance recoverables considers the current economic environment as well as macroeconomic scenarios similar to the approach used to estimate the ACL for mortgage loans. See Note 6 - Investments of Notes to Condensed Consolidated Financial Statements. Insurance companies, including reinsurers, are regulated and hold risk-based capital to mitigate the risk of loss due to economic factors and other risks. Non-U.S. reinsurers are either subject to a capital regime substantively equivalent to domestic insurers or we hold collateral to support collection of reinsurance recoverables. As a result, there is limited history of losses from insurer defaults. In response to significant economic stress experienced as a result of the COVID-19 pandemic during the first six months of 2020, the Company increased the weight of both a moderate and severe recession in our estimate of the ACL. The Company expects the impact to reinsurers to be somewhat mitigated by their regulated capital and liquidity positions. The ultimate impact to the Company's financial statements could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective. The following table presents the activity within the Company's ACL for reinsurance recoverables.

Allowance for Uncollectible Reinsurance

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
	Property and Casualty	Group Benefits	Corporate	Total	Property and Casualty	Group Benefits	Corporate	Total
Beginning allowance for uncollectible reinsurance	$ (114)	$ (1)	$ (2)	$ (117)	$ (114)	$ —	$ —	$ (114)
Beginning allowance for disputed amounts	(65)	—	—	(65)	(66)	—	—	(66)
Beginning ACL	(49)	(1)	(2)	(52)	(48)	—	—	(48)
Cumulative effect of accounting change [1]	—	—	—	—	—	(1)	(1)	(2)
Adjusted beginning ACL	(49)	(1)	(2)	(52)	(48)	(1)	(1)	(50)
Current period provision	(1)	—	—	(1)	(2)	—	(1)	(3)
Current period gross recoveries	(1)	—	—	(1)	(1)	—	—	(1)
Ending ACL	(51)	(1)	(2)	(54)	(51)	(1)	(2)	(54)
Ending allowance for disputed amounts	(57)	—	—	(57)	(57)	—	—	(57)
Ending allowance for uncollectible reinsurance	$ (108)	$ (1)	$ (2)	$ (111)	$ (108)	$ (1)	$ (2)	$ (111)

[1] Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

The Company records credit loss expenses related to reinsurance recoverables in benefits losses and loss adjustment expenses. Write-offs of reinsurance recoverables and any related ACL are recorded in the period in which the balance is deemed uncollectible. Expected recoveries are included in the estimate of the ACL. There were no write-offs for the three and six months ended June 30, 2020, respectively.

10. RESERVE FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Property and Casualty Insurance Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the six months ended June 30,	
	2020	2019
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 28,261**	**$ 24,584**
Reinsurance and other recoverables	5,275	4,232
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**22,986**	**20,352**
Navigators Group acquisition	—	2,001
Provision for unpaid losses and loss adjustment expenses		
Current accident year	3,962	3,475
Prior accident year development [1]	(245)	24
Total provision for unpaid losses and loss adjustment expenses	**3,717**	**3,499**
Change in deferred gain on retroactive reinsurance included in other liabilities [1]	(83)	—
Payments		
Current accident year	(778)	(848)
Prior accident years	(2,575)	(2,381)
Total payments	**(3,353)**	**(3,229)**
Foreign currency adjustment	(10)	—
Ending liabilities for unpaid losses and loss adjustment expenses, net	**23,257**	**22,623**
Reinsurance and other recoverables	5,427	5,125
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 28,684**	**$ 27,748**

[1] Prior accident year development does not include the benefit of a portion of losses ceded under the Navigators adverse development cover ('*Navigators ADC*'*) which, under retroactive reinsurance accounting, is deferred and is recognized over the period the ceded losses are recovered in cash from* National Indemnity Company ("NICO"). *For additional information regarding the Navigators ADC agreement, please refer to Adverse Development Covers discussion below.*

Unfavorable (Favorable) Prior Accident Year Development

	For the six months ended June 30,	
	2020	2019
Workers' compensation	$ (38)	$ (50)
Workers' compensation discount accretion	18	17
General liability	114	43
Marine	1	10
Package business	(6)	(9)
Commercial property	(2)	(15)
Professional liability	5	33
Bond	(10)	—
Assumed reinsurance	(7)	3
Automobile liability - Commercial Lines	27	2
Automobile liability - Personal Lines	(21)	(5)
Homeowners	—	1
Catastrophes	(413)	(22)
Uncollectible reinsurance	(2)	—
Other reserve re-estimates, net	6	16
Prior accident year development before change in deferred gain	**(328)**	**24**
Change in deferred gain on retroactive reinsurance included in other liabilities [1]	83	—
Total prior accident year development	**$ (245)**	**$ 24**

[1] The change in deferred gain for the six months ended June 30, 2020 primarily included increased reserves for professional liability, marine, general liability, prior accident year catastrophes, and assumed reinsurance.

Re-estimates of prior accident year reserves for the six months ended June 30, 2020

Workers' compensation reserves were reduced on national account business within middle & large commercial, driven by lower than previously estimated claim severity for the 2014 and prior accident years and were reduced in small commercial due to lower than expected claim severity for the 2013 to 2018 accident years.

General liability reserves were increased in first quarter 2020, primarily related to guaranteed cost construction business for accident years 2016 to 2019 as incurred losses are developing higher than previously expected for premises and operations claims and product liability claims, partly due to a change in industry mix and a heavier concentration of losses in California than initially assumed. General liability reserves were also increased in second quarter 2020 on primary layer construction account business mainly related to the 2018 accident year and is largely included as a component of the change in deferred gain under retroactive reinsurance in the above table. In addition, the Company recorded an increase in reserves for sexual molestation and abuse claims in the second quarter of 2020 related to cases brought against religious and other institutions that were insureds of the Company. During the second quarter of 2020, the Company increased these reserves by $102 considering the impact of recent bankruptcy filings and an expected increase in claim incidence largely driven by legislation passed in a number of states that provides an opportunity for claimants to file claims for a period of time despite the fact that the original statute of limitations had expired.

Marine reserves were increased principally due to an increase in domestic marine liability, mostly in accident years 2017 and 2018 due to a higher number of large losses. The increase in marine reserves is included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Commercial property reserves were decreased for accident year 2019 due to favorable developments on marine and middle market property claims.

Professional liability reserves were increased primarily due to an increase in large D&O losses within Global Specialty, principally in the 2016 and 2017 accident years. The reserve increases within Global Specialty are included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Assumed reinsurance reserves were increased for accident year 2018 mostly due to higher accident and health reserve estimates for medical professionals on assumed casualty business. These reserve increases are included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Automobile liability reserves were decreased in Personal Lines principally due to lower than previously expected AARP Direct automobile liability claim severity for the 2017 and 2018 accident years. Automobile liability reserves were increased in Commercial Lines primarily due to higher than expected large losses on national accounts in the first quarter of 2020 related to accident years 2015 to 2017 and due to large losses within middle & large commercial, primarily within the 2018 and 2019 accident years.

Catastrophes reserves were reduced, primarily due to a a reduction in estimated reserves for 2017 and 2018 California wildfires and a reduction in estimated catastrophes for wind and hail events in the 2018 and 2019 accident years, partially offset by an increase in reserves for 2019 typhoons Hagibis and Faxai in Asia. The reduction in reserves for the 2017 and 2018 wildfires was largely due to recognizing a $289 subrogation benefit in the second quarter of 2020 from PG&E Corporation and Pacific Gas and Electric Company (together, "PG&E").

In December, 2019, the judge overseeing the bankruptcy of PG&E approved an $11 billion settlement of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. That settlement was contingent upon, among other things, the judge entering an order confirming PG&E's chapter 11 bankruptcy plan ("PG&E Plan") incorporating the settlement agreement. On June 20, 2020, the bankruptcy court judge approved the PG&E Plan and PG&E subsequently transferred the $11 billion settlement amount to a trust designed to allocate and distribute the settlement among subrogation holders, including certain of the Company's insurance subsidiaries. In the second quarter of 2020, the Company recorded an estimated $289 subrogation benefit though the ultimate amount it collects will depend on how the Company's ultimate paid claims subject to subrogation compare to other insurers' ultimate paid claims subject to subrogation.

Re-estimates of prior accident year reserves for the six months ended June 30, 2019

Workers' compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 through 2017 accident years.

General liability reserves were increased, primarily due to reserve increases in small commercial for accident years 2017 and 2018 due to higher frequency of high-severity bodily injury claims, as well as increased estimated severity on the acquired Navigators book of business related to U.S. construction, premises liability, products liability and excess casualty, mostly related to accident years 2014 to 2018.

Package business reserves were decreased, primarily due to favorable emergence on property claims related to accident years 2016 through 2018.

Commercial property reserves were decreased, principally due to favorable emergence of reported losses, including on the acquired Navigators Group book of business related to offshore energy in accident years 2017 to 2018 and construction engineering across accident years 2015 to 2018.

Professional liability reserves were increased, primarily due to large loss activity, including wrongful termination and discrimination claims, in accident years 2017 and 2018 and increased estimated frequency and severity of directors' and officers' reserves on the Navigators Group book of business, principally for the 2014 to 2018 accident years.

Marine reserves were increased, principally related to pollution exposure from the 1980s and 1990s related to the Navigators Group book of business.

Automobile liability reserves were reduced, primarily driven by the emergence of lower estimated severity in personal automobile liability for accident year 2017.

Catastrophes reserves were reduced, primarily as a result of lower estimated net losses from 2017 hurricanes Harvey and Irma.

Adverse Development Covers

The Company has an adverse development cover reinsurance agreement with NICO, a subsidiary of Berkshire Hathaway Inc., to reinsure loss development after 2016 on substantially all of the Company's asbestos and environmental reserves (the "A&E ADC"). Under the A&E ADC, the Company paid a reinsurance premium of $650 for NICO to assume adverse net loss reserve development up to $1.5 billion above the Company's existing net A&E reserves as of December 31, 2016 of approximately $1.7 billion including reserves for A&E exposure for accident years prior to 1986 that are reported in Property & Casualty Other Operations ("Run-off A&E") and reserves for A&E exposure for accident years 1986 and subsequent from policies underwritten prior to 2016 that are reported in ongoing Commercial Lines and Personal Lines. The $650 reinsurance premium was placed into a collateral trust account as security for NICO's claim payment obligations to the Company. The Company has retained the risk of collection on amounts due from other third-party reinsurers and continues to be responsible for claims handling and other administrative services, subject to certain conditions. The A&E ADC covers substantially all the Company's A&E reserve development up to the reinsurance limit.

Under retroactive reinsurance accounting, net adverse A&E reserve development after December 31, 2016 will result in an offsetting reinsurance recoverable up to the $1.5 billion limit. Cumulative ceded losses up to the $650 reinsurance premium paid are recognized as a dollar-for-dollar offset to direct losses incurred. Cumulative ceded losses exceeding the $650 reinsurance premium paid would result in a deferred gain. The deferred gain would be recognized over the claim settlement period in the proportion of the amount of cumulative ceded losses collected from the reinsurer to the estimated ultimate reinsurance recoveries. Consequently, until periods when the deferred gain is recognized as a benefit to earnings, cumulative adverse development of asbestos and environmental claims after December 31, 2016 in excess of $650 may result in significant charges against earnings. As of June 30, 2020, the Company has incurred $640 in cumulative adverse development on asbestos and environmental reserves that have been ceded under the A&E ADC treaty with NICO with $860 of available limit remaining under the A&E ADC.

Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased the Navigators ADC, an aggregate excess of loss reinsurance agreement covering adverse reserve development, from NICO, on behalf of Navigators Insurers. Under the Navigators ADC, the Navigators Insurers paid NICO a reinsurance premium of $91 in exchange for reinsurance coverage of $300 of adverse net loss reserve development that attaches $100 above the Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018 subject to the treaty of $1.816 billion for accidents and losses prior to December 31, 2018.

As of June 30, 2020, the Company has recorded a reinsurance recoverable under the Navigators ADC of $190, as estimated cumulative loss development on the 2018 and prior accident year reserves of $290 exceed the $100 deductible. While the reinsurance recoverable is $190, the Company has also recorded a $99 cumulative deferred gain within other liabilities since, under retroactive reinsurance accounting, ceded losses in excess of the $91 of ceded premium paid must be recognized as a deferred gain. As the Company has ceded $190 of the $300 available limit, there is $110 of remaining limit available as of June 30, 2020.

Group Life, Disability and Accident Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the six months ended June 30,	
	2020	2019
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	$ 8,256	$ 8,445
Reinsurance recoverables [1]	246	239
Beginning liabilities for unpaid losses and loss adjustment expenses, net	8,010	8,206
Provision for unpaid losses and loss adjustment expenses		
Current incurral year	2,297	2,269
Prior year's discount accretion	111	117
Prior incurral year development [2]	(315)	(206)
Total provision for unpaid losses and loss adjustment expenses [3]	2,093	2,180
Payments		
Current incurral year	(871)	(922)
Prior incurral years	(1,290)	(1,342)
Total payments	(2,161)	(2,264)
Ending liabilities for unpaid losses and loss adjustment expenses, net	7,942	8,122
Reinsurance recoverables	244	234
Ending liabilities for unpaid losses and loss adjustment expenses, gross	$ 8,186	$ 8,356

[1] Reflects a cumulative effect adjustment of $(1) representing an adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. See Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements for further information.

[2] Prior incurral year development represents the change in estimated ultimate incurred losses and loss adjustment expenses for prior incurral years on a discounted basis.

[3] Includes unallocated loss adjustment expenses of $89 and $85 for the six months ended June 30, 2020 and 2019, respectively, that are recorded in insurance operating costs and other expenses in the Condensed Consolidated Statements of Operations.

Re-estimates of prior incurral years reserves for the six months ended June 30, 2020

Group disability- Prior period reserve estimates decreased by approximately $230 largely driven by group long-term disability lower claim incidence and higher recoveries on prior incurral year claims, and a refund on the New York Paid Family Leave program.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $65 largely driven by lower prior year mortality than prior assumptions in group life and lower-than-previously expected claim incidence in group life premium waiver.

Supplemental Accident & Health- Prior period reserve estimates decreased by approximately $20 driven by lower-than-expected emergence of prior year claims, especially for voluntary critical Illness and voluntary accident products.

Re-estimates of prior incurral years reserves for the six months ended June 30, 2019

Group disability- Prior period reserve estimates decreased by approximately $175 largely driven by group long-term disability claim incidence lower than prior assumptions, as well as claim recoveries and Social Security Disability approvals higher than prior reserve assumptions. New York Paid Family Leave also experienced favorable claim emergence compared to year-end estimates.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $25 largely driven by lower than previously expected claim incidence in group life premium waiver.

11. RESERVE FOR FUTURE POLICY BENEFITS

Changes in Reserves for Future Policy Benefits[1]

Liability balance, as of January 1, 2020	**$**	**635**
Incurred		53
Paid		(42)
Change in unrealized investment gains and losses		6
Liability balance, as of June 30, 2020	**$**	**652**
Reinsurance recoverable asset, as of January 1, 2020	**$**	**31**
Incurred		(4)
Paid		—
Reinsurance recoverable asset, as of June 30, 2020	**$**	**27**

Liability balance, as of January 1, 2019	**$**	**642**
Incurred		44
Paid		(55)
Change in unrealized investment gains and losses		13
Liability balance, as of June 30, 2019	**$**	**644**
Reinsurance recoverable asset, as of January 1, 2019	**$**	**27**
Incurred		—
Paid		—
Reinsurance recoverable asset, as of June 30, 2019	**$**	**27**

[1]Reserves for future policy benefits includes paid-up life insurance and whole-life policies resulting from conversion from group life policies included within the Group Benefits segment and reserves for run-off structured settlement and terminal funding agreement liabilities which are in the Corporate category.

12. DEBT

Senior Notes

On March 30, 2020, The Hartford repaid at maturity the $500 principal amount of its 5.5% senior notes.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford has two letter of credit facility agreements: the Club Facility and the Bilateral Facility, which are used to provide a portion of the capital requirements at Lloyd's. As of June 30, 2020, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million were outstanding under the Club Facility and £18 million was outstanding under the Bilateral Facility. As of June 30, 2020, the Bilateral Facility has unused capacity of $3 for issuance of additional letters of credit. Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding tangible net worth and Funds at Lloyd's ("FAL"). As of June 30, 2020, Navigators Group was in compliance with all financial covenants.

13. INCOME TAXES

Income Tax Expense

Income Tax Rate Reconciliation

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Tax provision at U.S. federal statutory rate	$ 125	$ 95	$ 197	$ 258
Tax-exempt interest	(12)	(14)	(24)	(29)
Executive compensation	—	1	5	5
Increase in deferred tax valuation allowance	7	—	13	—
Stock-based compensation	—	(1)	(1)	(4)
Other	4	3	5	(1)
Provision for income taxes	**$ 124**	**$ 84**	**$ 195**	**$ 229**

Uncertain Tax Positions

Rollforward of Unrecognized Tax Benefits

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Balance, beginning of period	**$ 14**	**$ 14**	**$ 14**	**$ 14**
Gross increases - tax positions in prior period	—	—	—	—
Gross decreases - tax positions in prior period	—	—	—	—
Balance, end of period	**$ 14**	**$ 14**	**$ 14**	**$ 14**

The entire amount of unrecognized tax benefits, if recognized, would affect the effective tax rate in the period of the release.

Other Tax Matters

On March 27, 2020, as part of the business stimulus package in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act established new tax provisions including, but not limited to: (1) five-year carryback of net operating losses ("NOLs") generated in 2018, 2019 and 2020; (2) accelerated refund of alternative minimum tax ("AMT") credit carryforwards; and (3) retroactive changes to allow accelerated depreciation for certain depreciable property.

The legislation does not have a material impact on the Company due to the lack of taxable income in carryback periods and the fact that the Company was already expecting to receive a refund or reduction of regular tax payable for all the remaining AMT credits in 2020.

As of June 30, 2020 the Company had remaining AMT credit carryforwards of $410 which are reflected as a current income tax receivable within other assets in the accompanying Condensed Consolidated Balance Sheets. In July of 2020, the Company received a $206 refund of AMT credits including $1 of interest, with the remaining balance of $205 to be utilized against federal estimated tax payments due in July and September.

For the period ending June 30, 2020, the Company has utilized all US net operating loss carryforwards as a reduction of 2020 current tax liability. The Company has foreign net operating losses of $13 for which a valuation allowance of $11 has been established. While the foreign NOLs do not expire, this assessment reflects uncertainty in the Company's ability to generate sufficient taxable income in the near term in those specific jurisdictions.

Management has assessed the need for a valuation allowance against its deferred tax assets based on tax character and jurisdiction. In making the assessment, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of debt securities with market value losses until recovery, altering the level of tax exempt securities held, making investments which have specific tax characteristics, and business considerations such as asset-liability matching. Management views such tax planning strategies as prudent and feasible and would implement them, if necessary, to realize the deferred tax assets.

The federal audits for the Company have been completed through 2013, and the Company is not currently under federal examination for any open years. The statute of limitations is closed through the 2015 tax year with the exception of NOL carryforwards utilized in open tax years. Navigators Group is currently under federal audit for the 2016 year and has completed examinations through 2015. Management believes that adequate provision has been made in the Company's Condensed Consolidated Financial Statements for any potential adjustments that may result from tax examinations and other tax-related matters for all open tax years.

14. COMMITMENTS AND CONTINGENCIES

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes liabilities for these contingencies at its “best estimate,” or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated liability at the low end of the range of losses.

Litigation

The Hartford is involved in claims litigation arising in the ordinary course of business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The Hartford accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. Subject to the uncertainties discussed under "Regulatory and Legal Risks" of the Risk Factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as amended in Part II Item 1A herein, and in the following discussion under the caption "Run-off Asbestos and Environmental Claims," management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.

The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. These actions include putative class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, underpayment of claims or improper sales or underwriting practices in connection with various kinds of insurance policies, such as personal and commercial automobile, property, disability, life and inland marine. The Hartford also is involved in individual actions in which punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims or other allegedly unfair or improper business practices. Like many other insurers, The Hartford also has been joined in actions by asbestos plaintiffs asserting, among other things, that insurers had a duty to protect the public from the dangers of asbestos and that insurers committed unfair trade practices by asserting defenses on behalf of their policyholders in the underlying asbestos cases. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of The Hartford. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, the outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

COVID-19 Pandemic Business Income Insurance Coverage Litigation

Like many others in the property and casualty insurance industry, beginning in April 2020, various direct and indirect subsidiaries of the Company (collectively the "Hartford Writing Companies"), and in some instances the Company itself, have been served as defendants in lawsuits seeking insurance coverage under commercial insurance policies issued by the Hartford Writing Companies for alleged losses resulting from the shutdown or suspension of their businesses due to the spread of COVID-19. As of July 29, 2020, the Company is aware of more than 150 such lawsuits, of which 45 purport to be filed on behalf of broad nationwide or statewide classes of policyholders. These lawsuits have been filed in state and federal courts in roughly 25 states. Although the allegations vary, the plaintiffs generally seek a declaration of insurance coverage, damages for breach of contract in unspecified amounts, interest, and attorney's fees. Many of the lawsuits also allege that the insurance claims were denied in bad faith or otherwise in violation of state laws and seek extra-contractual or punitive damages. Several groups of plaintiffs have asked the Joint Panel on Multi-District Litigation ("JPMDL") for an order that would coordinate or consolidate for pre-trial purposes, all COVID-19 pandemic business income coverage lawsuits pending in federal court against any commercial insurer, including Hartford Writing Companies. The Company and others in the insurance industry, and some plaintiffs, have opposed that request. The JPMDL's decision is expected in or after August 2020.

The Company and its subsidiaries deny the allegations and intend to defend vigorously. The Hartford Writing Companies maintain that they have no coverage obligations with respect to these suits for business income allegedly lost by the plaintiffs due to the COVID-19 pandemic based on the clear terms of the applicable insurance policies. Although the policy terms vary depending, among other things, upon the size, nature, and location of the policyholder's business, in general, the claims at issue in these lawsuits were denied because the claimant identified no direct physical damage or loss to property at the insured premises, and the governmental orders that led to the complete or partial shutdown of the business were not due to the existence of any such damage or loss in the immediate vicinity of the insured premises and did not prohibit access to the insured premises, as required by the terms of the insurance policies. In addition, the vast majority of the policies at issue expressly exclude from coverage any loss caused directly or indirectly by the presence, growth, proliferation, spread or activity of a virus, subject to a narrow set of exceptions not applicable in connection with this pandemic, and contain a pollution and contamination exclusion that, among other things, expressly excludes from coverage any loss caused by material that threatens human health or welfare.

In addition to the inherent difficulty in predicting litigation outcomes, the COVID-19 pandemic business income coverage lawsuits present numerous uncertainties and contingencies that are not yet known, including how many policyholders will ultimately file claims, the number of lawsuits that will be filed, the extent to which any state or nationwide classes will be certified and the size and scope of any such classes, and whether the validity of the coverage defenses will be determined by one court or many. The legal theories advocated by plaintiffs vary significantly by case as do the state laws that govern the policy interpretation, and virtually no substantive legal rulings have been made. In addition, business income calculations depend upon a wide range of factors that are particular to the circumstances of each individual policyholder and, here, virtually none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss, and, in any event, the Company's experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. Accordingly, management cannot now reasonably estimate the possible loss or range of loss, if any. Nonetheless, given the large number of claims and potential claims, the indeterminate amounts sought, and the inherent unpredictability of litigation, it is possible that adverse outcomes, if any, in the aggregate, could have a material adverse effect on the Company's consolidated operating results.

Run-off Asbestos and Environmental Claims

The Company continues to receive A&E claims. Asbestos claims relate primarily to bodily injuries asserted by people who came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs.

The vast majority of the Company's exposure to A&E relates to Run-off A&E, reported within the P&C Other Operations segment. In addition, since 1986, the Company has written asbestos and environmental exposures under general liability policies and pollution liability under homeowners policies, which are reported in the Commercial Lines and Personal Lines segments.

Prior to 1986, the Company wrote several different categories of insurance contracts that may cover A&E claims. First, the Company wrote primary policies providing the first layer of coverage in an insured's liability program. Second, the Company wrote excess and umbrella policies providing higher layers of coverage for losses that exhaust the limits of underlying coverage. Third, the Company acted as a reinsurer assuming a portion of those risks assumed by other insurers writing primary, excess, umbrella and reinsurance coverages.

Significant uncertainty limits the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid gross losses and expenses related to environmental and particularly asbestos claims. The degree of variability of gross reserve estimates for these exposures is significantly greater than for other more traditional exposures.

In the case of the reserves for asbestos exposures, factors contributing to the high degree of uncertainty include inadequate loss development patterns, plaintiffs' expanding theories of liability, the risks inherent in major litigation, and inconsistent emerging legal doctrines. Furthermore, over time, insurers, including the Company, have experienced significant changes in the rate at which asbestos claims are brought, the claims experience of particular insureds, and the value of claims, making predictions of future exposure from past experience uncertain. Plaintiffs and insureds also have sought to use bankruptcy proceedings, including "pre-packaged" bankruptcies, to accelerate and increase loss payments by insurers. In addition, some policyholders have asserted new classes of claims for coverages to which an aggregate limit of liability may not apply. Further uncertainties include insolvencies of other carriers and unanticipated developments pertaining to the Company's ability to recover reinsurance for A&E claims. Management believes these issues are not likely to be resolved in the near future.

In the case of the reserves for environmental exposures, factors contributing to the high degree of uncertainty include expanding theories of liability and damages, the risks inherent in major litigation, inconsistent decisions concerning the existence and scope of coverage for environmental claims, and uncertainty as to the monetary amount being sought by the claimant from the insured.

The reporting pattern for assumed reinsurance claims, including those related to A&E claims, is much longer than for direct claims. In many instances, it takes months or years to determine that the policyholder's own obligations have been met and how the reinsurance in question may apply to such claims. The delay in reporting reinsurance claims and exposures adds to the uncertainty of estimating the related reserves.

It is also not possible to predict changes in the legal and legislative environment and their effect on the future development of A&E claims.

Given the factors described above, the Company believes the actuarial tools and other techniques it employs to estimate the ultimate cost of claims for more traditional kinds of insurance exposure are less precise in estimating reserves for A&E exposures. For this reason, the Company principally relies on exposure-based analysis to estimate the ultimate costs of these claims, both gross and net of reinsurance, and regularly evaluates new account information in assessing its potential A&E exposures. The Company supplements this exposure-based analysis with evaluations of the Company's historical direct net loss and expense paid and reported experience, and net loss and expense paid and reported experience by calendar and/or report year, to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and reported activity.

While the Company believes that its current A&E reserves are appropriate, significant uncertainties limit the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not estimable now, could be material to The Hartford's consolidated operating results and liquidity.

For its Run-off A&E, as of June 30, 2020, the Company reported $815 of net asbestos reserves and $106 of net environmental reserves. While the Company believes that its current Run-off A&E reserves are appropriate, significant uncertainties limit our ability to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not reasonably estimable now, could be material to The Hartford's consolidated operating results and liquidity.

The Company's A&E ADC reinsurance agreement with NICO reinsures substantially all A&E reserve development for 2016 and prior accident years, including Run-off A&E and A&E reserves included in Commercial Lines and Personal Lines. The A&E ADC has a coverage limit of $1.5 billion above the Company's existing net A&E reserves as of December 31, 2016 of approximately $1.7 billion . As of June 30, 2020, the Company has incurred $640 in cumulative adverse development on A&E reserves that have been ceded under the A&E ADC treaty with NICO, leaving $860 of coverage available for future adverse net reserve development, if any. Cumulative adverse development of A&E claims for accident years 2016 and prior could ultimately exceed the $1.5 billion treaty limit in which case any adverse development in excess of the treaty limit would be absorbed as a charge to earnings by the Company. In these scenarios, the effect of these charges could be material to the Company's consolidated operating results and liquidity. For more information on the A&E ADC, refer to Note 11, Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and, in certain instances, enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of June 30, 2020 was $83 for which the legal entities have posted collateral of $86 in the normal course of business. Based on derivative market values as of June 30, 2020, a downgrade of one level below the current financial strength ratings by either Moody's or S&P would not require additional assets to be posted as collateral. A downgrade of two levels would require an additional $5 of assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the additional collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

Guarantees

The Hartford has guaranteed the timely payment of contractual claims under certain life, accident and health and annuity contracts issued by its former life and annuity business with most of the guaranteed contracts issued between 1990 and 1997 (the "Talcott Guarantees"). Upon the sale of the life and annuity business in May 2018, the purchaser indemnified the Company for any liability arising under the guarantees. The Talcott Guarantees cover contractual obligations only but otherwise have no limitation as to maximum potential future payments. Prior to January 1, 2020, the Company had not recorded a liability because the likelihood of any payment under the Talcott Guarantees is remote. Upon adoption of new credit loss guidance on January 1, 2020, the Company estimated a LCL of $25. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

The LCL is calculated for the estimated amount payable under guaranteed contracts multiplied by the probability of default and the amount of loss given a default. The probability of default is assigned by credit rating of the applicable insurance company that issued the contract and is based on historical insurance industry defaults for liabilities with similar durations estimated through multiple economic cycles. Credit ratings are current and forward-looking and consider a variety of economic outcomes. Because annuities represent the majority of the contracts issued, the loss given default factors are based on a historical study of annuity policyholder recoveries from insolvent estate assets. The Company's exposure is expected to run off over a period that will include more than one economic cycle.

The Company's evaluation of the required LCL for the Talcott Guarantees considers the current economic environment as well as macroeconomic scenarios similar to the approach used to estimate the ACL for mortgage loans. See Note 6 - Investments of Notes to Condensed Consolidated Financial Statements. In response to significant economic stress experienced as a result of the COVID-19 pandemic, during the first six months of 2020 the Company increased the weight of both a moderate and severe recession scenario in our estimate of the LCL. The ultimate impact to the Company's financial statements could vary significantly from our estimates depending on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective. The Company has never experienced a loss on financial guarantees of this nature and we believe the risk of loss is remote. For the three and six months ended June 30, 2020, the Company recorded total credit loss expense within insurance operating costs and other expenses of $2 and $3, respectively, related to the Talcott Guarantees as a result of giving increased weight to recession scenarios in response to the COVID-19 pandemic, as discussed above.

15. EQUITY

Equity Repurchase Program

In February, 2019, the Company announced a $1.0 billion share repurchase authorization by the Board of Directors which is effective through December 31, 2020. During the six months ended June 30, 2020, the Company repurchased 2.7 million common shares for $150. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

16. CHANGES IN AND RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in AOCI, Net of Tax for the Three Months Ended June 30, 2020

	Changes in					
	Net Unrealized Gain on Fixed Maturities	Unrealized Loss on Fixed Maturities with ACL	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	$ 627	$ (2)	$ 53	$ 26	$ (1,661)	$ (957)
OCI before reclassifications	1,469	—	—	1	—	1,470
Amounts reclassified from AOCI	(41)	—	(5)	—	12	(34)
OCI, net of tax	1,428	—	(5)	1	12	1,436
Ending balance	$ 2,055	$ (2)	$ 48	$ 27	$ (1,649)	$ 479

Changes in AOCI, Net of Tax for the Six Months Ended June 30, 2020

	Changes in					
	Net Unrealized Gain on Fixed Maturities	Unrealized Loss on Fixed Maturities with ACL	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	$ 1,684	$ (3)	$ 9	$ 34	$ (1,672)	$ 52
OCI before reclassifications	454	1	47	(7)	(1)	494
Amounts reclassified from AOCI	(83)	—	(8)	—	24	(67)
OCI, net of tax	371	1	39	(7)	23	427
Ending balance	$ 2,055	$ (2)	$ 48	$ 27	$ (1,649)	$ 479

Reclassifications from AOCI

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Fixed Maturities			
Available-for-sale fixed maturities	$ 52	$ 105	Net realized capital gains (losses)
	52	**105**	**Total before tax**
	11	22	Income tax expense
	$ 41	**$ 83**	**Net income**
Net Gains on Cash Flow Hedging Instruments			
Interest rate swaps	$ 7	10	Net investment income
Interest rate swaps	(2)	(2)	Interest expense
Foreign currency swaps	1	2	Net investment income
	6	**10**	**Total before tax**
	1	2	Income tax expense
	$ 5	**$ 8**	**Net income**
Pension and Other Postretirement Plan Adjustments			
Amortization of prior service credit	$ 1	$ 3	Insurance operating costs and other expenses
Amortization of actuarial loss	(16)	(33)	Insurance operating costs and other expenses
	(15)	**(30)**	**Total before tax**
	(3)	(6)	Income tax expense
	$ (12)	**$ (24)**	**Net income**
Total amounts reclassified from AOCI	**$ 34**	**$ 67**	**Net income**

Changes in AOCI, Net of Tax for the Three Months Ended June 30, 2019

	Changes in					
	Net Unrealized Gain on Securities	OTTI Losses in OCI	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	**$ 703**	**$ (3)**	**$ —**	**$ 31**	**$ (1,616)**	**$ (885)**
OCI before reclassifications	703	—	13	3	—	719
Amounts reclassified from AOCI	(39)	—	(2)	—	9	(32)
OCI, net of tax	664	—	11	3	9	687
Ending balance	**$ 1,367**	**$ (3)**	**$ 11**	**$ 34**	**$ (1,607)**	**$ (198)**

Changes in AOCI, Net of Tax for the Six Months Ended June 30, 2019

	Changes in					
	Net Unrealized Gain on Securities	OTTI Losses in OCI	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	**$ 24**	**$ (4)**	**$ (5)**	**$ 30**	**$ (1,624)**	**$ (1,579)**
OCI before reclassifications	1,399	1	19	4	—	1,423
Amounts reclassified from AOCI	(56)	—	(3)	—	17	(42)
OCI, net of tax	1,343	1	16	4	17	1,381
Ending balance	**$ 1,367**	**$ (3)**	**$ 11**	**$ 34**	**$ (1,607)**	**$ (198)**

Reclassifications from AOCI

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Securities			
Available-for-sale securities	$ 50	$ 71	Net realized capital gains (losses)
	50	**71**	**Total before tax**
	11	15	Income tax expense
	$ 39	**$ 56**	**Net income**
Net Gains on Cash Flow Hedging Instruments			
Interest rate swaps	$ 2	$ 2	Net realized capital gains (losses)
Interest rate swaps	1	1	Interest expense
Foreign currency swaps	—	1	Net investment income
	3	**4**	**Total before tax**
	1	1	Income tax expense
	$ 2	**$ 3**	**Net income**
Pension and Other Postretirement Plan Adjustments			
Amortization of prior service credit	$ 2	$ 3	Insurance operating costs and other expenses
Amortization of actuarial loss	(13)	(25)	Insurance operating costs and other expenses
	(11)	**(22)**	**Total before tax**
	(2)	(5)	Income tax expense
	$ (9)	**$ (17)**	**Net income**
Total amounts reclassified from AOCI	**$ 32**	**$ 42**	**Net income**

17. EMPLOYEE BENEFIT PLANS

The Company's employee benefit plans are described in Note 18 - Employee Benefit Plans of Notes to Consolidated Financial Statements included in The Hartford's 2019 Annual Report on Form 10-K.

Net Periodic Cost (Benefit)

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended June 30,		Six months ended June 30,		Three Months Ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	$ 1	$ 1	$ 2	$ 2	$ —	$ —	$ —	$ —
Interest cost	32	40	64	79	1	2	3	4
Expected return on plan assets	(54)	(56)	(108)	(113)	(1)	(1)	(2)	(2)
Amortization of prior service credit	—	—	—	—	(1)	(2)	(3)	(3)
Amortization of actuarial loss	15	11	30	22	1	2	3	3
Net periodic cost (benefit)	**$ (6)**	**$ (4)**	**$ (12)**	**$ (10)**	**$ —**	**$ 1**	**$ 1**	**$ 2**

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in millions except for per share data, unless otherwise stated)

The Hartford provides projections and other forward-looking information in the following discussions, which contain many forward-looking statements, particularly relating to the

Company's future financial performance. These forward-looking statements are estimates based on information currently available to the Company, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to the cautionary statements set forth on pages 4 and 5 of this Form 10-Q. Actual results are likely to differ, and in the past have differed, materially from those forecast by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in the following discussion; Part II, Item 1A, Risk Factors of this Quarterly Report on Form 10-Q; Part I, Item 1A, Risk Factors in The Hartford's 2019 Form 10-K Annual Report; and our other filings with the Securities and Exchange Commission. The Hartford undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

On May 23, 2019, the Company completed the acquisition of Navigators Group, a specialty underwriter. For discussion of this transaction, see Note 2 - Business Acquisition of Notes to Condensed Consolidated Financial Statements.

Certain reclassifications have been made to historical financial information presented in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to conform to the current period presentation.

The Hartford defines increases or decreases greater than or equal to 200% as "NM" or not meaningful.

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KEY PERFORMANCE MEASURES AND RATIOS

The Company considers the measures and ratios in the following discussion to be key performance indicators for its businesses. Management believes that these ratios and measures are useful in understanding the underlying trends in The Hartford's businesses. However, these key performance indicators should only be used in conjunction with, and not in lieu of, the results presented in the segment discussions that follow in this MD&A. These ratios and measures may not be comparable to other performance measures used by the Company's competitors.

Definitions of Non-GAAP and Other Measures and Ratios

Assets Under Management ("AUM")- Include mutual fund and exchange-traded products ("ETP") assets. AUM is a measure used by the Company's Hartford Funds segment because a significant portion of the Company's mutual fund and ETP revenues are based upon asset values. These revenues increase or decrease with a rise or fall in AUM whether caused by changes in the market or through net flows.

Book Value per Diluted Share excluding accumulated other comprehensive income ("AOCI")- This is a non-GAAP per share measure that is calculated by dividing (a) common stockholders' equity, excluding AOCI, after tax, by (b) common shares outstanding and dilutive potential common shares. The Company provides this measure to enable investors to analyze the amount of the Company's net worth that is primarily attributable to the Company's business operations. The Company believes that excluding AOCI from the numerator is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period, primarily based on changes in interest rates. Book value per diluted share is the most directly comparable U.S. GAAP measure.

Combined Ratio- The sum of the loss and loss adjustment expense ratio, the expense ratio and the policyholder dividend ratio. This ratio is a relative measurement that describes the related cost of losses and expenses for every $100 of earned premiums. A combined ratio below 100 demonstrates underwriting profit; a combined ratio above 100 demonstrates underwriting losses.

Core Earnings- The Hartford uses the non-GAAP measure core earnings as an important measure of the Company's operating performance. The Hartford believes that core earnings provides investors with a valuable measure of the performance of the Company's ongoing businesses because it reveals trends in our insurance and financial services businesses that may be obscured by including the net effect of certain items. Therefore, the following items are excluded from core earnings:

- Certain realized capital gains and losses - Some realized capital gains and losses are primarily driven by investment decisions and external economic developments, the nature and timing of which are unrelated to the insurance and underwriting aspects of our business. Accordingly, core earnings excludes the effect of all realized gains and losses that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so core earnings includes net realized gains and losses such as net periodic settlements on credit derivatives. These net realized gains and losses are directly related to an offsetting item included in the income statement such as net investment income.
- Integration and transaction costs in connection with an acquired business - As transaction costs are incurred upon acquisition of a business and integration costs are completed

within a short period after an acquisition, they do not represent ongoing costs of the business.

- Loss on extinguishment of debt - Largely consisting of make-whole payments or tender premiums upon paying debt off before maturity, these losses are not a recurring operating expense of the business.
- Gains and losses on reinsurance transactions - Gains or losses on reinsurance, such as those entered into upon sale of a business or to reinsure loss reserves, are not a recurring operating expense of the business.
- Change in loss reserves upon acquisition of a business - These changes in loss reserves are excluded from core earnings because such changes could obscure the ability to compare results in periods after the acquisition to results of periods prior to the acquisition.
- Change in valuation allowance on deferred taxes related to non-core components of pre-tax income - These changes in valuation allowances are excluded from core earnings because they relate to non-core components of pre-tax income, such as tax attributes like capital loss carryforwards.
- Results of discontinued operations - These results are excluded from core earnings for businesses sold or held for sale because such results could obscure the ability to compare period over period results for our ongoing businesses.
- Deferred gain resulting from retroactive reinsurance and subsequent changes in the deferred gain - Retroactive reinsurance agreements economically transfer risk to the reinsurers and including the full benefit from retroactive reinsurance in core earnings provides greater insight into the economics of the business.

In addition to the above components of net income available to common stockholders that are excluded from core earnings, preferred stock dividends declared, which are excluded from net income available to common stockholders, are included in the determination of core earnings. Preferred stock dividends are a cost of financing more akin to interest expense on debt and are expected to be a recurring expense as long as the preferred stock is outstanding.

Net income (loss) and net income (loss) available to common stockholders are the most directly comparable U.S. GAAP measures to core earnings. Core earnings should not be considered as a substitute for net income (loss) or net income (loss) available to common stockholders and does not reflect the overall profitability of the Company's business. Therefore, The Hartford believes that it is useful for investors to evaluate net income (loss), net income (loss) available to common stockholders, and core earnings when reviewing the Company's performance.

Reconciliation of Net Income to Core Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	$ 468	$ 372	$ 741	$ 1,002
Preferred stock dividends	5	—	10	5
Net income available to common stockholders	463	372	731	997
Adjustments to reconcile net income available to common stockholders to core earnings:				
Net realized capital losses (gains) excluded from core earnings, before tax	(107)	(79)	125	(239)
Loss on reinsurance transaction, before tax	—	91	—	91
Integration and transaction costs associated with acquired business, before tax	13	31	26	41
Change in loss reserves upon acquisition of a business, before tax	—	97	—	97
Change in deferred gain on retroactive reinsurance, before tax	54	—	83	—
Income tax expense (benefit)	15	(27)	(42)	5
Core earnings	$ 438	$ 485	$ 923	$ 992

Core Earnings Margin- The Hartford uses the non-GAAP measure core earnings margin to evaluate, and believes it is an important measure of, the Group Benefits segment's operating performance. Core earnings margin is calculated by dividing core earnings by revenues, excluding buyouts and realized gains (losses). Net income margin, calculated by dividing net income by revenues, is the most directly comparable U.S. GAAP measure. The Company believes that core earnings margin provides investors with a valuable measure of the performance of Group Benefits because it reveals trends in the business that may be obscured by the effect of buyouts and realized gains (losses) as well as other items excluded in the calculation of core earnings. Core earnings margin should not be considered as a substitute for net income margin and does not reflect the overall profitability of Group Benefits. Therefore, the Company believes it is important for investors to evaluate both core earnings margin and net income margin when reviewing performance. A reconciliation of net income margin to core earnings margin is set forth in the Results of Operations section within MD&A - Group Benefits.

Current Accident Year Catastrophe Ratio- A component of the loss and loss adjustment expense ratio, represents the ratio of catastrophe losses incurred in the current accident year (net of reinsurance) to earned premiums. For U.S. events, a catastrophe is an event that causes $25 or more in industry insured property losses and affects a significant number of property and casualty policyholders and insurers, as defined by the Property Claim Service office of Verisk. For international events, the Company's approach is similar, informed, in part, by how Lloyd's of London defines catastrophes. Lloyd's of London is an insurance market-place operating worldwide ("Lloyd's"). Lloyd's does not underwrite risks. The Company accepts risks as the sole member of Lloyd's Syndicate 1221 ("Lloyd's Syndicate"). The current accident year catastrophe ratio includes the effect of catastrophe losses, but does not include the effect of reinstatement premiums.

Expense Ratio- For the underwriting segments of Commercial Lines and Personal Lines is the ratio of underwriting expenses less fee income, to earned premiums. Underwriting expenses include the amortization of deferred policy acquisition costs ("DAC") and insurance operating costs and expenses, including certain centralized services costs and bad debt expense. DAC include commissions, taxes, licenses and fees and other incremental direct underwriting expenses and are amortized over the policy term.

The expense ratio for Group Benefits is expressed as the ratio of insurance operating costs and other expenses including amortization of intangibles and amortization of DAC, to premiums and other considerations, excluding buyout premiums.

The expense ratio for Commercial Lines, Personal Lines and Group Benefits does not include integration and other transaction costs associated with an acquired business.

Fee Income- Is largely driven from amounts earned as a result of contractually defined percentages of assets under management in our Hartford Funds business. These fees are generally earned on a daily basis. Therefore, the growth in assets under management either through positive net flows or favorable market performance will have a favorable impact on fee income. Conversely, either negative net flows or unfavorable market performance will reduce fee income.

Loss and Loss Adjustment Expense Ratio- A measure of the cost of claims incurred in the calendar year divided by earned premium and includes losses and loss adjustment expenses incurred for both the current and prior accident years. Among other factors, the loss and loss adjustment expense ratio needed for the Company to achieve its targeted return on equity fluctuates from year to year based on changes in the expected investment yield over the claim settlement period, the timing of expected claim settlements and the targeted returns set by management based on the competitive environment.

The loss and loss adjustment expense ratio is affected by claim frequency and claim severity, particularly for shorter-tail property lines of business, where the emergence of claim frequency and severity is credible and likely indicative of ultimate losses. Claim frequency represents the percentage change in the average number of reported claims per unit of exposure in the current accident year compared to that of the previous accident year. Claim severity represents the percentage change in the estimated average cost per claim in the current accident year compared to that of the previous accident year. As one of the factors used to determine pricing, the Company's practice is to first make an overall assumption about claim frequency and severity for a given line of business and then, as part of the rate-making process, adjust the assumption as appropriate for the particular state, product or coverage.

Loss and Loss Adjustment Expense Ratio before Catastrophes and Prior Accident Year Development- A measure of the cost of non-catastrophe loss and loss adjustment expenses incurred in the current accident year divided by earned premiums. Management believes that the current accident year loss and loss adjustment expense ratio before catastrophes is a performance measure that is useful to investors as it removes the impact of volatile and unpredictable catastrophe losses and prior accident year development.

Loss Ratio, excluding Buyouts- Utilized for the Group Benefits segment and is expressed as a ratio of benefits, losses and loss adjustment expenses, excluding those related to buyout premiums, to premiums and other considerations, excluding buyout premiums. Since Group Benefits occasionally buys a block of claims for a stated premium amount, the Company excludes this buyout from the loss ratio used for evaluating the profitability of the business as buyouts may distort the loss ratio. Buyout premiums represent takeover of open claim liabilities and other non-recurring premium amounts.

Mutual Fund and Exchange-Traded Product Assets- Are owned by the shareholders of those products and not by the Company and, therefore, are not reflected in the Company's Condensed Consolidated Financial Statements except in instances where the Company seeds new investment products and holds an investment in the fund for a period of time. Mutual fund and ETP assets are a measure used by the Company primarily because a significant portion of the Company's Hartford Funds segment revenues are based upon asset values. These revenues increase or decrease with a rise or fall in AUM whether caused by changes in the market or through net flows.

New Business Written Premium- Represents the amount of premiums charged for policies issued to customers who were not insured with the Company in the previous policy term. New business written premium plus renewal policy written premium equals total written premium.

Policies in Force- Represents the number of policies with coverage in effect as of the end of the period. The number of policies in force is a growth measure used for Personal Lines and standard commercial lines (small commercial and middle market lines within middle & large commercial) within Commercial Lines and is affected by both new business growth and policy count retention.

Premium Retention- Represents renewal premium written in the current period divided by total premium written in the prior period.

Policy Count Retention- Represents the ratio of the number of policies renewed during the period divided by the number of policies available to renew. The number of policies available to renew represents the number of policies, net of any cancellations, written in the previous policy term. Policy count retention is affected by a number of factors, including the percentage of renewal policy quotes accepted and decisions by the Company to non-renew policies because of specific policy underwriting concerns or because of a decision to reduce premium writings in certain classes of business or states. Policy count retention is also affected by advertising and rate actions taken by competitors.

Policyholder Dividend Ratio- The ratio of policyholder dividends to earned premium.

Prior Accident Year Loss and Loss Adjustment Expense Ratio- Represents the increase (decrease) in the estimated cost of settling catastrophe and non-catastrophe claims incurred in prior accident years as recorded in the current calendar year divided by earned premiums.

Reinstatement Premiums- Represents additional ceded premium paid for the reinstatement of the amount of reinsurance coverage that was reduced as a result of the Company ceding losses to reinsurers.

Renewal Earned Price Increase (Decrease)- Written premiums are earned over the policy term, which is six months for certain Personal Lines automobile business and twelve months for substantially all of the remainder of the Company's Property and Casualty business. Since the Company earns premiums over the six to twelve month term of the policies, renewal earned price increases (decreases) lag renewal written price increases (decreases) by six to twelve months.

Renewal Written Price Increase (Decrease)- For Commercial Lines, represents the combined effect of rate changes, amount of insurance and individual risk pricing decisions per unit of exposure on standard commercial lines policies that renewed. For Personal Lines, renewal written price increases represent the total change in premium per policy since the prior year on those policies that renewed and includes the combined effect of rate changes, amount of insurance and other changes in exposure. For Personal Lines, other changes in exposure include, but are not limited to, the effect of changes in number of drivers, vehicles and incidents, as well as changes in customer policy elections, such as deductibles and limits. The rate component represents the change in rate filed with and approved by state regulators during the period and the amount of insurance represents the change in the value of the rating base, such as model year/vehicle symbol for automobiles, building replacement costs for property and wage inflation for workers' compensation. A number of factors affect renewal written price increases (decreases) including expected loss costs as projected by the Company's pricing actuaries, rate filings approved by state regulators, risk selection decisions made by the Company's underwriters and marketplace competition. Renewal written price changes reflect the property and casualty insurance market cycle. Prices tend to increase for a particular line of business when insurance carriers have incurred significant losses in that line of business in the recent past or the industry as a whole commits less of its capital to writing exposures in that line of business. Prices tend to decrease when recent loss experience has been favorable or when competition among insurance carriers increases. Renewal written price statistics are subject to change from period to period, based on a number of factors, including changes in actuarial estimates and the effect of subsequent cancellations and non-renewals, and modifications made to better reflect ultimate pricing achieved.

Return on Assets ("ROA"), Core Earnings- The Company uses this non-GAAP financial measure to evaluate, and believes is an important measure of, the Hartford Funds segment's operating performance. ROA, core earnings is calculated by dividing annualized core earnings by a daily average AUM. ROA is the most directly comparable U.S. GAAP measure. The Company believes that ROA, core earnings, provides investors with a valuable measure of the performance of the Hartford Funds segment because it reveals trends in our business that may be obscured by the effect of items excluded in the calculation of core earnings. ROA, core earnings, should not be considered as a substitute for ROA and does not reflect the overall profitability of our Hartford Funds business. Therefore, the Company believes it is important for investors to evaluate both ROA, and ROA, core earnings when reviewing the Hartford Funds segment performance. A reconciliation of ROA to ROA, core earnings is set forth in the Results of Operations section within MD&A - Hartford Funds.

Underlying Combined Ratio- This non-GAAP financial measure of underwriting results represents the combined ratio before catastrophes, prior accident year development and current accident year change in loss reserves upon acquisition of a business. Combined ratio is the most directly comparable GAAP measure. The underlying combined ratio represents the combined ratio for the current accident year, excluding the impact of current accident year catastrophes and current accident year change in loss reserves upon acquisition of a business. The Company believes this ratio is an important measure of the trend in profitability since it removes the impact of volatile and unpredictable catastrophe losses and prior accident year loss and loss adjustment expense reserve development. The changes to loss reserves upon acquisition of a business are excluded from underlying combined ratio because such changes could obscure the ability to compare results in periods after the acquisition to results of periods prior to the acquisition as such trends are valuable to our investors' ability to assess the Company's financial performance. A reconciliation of combined ratio to underlying combined ratio is set forth in the Results of Operations section within MD&A - Commercial Lines and Personal Lines.

Underwriting Gain (Loss)- The Hartford's management evaluates profitability of the Commercial and Personal Lines segments primarily on the basis of underwriting gain or loss. Underwriting gain (loss) is a before tax non-GAAP measure that represents earned premiums less incurred losses, loss adjustment expenses and underwriting expenses. Net income (loss) is the most directly comparable GAAP measure. Underwriting gain (loss) is influenced significantly by earned premium growth and the adequacy of The Hartford's pricing. Underwriting profitability over time is also greatly influenced by The Hartford's underwriting discipline, as management strives to manage exposure to loss through favorable risk selection and diversification, effective management of claims, use of reinsurance and its ability to manage its expenses. The Hartford believes that the measure underwriting gain (loss) provides investors with a valuable measure of profitability, before tax, derived from underwriting activities, which are managed separately from the Company's investing activities.

Reconciliation of Net Income to Underwriting Gain (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Commercial Lines				
Net income (loss)	$ (66)	$ 191	$ 55	$ 554
Adjustments to reconcile net income to underwriting gain (loss):				
Net servicing income	—	(2)	(1)	(1)
Net investment income	(204)	(281)	(481)	(540)
Net realized capital losses (gains)	(64)	(54)	79	(169)
Other expense	11	6	17	7
Loss on reinsurance transaction	—	91	—	91
Income tax expense (benefit)	(9)	44	19	123
Underwriting gain (loss)	$ (332)	$ (5)	$ (312)	$ 65
Personal Lines				
Net income	$ 371	$ 62	$ 469	$ 158
Adjustments to reconcile net income to underwriting gain (loss):				
Net servicing income	(3)	(4)	(5)	(7)
Net investment income	(28)	(46)	(69)	(88)
Net realized capital losses (gains)	(8)	(8)	15	(27)
Other expense (income)	(1)	2	(1)	1
Income tax expense	97	14	122	37
Underwriting gain	$ 428	$ 20	$ 531	$ 74
P&C Other Ops				
Net income	$ 5	$ 11	$ 10	$ 34
Adjustments to reconcile net income to underwriting gain (loss):				
Net investment income	(10)	(21)	(26)	(43)
Net realized capital losses (gains)	(2)	(4)	5	(13)
Income tax expense	—	2	1	7
Underwriting loss	$ (7)	$ (12)	$ (10)	$ (15)

Written and Earned Premiums- Written premium represents the amount of premiums charged for policies issued, net of reinsurance, during a fiscal period. Premiums are considered earned and are included in the financial results on a pro rata basis over the policy period. Management believes that written premium is a performance measure that is useful to investors as it reflects current trends in the Company’s sale of property and casualty insurance products. Written and earned premium are recorded net of ceded reinsurance premium.

Traditional life and disability insurance type products, such as those sold by Group Benefits, collect premiums from policyholders in exchange for financial protection for the policyholder from a specified insurable loss, such as death or disability. These premiums together with net investment income earned are used to pay the contractual obligations under these insurance contracts. Two major factors, new sales and persistency, impact premium growth. Sales can increase or decrease in a given year based on a number of factors, including but not limited to, customer demand for the Company’s product offerings, pricing competition, distribution channels and the Company’s reputation and ratings. Persistency refers to the percentage of premium remaining in-force from year-to-year.

THE HARTFORD’S OPERATIONS

The Hartford conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Hartford Funds, as well as a Corporate category. The Company includes in the Corporate category reserves for run-off structured settlement and terminal funding agreement liabilities, capital raising activities (including equity financing, debt financing and related interest expense), transaction expenses incurred in connection with an acquisition, purchase accounting adjustments related to goodwill, other expenses not allocated to the reporting segments and the results of Y-Risk, a business of the Company that provides insurance for businesses in the sharing and on-demand economy. Corporate also includes investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution Life, Inc. and its subsidiaries ("Talcott Resolution"). Talcott Resolution is the holding company of the life and annuity business that was sold in May 2018. In addition, Corporate includes a 9.7%

ownership interest in the legal entity that acquired the life and annuity business sold.

The Company derives its revenues principally from: (a) premiums earned for insurance coverage provided to insureds; (b) management fees on mutual fund and ETP assets; (c) net investment income; (d) fees earned for services provided to third parties; and (e) net realized capital gains and losses. Premiums charged for insurance coverage are earned principally on a pro rata basis over the terms of the related policies in-force.

The profitability of the Company's property and casualty insurance businesses over time is greatly influenced by the Company's underwriting discipline, which seeks to manage exposure to loss through favorable risk selection and diversification, its management of claims, its use of reinsurance, the size of its in force block, actual mortality and morbidity experience, and its ability to manage its expense ratio which it accomplishes through economies of scale and its management of acquisition costs and other underwriting expenses. Pricing adequacy depends on a number of factors, including the ability to obtain regulatory approval for rate changes, proper evaluation of underwriting risks, the ability to project future loss cost frequency and severity based on historical loss experience adjusted for known trends, the Company's response to rate actions taken by competitors, its expense levels and expectations about regulatory and legal developments. The Company seeks to price its insurance policies such that insurance premiums and future net investment income earned on premiums received will cover underwriting expenses and the ultimate cost of paying claims reported on the policies and provide for a profit margin. For many of its insurance products, the Company is required to obtain approval for its premium rates from state insurance departments and the Lloyd's Syndicate's ability to write business is subject to Lloyd's approval for its premium capacity each year. Most of Personal Lines written premium is associated with our exclusive licensing agreement with AARP. This agreement provides an important competitive advantage given the size of the 50 plus population and the strength of the AARP brand. During the second quarter of this year, the Company extended this agreement through December 31, 2032.

Similar to property and casualty, profitability of the group benefits business depends, in large part, on the ability to evaluate and price risks appropriately and make reliable estimates of mortality, morbidity, disability and longevity. To manage the pricing risk, Group Benefits generally offers term insurance policies, allowing for the adjustment of rates or policy terms in order to minimize the adverse effect of market trends, loss costs, declining interest rates and other factors. However, as policies are typically sold with rate guarantees of up to three years, pricing for the Company's products could prove to be inadequate if loss and expense trends emerge adversely during the rate guarantee period or if investment returns are lower than expected at the time the products were sold. For some of its products, the Company is required to obtain approval for its premium rates from state insurance departments. New and renewal business for group benefits business, particularly for long-term disability, are priced using an assumption about expected investment yields over time. While the Company employs asset-liability duration matching strategies to mitigate risk and may use interest-rate sensitive derivatives to hedge its exposure in the Group Benefits investment portfolio, cash flow patterns related to the payment of benefits and claims are uncertain and actual investment yields could differ significantly from expected investment yields, affecting profitability of the business. In addition to appropriately evaluating and pricing risks, the profitability of the Group Benefits business depends on other factors, including the Company's response to pricing decisions and other actions taken by competitors, its ability to offer voluntary products and self-service capabilities, the persistency of its sold business and its ability to manage its expenses which it seeks to achieve through economies of scale and operating efficiencies.

The financial results of the Company's mutual fund and ETP businesses depend largely on the amount of assets under management and the level of fees charged based, in part, on asset share class and product type. Changes in assets under management are driven by the two main factors of net flows and the market return of the funds, which are heavily influenced by the return realized in the equity and bond markets. Net flows are comprised of new sales less redemptions by mutual fund and ETP shareholders. Financial results are highly correlated to the growth in assets under management since these products generally earn fee income on a daily basis.

The investment return, or yield, on invested assets is an important element of the Company's earnings since insurance products are priced with the assumption that premiums received can be invested for a period of time before benefits, losses and loss adjustment expenses are paid. Due to the need to maintain sufficient liquidity to satisfy claim obligations, the majority of the Company's invested assets have been held in available-for-sale securities, including, among other asset classes, corporate bonds, municipal bonds, government debt, short-term debt, mortgage-backed securities, asset-backed securities and collateralized loan obligations. The primary investment objective for the Company is to maximize economic value, consistent with acceptable risk parameters, including the management of credit risk and interest rate sensitivity of invested assets, while generating sufficient net of tax income to meet policyholder and corporate obligations. Investment strategies are developed based on a variety of factors including business needs, regulatory requirements and tax considerations.

Impact of COVID-19 on our financial condition, results of operations and liquidity

Impact to revenues

Earned premiums

The COVID-19 pandemic has caused significant disruption to the economy of the U.S. and other countries in which we operate. Due to government restrictions that have prevented some businesses from offering goods and services to their customers and due to shelter-in-place guidelines that have reduced business activity, many of our customers, especially small businesses, have had to curtail their operations or have found they are unable to meet cash flow needs due to declining business volume, causing some to lay off workers. As one of the largest providers of small business insurance in the U.S., we experienced a 9% year over year decline in our small commercial written premium in second quarter 2020. In addition to the expected decline in small commercial written and earned premium, other business lines in Commercial Lines have also been negatively affected due to government-mandated restrictions and stay-at-home guidelines reducing business activity and due to consumers having less disposable income or less willingness to spend on the products and services that our commercial lines policyholders sell. Excluding the effect of the Navigators acquisition, Commercial Lines written premium declined $207, or 11% year over year in second quarter 2020 and we expect written premium declines to continue for the remainder of 2020, driven by lower new business, and an expected increase in small commercial policy cancellations in third quarter 2020 as well as audits, endorsements or changes to in-force policies that decrease premiums to reflect reduced exposures.

Within Commercial Lines, workers' compensation written premium declined in the second quarter of 2020 and is expected to continue to decline over the remainder of 2020, partly due to declining payrolls as a result of the economic effects of COVID-19. While the impact of the COVID-19 pandemic on Personal Lines written premium has been less than the effect in Commercial Lines, we expect written premium declines to continue for the remainder of 2020 due to expected higher policy cancellations in the third quarter, in part due to increased shopping behaviors, and lower new business levels arising out of the competitive marketplace. In addition, The Hartford provided a 15 percent refund on policyholders' April, May and June personal automobile insurance premiums which reduced Personal Lines written and earned premiums by $81 in the second quarter of 2020. In Group Benefits, fully insured ongoing premium for 2020 may decline modestly year over year due to the economic downturn causing lower sales of new policies, declining payrolls reducing premiums on existing accounts and the potential that some employers may cancel coverage. Because of the economic stress caused by COVID-19, we also expect a higher amount of uncollectible premiums receivable. As a result, to reflect our higher expectation of credit losses, The Hartford increased its allowance for credit losses ("ACL") on premiums receivable by $20 in the first quarter and $44 in the second quarter of 2020.

Fee revenues

Our Hartford Funds segment revenues are based on average daily assets under management and due to the significant decline in equity markets during the first quarter of 2020, our average daily assets under management have declined since the fourth quarter of 2019. While Hartford Funds net income for the six months ended June 30, 2020 was up $7 largely due to a $9 after-tax reduction in contingent consideration payable, if daily average assets under management decline further, we could experience 2020 full year net income from our Hartford Funds segment that is below 2019 net income.

Net investment income and realized capital gains (losses)

We expect lower net investment income in 2020 than in 2019. In an effort to stimulate the economy, central banks have reduced benchmark interest rates to near zero, impacting our yields on floating rate securities and reinvestment rates. From late March to mid-May, 2020, the Company temporarily reinvested receipts of interest and proceeds from maturing fixed maturity investments in liquid, short-term investments. While the Company resumed investing in fixed maturities in May, 2020, lower interest rates since the pandemic began have generally resulted in lower investment yields on newly invested funds.

Income or losses on investments in limited partnerships and other alternative investments are recognized on a lag as results from private equity investments and other funds are generally reported on a three-month delay. Accordingly, we recognized losses of $71 before tax on our limited partnership and other alternative investments in second quarter 2020 due to lower valuations. We could recognize additional losses on our limited partnership and other alternative investments over the remainder of 2020 if valuations continue to decline. A prolonged period of lower interest rates could depress the Company's net investment income such that to earn the same level of return on equity we may have to charge higher premiums for the insurance products we sell unless loss costs similarly lessen. Increasing premiums may be challenging during an economic downturn particularly as the insurance industry competes to retain a smaller industry premium base.

Net realized capital gains (losses) for the three and six month periods included a total $75 and ($311) respectively, of before tax unrealized mark-to-market gains (losses) on equity securities held and net realized gains (losses) on equity securities sold, net of realized gains on equity derivative hedges. While equity markets in the second quarter of 2020 recovered much of the value they lost during the first quarter, economic conditions remain uncertain and if equity markets decline again, we would incur more net realized capital losses in future periods, though the Company reduced its investments in public equity securities during March and April of 2020, with the fair value of equity securities declining from $1.7 billion as of December 31, 2019 to $756 as of June 30, 2020.

Net realized capital losses for the three and six month periods also included $42 and $56, respectively, of increases in the allowance for credit losses, partially offset by reversals of the allowance due to improvements in market value or sales, and $0 and $5, respectively, of intent-to-sell impairments. The increase in the allowance for credit losses in the three and six month periods included increases of $20 and $32, respectively, on available for sale fixed maturities and $22 and $24, respectively, on commercial mortgage loans. If it takes a prolonged period for the economy to recover or if the impacts of the economic downturn are deeper than anticipated, we could experience further credit losses and intent-to-sell impairments, particularly with highly leveraged companies and issuers in the energy, commercial real estate, and travel and leisure sectors, resulting in further net realized capital losses.

Impact to direct benefits, losses and loss adjustment expenses from COVID-19 claims

In the second quarter of 2020, we recorded direct COVID-19 incurred losses of $251, including $213 in P&C and $38 in Group Benefits, reflecting management's best estimate of the ultimate cost of settling COVID-19 claims incurred in the second quarter. Second quarter COVID-19 incurred losses and loss adjustment expenses of $213 in P&C primarily included $141 for property claims, $35 for workers' compensation, net of favorable frequency on other workers' compensation claims, and $37 of incurred losses largely concentrated in financial lines such as D&O and E&O. Nearly all of our property insurance policies require direct physical loss or damage to property and contain standard exclusions that we believe preclude coverage for COVID-19 related claims, and the vast majority of such policies contain exclusions for virus-related losses. Included in the $141 of COVID-19 property incurred losses and loss adjustment expenses in the second quarter were $101 of losses arising from a small number of property policies that do not require direct physical loss or damage and from policies intended to cover specific business needs, including crisis management and performance disruption. In addition, we recorded a reserve of $40 for legal defense costs. Given the significant business disruptions that have occurred due to the COVID-19 pandemic, the Company has experienced increased property claims, resulting in increased litigation activity and legal expenses. Within Property & Casualty, we incur COVID-19 workers' compensation losses when it is determined that workers were exposed to COVID-19 out of and in the course of their employment and in other cases where states have passed laws providing for the presumption of coverage for certain industry classes, including health care and other essential workers. While current accident year losses for workers' compensation have increased $75 in second quarter 2020 due to COVID-19 claims, this has been partially offset by lower claim frequency of non-COVID-19 related workers' compensation claims due to reduced business activity, resulting in a net increase in incurred losses of $35 in second quarter 2020. Favorable non-COVID-19 workers' compensation claim frequency could continue over the remainder of 2020 though likely to a lesser extent as more business activity resumes. Second quarter 2020 COVID-19 incurred losses of $38 in Group Benefits consisted of $43 in losses on group life claims, partially offset by a reduction in reserves for first quarter 2020 short-term disability and paid family leave claims. The Company could incur additional COVID-19 direct incurred losses over the remainder of 2020, particularly for workers' compensation and financial lines within P&C and in group life.

Other impacts from COVID-19 and resulting economic downturn

Apart from impacts on the investment portfolio, net investment income and net realized capital gains (losses), in second quarter 2020, the Company incurred a number of other insurance business impacts from the COVID-19 pandemic and the resulting economic downturn as follows:

- As noted above, Personal Lines written and earned premiums were reduced by $81 in second quarter 2020 due to providing automobile policyholders with premium refunds or credits in recognition of the decrease in miles driven. In the second quarter, we recognized an estimated $111 decrease in current accident incurred losses in Personal Lines automobile due to a significant reduction in miles driven since the pandemic began though miles driven has begun to increase again as some states have eased restrictions.
- The Company reduced audit premiums receivable by $100 in second quarter 2020 driven by the economic effects of COVID-19 reducing our insured exposures, principally in workers' compensation. Net of a related reduction in estimated incurred losses and commissions attributable to the reduction in exposure, the net effect in second quarter was a $34 reduction in income before tax. Estimated audit premiums receivable could decrease over the remainder of 2020 though likely to a lesser extent with the magnitude of the impact depending on the scale and timing of an economic recovery in the U.S..
- The Company has also waived late payment fees for a period of time for business and personal insurance customers and temporarily suspended the policy cancellation process for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments with the period of policy cancellations for non-payment varying by state.
- Because of the economic stress caused by COVID-19 and partly due to the extension of billing terms, we also expect a higher amount of uncollectible premiums receivable. As a result, to reflect our higher expectation of credit losses, The Hartford increased its allowance for credit losses ("ACL") on premiums receivable by $20 in the first quarter and $44 in the second quarter of 2020.
- Apart from the increase in this allowance, we have experienced a decline in insurance operating costs and other expenses due to lower acquisition-related and other operating costs associated with lower earned premium volumes and expect that trend to continue for the remainder of 2020.
- As a result of the effects of COVID-19 on our economy, we evaluated our goodwill and other intangible assets for impairment as of June 30, 2020 and determined that no impairments are necessary. The estimated fair values of reporting units with goodwill and of certain intangible assets are sensitive to changes in discount rates and are based on expected cash flows assuming the economy does not begin to revive until the latter half of 2020 with continued gradual improvement in 2021.

For information about additional resources the Company has to manage capital and liquidity during the COVID-19 pandemic and financial crisis, refer to the Capital Resources & Liquidity section of MD&A.

For additional information about the potential impacts of the COVID-19 pandemic and resulting economic crisis, see the risk factor "The pandemic caused by the spread of COVID-19 has disrupted our operations and may have a material adverse impact on our business results, financial condition, results of operations and/or liquidity" in Item 1A of Part II.

P&C combined ratios and Group Benefits margin

In 2020, we expect our combined ratio for Commercial Lines to be higher than the outlook range we provided in our 2019 Form 10-K, primarily due to COVID-19 incurred losses, higher than budgeted current accident year catastrophe losses and an increase in reserves for sexual molestation and abuse claims in second quarter 2020. We expect the underlying combined ratio for Commercial Lines in 2020 to be higher due to COVID-19 incurred losses. In 2020, we expect our combined ratio for Personal Lines to be lower than the outlook range we provided in our 2019 Form 10-K, primarily due to favorable prior accident year catastrophe reserve development year-to-date, including a $260 subrogation recoverable from PG&E recorded in the second quarter, and expect the underlying combined ratio for Personal lines to be lower primarily due to favorable automobile claim frequency and lower non-catastrophe homeowners' claims, partially offset by $81 before tax of premium credits issued to policyholders in the second quarter.

Our net income margin and core earnings margin for Group Benefits may be higher or lower than the outlook ranges we provided in our 2019 Form 10-K depending on the net effect of COVID-19 group life claims and continued favorable emergence of claim incidence on group disability.

Common stockholders' equity

Apart from the direct loss and premium impacts of COVID-19 on net income, we could also experience a reduction in AOCI within common stockholders' equity. The net unrealized gain position on our portfolio of fixed maturities, AFS increased by $522 from December 31, 2019 to June 30, 2020, due to an increase in valuations resulting from a decline in interest rates, partially offset by wider credit spreads. If credit spreads widen going forward or if interest rates increase from the level they were at as of June 30, 2020, we would recognize a decline in the fair value of fixed maturities, AFS in future periods through a reduction of AOCI within common stockholders' equity.

During the six months ended June 30, 2020, the Company repurchased 2.7 million common shares for $150 under a $1.0 billion share repurchase authorization by the Board of Directors approved in February, 2019. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

For further information on the Company's reporting segments refer to Part I, Item 1, Business - Reporting Segments in The Hartford's 2019 Form 10-K Annual Report.

Operational Transformation and Cost Reduction Plan

In recognition of the need to become more cost efficient and competitive along with enhancing the experience we provide to agents and customers, on July 30, 2020, the Company announced an operational transformation and cost reduction plan it refers to as Hartford Next. Through reduction of its headcount, IT investments to further enhance our capabilities, and other activities, relative to 2019, the Company expects to achieve a reduction in annual insurance operating costs and other expenses of approximately $500 by 2022. The Hartford Next program will contribute to our goal of reducing the 2022 P&C expense ratio by about 2.0 to 2.5 points and reducing the 2022 GB expense ratio by about 1.5 to 2.0 points.

To achieve those expected savings, we expect to spend approximately $360, with those costs expected to be approximately $120 over the balance of 2020, $110 in 2021, $90 in 2022 and $40 after 2022. The estimated costs of approximately $360 includes an expected $50 in capitalized development costs for internal use software to be amortized over the useful life of the software, typically 3 years. Of the estimated costs of $360, approximately $320 would be recognized as an expense through the end of 2022, with $30 of IT asset amortization and $10 of other expenses after 2022. Included in the estimated costs of $360, we expect to incur restructuring costs of approximately $130, including approximately $70 of employee severance, and approximately $60 of other costs, including consulting expenses and the cost to retire certain IT applications.

These estimated restructuring and other costs do not include costs associated with a real estate consolidation plan as those plans are not yet sufficiently developed to provide an estimate of those costs and related savings.

All of the costs of the Hartford Next program will be included in insurance operating costs and other expenses in the Consolidated Statement of Operations though restructuring costs will be reported as a charge to net income but not in core earnings. Relative to 2019 full year actual expenses, the Company estimates a reduction in insurance operating costs and other expenses of approximately $40 over the last six months of 2020, approximately $300 in 2021 and approximately $500 in 2022.

The following table shows the expected costs of the Hartford Next program, including restructuring costs, and expected expense savings through 2022:

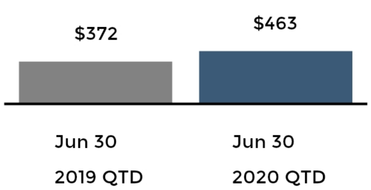
Hartford Next Expected Costs and Expense Savings

	July 1 to Dec. 31, 2020	2021	2022
Employee severance	$ 70	$ —	$ —
Retirement of IT applications and other	20	30	10
Estimated restructuring costs to be expensed and paid	**90**	**30**	**10**
Non-capitalized IT costs to be paid [1]	20	50	50
Other costs to be paid	10	20	20
Amortization of capitalized IT development costs [2]	—	10	10
Estimated costs to be expensed included in core earnings	**30**	**80**	**80**
Total estimated Hartford Next program costs to be expensed	**120**	**110**	**90**
Expense savings relative to 2019 beginning July 1, 2020	(40)	(300)	(500)
Net expense (savings) before-tax	**$ 80**	**$ (190)**	**$ (410)**
Net expense (savings) before-tax:			
To be accounted for within core earnings	$ (10)	$ (220)	$ (420)
Restructuring costs excluded from core earnings	90	30	10
Net expense (savings) before tax	**$ 80**	**$ (190)**	**$ (410)**

[1] Does not include approximately $10 of non-capitalized IT costs to be incurred after 2022.
[2] Does not include approximately $30 of IT asset amortization after 2022.

Financial Highlights

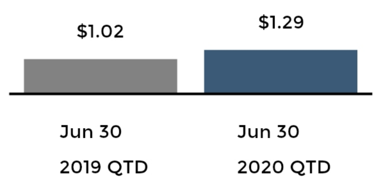
Net Income Available to Common Stockholders



Increased $91 or 24%

- \+ Net favorable prior accident year development in P&C in 2020, due primarily to a reduction in catastrophe reserves, including a $289 before tax subrogation recovery from PG&E
- \+ Lower non-COVID-19 current accident year non-catastrophe losses in homeowners and marine and lower personal automobile claim frequency, partially offset by premium credits to policyholders of $81 before tax and higher non-COVID-19 incurred property claims in small commercial
- \+ A lower Group Benefits disability loss ratio
- \+ The Navigators ADC premium of $91 before tax paid in the 2019 period
- \+ Higher income from the retained interest in Talcott and higher net realized capital gains
- \- COVID-19 incurred losses and benefits of $251 before tax
- \- Lower net investment income
- \- Higher current accident year catastrophes largely due to losses from the civil unrest

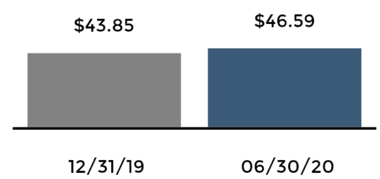
Net Income Available to Common Stockholders per Diluted Share



Increased $0.27 or 26%

- \+ Increase in net income
- \+ Decrease in dilutive shares, principally from share repurchases up through March 2020

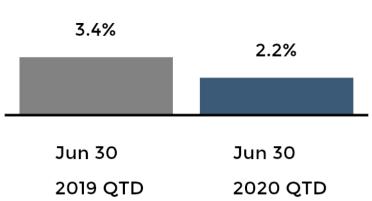
Book Value per Diluted Share



Increased $2.74 or 6%

- \+ Increase in common stockholders' equity largely due to an increase in AOCI, primarily driven by unrealized capital gains on available for sale securities
- \+ Net income in excess of stockholder dividends
- \+ Decrease in dilutive shares

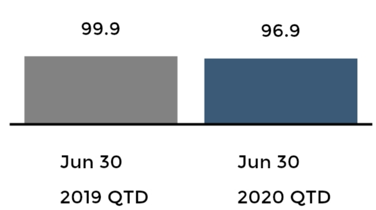
Investment Yield, After Tax



Decreased 120 bps

- \- Losses on limited partnerships and other alternative investments in 2020 due to valuation declines within the underlying fund investments
- \- Lower reinvestment rates and lower yield on variable rate securities due to the decline in interest rates
- \- Higher liquidity levels resulting in a larger share of the portfolio invested at short-term rates

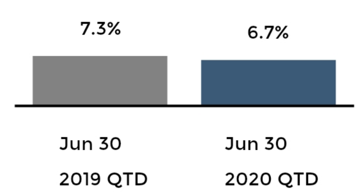
Property & Casualty Combined Ratio



Improved 3.0 points

- \+ Favorable net prior accident year development in Personal Lines in 2020, resulting primarily from a reduction in catastrophe reserves, including a subrogation recovery from PG&E
- \+ Lower current accident year loss ratio in Personal Lines, due to lower claim frequency
- \- Higher current accident year catastrophes, largely due to losses from the civil unrest
- \- Higher current accident year loss ratio in Commercial Lines driven by COVID-19 losses and credit losses on premiums receivable, partially offset by lower other underwriting expenses

Group Benefits Net Income Margin



Decreased 0.6 points

- \- COVID-19 incurred benefits and losses of $38 before tax
- \- Lower net investment income
- \- A decrease in net realized capital gains
- \- Higher insurance operating costs and other expenses
- \+ A lower group disability loss ratio, driven by lower claim incidence and higher recoveries, including favorable prior incurral year development

CONSOLIDATED RESULTS OF OPERATIONS

The Consolidated Results of Operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and the related Notes beginning on page 7 as well as with the segment operating results sections of MD&A.

Consolidated Results of Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Earned premiums	$ 4,234	$ 4,166	2%	$ 8,625	$ 8,106	6%
Fee income	298	326	(9%)	618	640	(3%)
Net investment income	339	488	(31%)	798	958	(17%)
Net realized capital gains (losses)	109	80	36%	(122)	243	(150%)
Other revenues	88	32	175%	105	85	24%
Total revenues	**5,068**	**5,092**	**—%**	**10,024**	**10,032**	**—%**
Benefits, losses and loss adjustment expenses	2,847	2,934	(3%)	5,763	5,619	3%
Amortization of deferred policy acquisition costs	429	392	9%	866	747	16%
Insurance operating costs and other expenses	1,125	1,141	(1%)	2,301	2,189	5%
Loss on reinsurance transaction	—	91	(100%)	—	91	(100%)
Interest expense	57	63	(10%)	121	127	(5%)
Amortization of other intangible assets	18	15	20%	37	28	32%
Total benefits, losses and expenses	**4,476**	**4,636**	**(3%)**	**9,088**	**8,801**	**3%**
Income, before tax	**592**	**456**	**30%**	**936**	**1,231**	**(24%)**
Income tax expense	124	84	48%	195	229	(15%)
Net income	**468**	**372**	**26%**	**741**	**1,002**	**(26%)**
Preferred stock dividends	5	—	**NM**	10	5	**100%**
Net income available to common stockholders	**$ 463**	**$ 372**	**24%**	**$ 731**	**$ 997**	**(27%)**

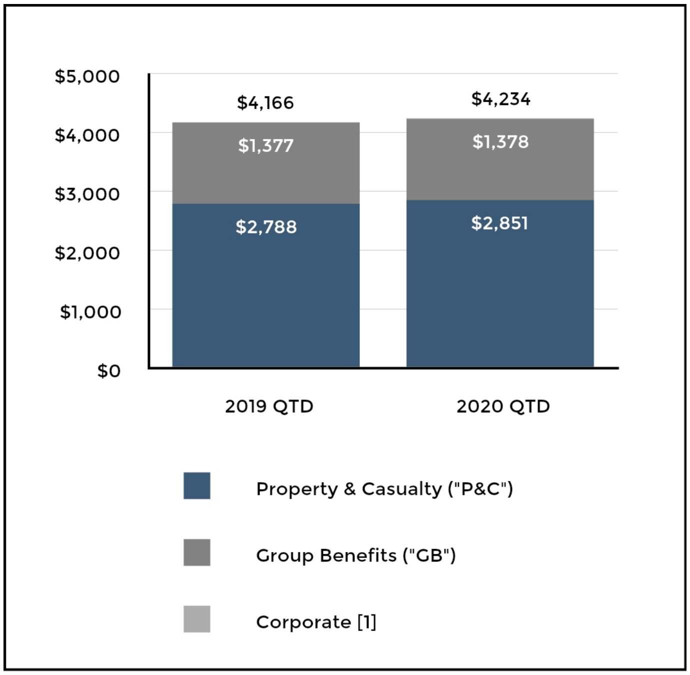
Three months ended June 30, 2020 compared to the three months ended June 30, 2019

Net income available to common stockholders increased by $91 in the three month period, primarily due to an increase in net favorable P&C prior accident year reserve development of $239 after-tax, the effect of lower claim incidence and higher recoveries on non-COVID-19 group disability claims, higher marine current accident year loss costs in second quarter 2019, an increase of $51, after tax, in income from the Company's retained equity interest in the former life and annuity operations, Navigators ADC premium paid of $72 after-tax in the second quarter of 2019 and an increase in net realized capital gains, partially offset by COVID-19 incurred benefits and losses of $198 after tax in second quarter 2020, an increase in current accident year catastrophes of $87 after tax driven by losses from the civil unrest in late May and June of 2020, lower net investment income and higher non-COVID-19 non-catastrophe property loss costs in small commercial.

Also contributing to the change in net income for the three month period was the effect of lower claim frequency in Personal Lines automobile due to shelter-in-place guidelines of $88 after-tax and lower weather-related non-catastrophe homeowners' claims, partially offset by Personal Lines automobile premium credits to policyholder of $64 after-tax and an increase in the credit allowance on premiums receivable of $35 after-tax. For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries. For further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Revenue

Earned Premiums



[1] For the three months ended June 30, 2020, the total includes $5 in Corporate. For the three months ended June 30, 2019, there was $1 in earned premiums recorded Corporate other revenue.

Earned premiums increased primarily due to:

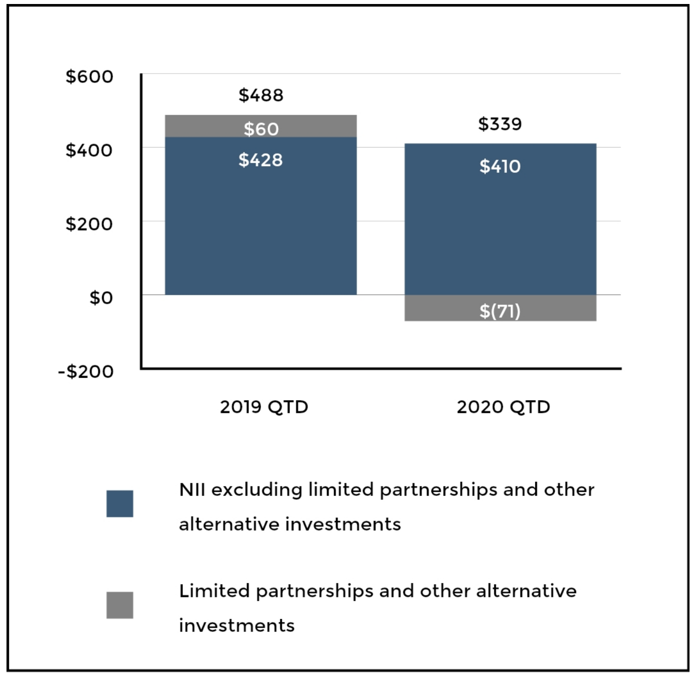
- An increase in Property and Casualty reflecting a 9% increase in Commercial Lines, including the effect of the Navigators Group acquisition, partially offset by the impact of the COVID-19 pandemic, including declines in new business, lower estimated audit premiums on workers' compensation and general liability policies and, in middle market, a decline in premium retention.
- A decline of 13% in Personal Lines, largely reflecting the impact of the COVID-19 pandemic, including the impact of the Company offering a 15 percent premium credit on policyholders' April, May and June personal automobile insurance premiums totaling $81 for the second quarter of 2020.

Earned premiums in Group Benefits were relatively flat compared to the prior year period as premium received from the takeover of open claim liabilities and higher voluntary product premiums offset modest declines in group disability and group life.

Fee income decreased primarily due to lower fee income in Hartford Funds as a result of lower average daily assets under management.

Other revenues increased primarily due to higher income earned from the retained interest in the legal entity that acquired the life and annuity business sold in 2018.

Net Investment Income



Net investment income decreased primarily due to:

- Losses on limited partnerships and other alternative investments in second quarter 2020 due to lower valuations of the underlying fund investments. Income (loss) from limited partnerships is generally reported on a three-month delay.
- A lower yield on fixed maturity investments resulting from reinvesting at lower rates and a lower yield on floating rate investments.
- The impact of holding a higher level of liquidity.
- Partially offset by a higher level of invested assets, primarily due to the acquisition of Navigators Group.

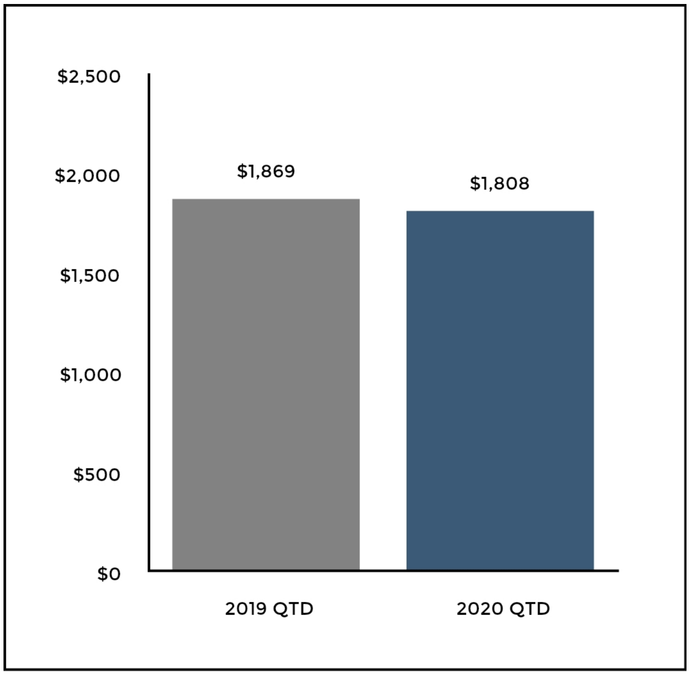
Net realized capital gains increased primarily driven by:

- Appreciation in the value of equity securities due to the increase in equity market levels in the second quarter 2020.
- An increase in net gains on sales of fixed maturity securities.
- Partially offset by increases in credit losses on fixed maturities, AFS and mortgage loans.

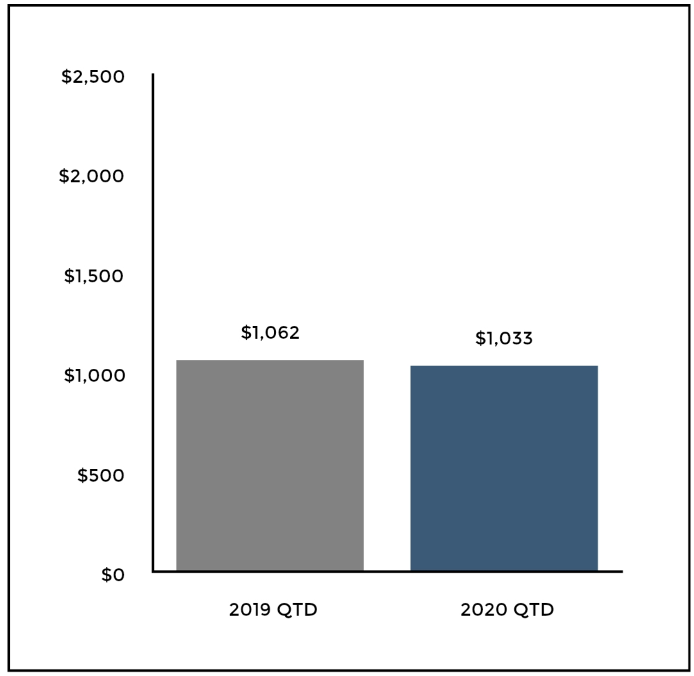
For further discussion of investment results, see MD&A - Investment Results, Net Realized Capital Gains and MD&A - Investment Results, Net Investment Income.

Benefits, losses and expenses

Losses and LAE Incurred for P&C



Losses and LAE Incurred for Group Benefits



Benefits, losses and loss adjustment expenses decreased due to:

- A decrease in incurred losses for Property & Casualty, driven by:
  - A favorable change in Property & Casualty net prior accident year reserve development of $303, before tax. Prior accident year reserve development in 2020 was a net favorable $268 before tax driven by $400 of reserve reductions related to catastrophes, including decreases in estimated losses arising from wind and hail events in 2018 and 2019 and from the 2017 and 2018 California wildfires, including a $289 before tax subrogation benefit from PG&E. Apart from catastrophes, second quarter 2020 reserve development primarily included a $102 before tax increase in reserves related to sexual molestation and abuse claims. Due to recognizing a deferred gain on retroactive reinsurance, the $268 of net favorable reserve development in second quarter 2020 included $54 before tax of adverse development for Navigators related to 2018 and prior accident years even though that development has been economically ceded to NICO. Prior accident year development in the 2019 period primarily included an increase in Navigators Group's prior accident year reserves, partially offset by a release of reserves for workers' compensation and 2017 catastrophes. For further discussion, see Note 10 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Condensed Consolidated Financial Statements.
  - An increase in Property & Casualty current accident year ("CAY") loss and loss adjustment expenses before catastrophes primarily due to COVID-19 incurred losses of $213, the effect on incurred losses of earned premium from the Navigators Group acquisition, partially offset by lower weather-related non-catastrophe homeowners claims and lower claim frequency in personal automobile due to shelter-in-place guidelines reducing miles driven. COVID-19 incurred losses are net of favorable frequency of workers' compensation claims due to reduced business activity and lower payrolls.
  - An increase in current accident year catastrophe losses of $110, before tax. Catastrophe losses in the second quarter of 2020 were primarily from the civil unrest that took place in late May and June as well as from wind and hail events principally in the South, Midwest and Great Plains. Catastrophe losses in 2019 were primarily from tornado, wind and hail events in various areas of the Midwest and South. For additional information, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.
- A decrease in Group Benefits driven by a lower claim incidence and higher recoveries on group disability claims, partially offset by $38 of COVID-19 incurred benefits and losses, driven by group life.

For further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Amortization of deferred policy acquisition costs increased from the prior year period primarily due to the acquisition of Navigators Group in May of 2019.

Insurance operating costs and other expenses decreased modestly due to lower incentive compensation, lower employee travel expenses, and a decrease in Hartford Funds due to lower variable costs, partially offset by:

- A $44 before tax increase in the ACL on uncollectible premiums receivable in second quarter 2020 due to the economic impacts of COVID-19.
- A full quarter of operating costs incurred in the 2020 period related to the Navigators Group acquisition in May of 2019.

Income tax expense increased primarily due to a increase in income before tax. For further discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

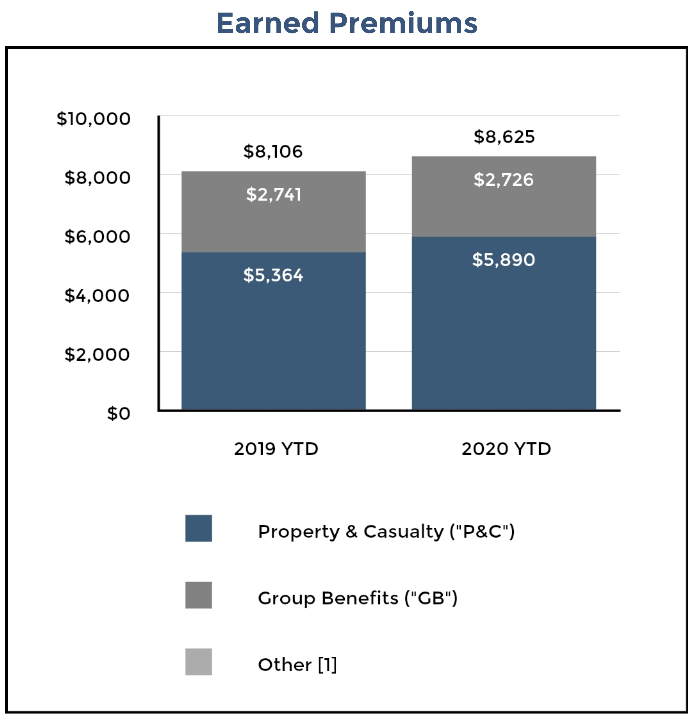
Six months ended June 30, 2020 compared to the six months ended June 30, 2019

Net income available to common stockholders decreased by $266 in the six month period, primarily due to a change from net realized capital gains to net realized capital losses of $288 after-tax, COVID-19 incurred benefits and losses of $211 after tax for the six month period in 2020, an increase in current accident year catastrophes of $63 after tax driven by losses from the civil unrest in late May and June of 2020 and lower net investment income, partially offset by an increase in net favorable P&C prior accident year reserve development of $213 after-tax, the effect of lower claim incidence and higher recoveries on non-COVID-19 group disability claims, lower Commercial Lines non-COVID-19 current accident year non-catastrophe loss costs and Navigators ADC premium paid of $72 after-tax in the second quarter of 2019.

Also contributing to the change in net income for the three month period was the effect of lower claim frequency in Personal Lines automobile due to shelter-in-place guidelines of $88 after-tax and higher income from the Company’s retained equity interest in the former life and annuity operations, partially offset by Personal Lines automobile premium credits to policyholder of $64 after-tax, higher operating costs and other expenses in Group Benefits and an increase in the credit allowance on premiums receivable related to COVID of $51 after-tax. For further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries. In addition, for further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Revenue



[1] For the six months ended June 30, 2020, the total includes $9 in Corporate. For the six months ended June 30,2019, there was $1 of earned premiums recorded in Corporate other revenue.

Earned premiums increased primarily due to:

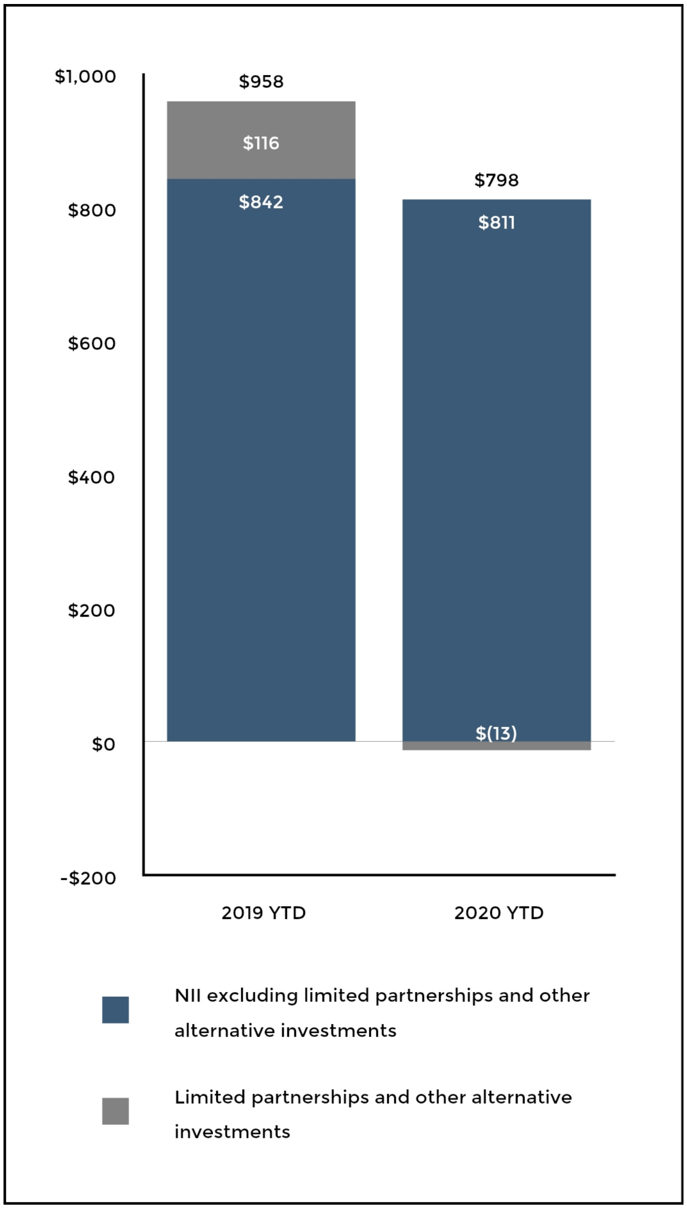
- An increase in Property and Casualty reflecting a 17% increase in Commercial Lines driven by the Navigators Group acquisition, partially offset by an 8% decline in Personal Lines. Driving part of the decrease in Personal Lines earned premiums for the six month period was the impact of the Company offering a 15 percent credit on policyholders’ April, May and June personal automobile insurance premiums totaling $81 in premium credits.
- A decrease in Group Benefits as a decline in group life was partially offset by premium received from the takeover of open claim liabilities.

Fee income decreased due to:

- Lower fee income in Hartford Funds largely due to a shift in mix of assets to lower fee funds and, to a lesser extent, lower installment fee income in P&C.

Other revenues increased primarily due to higher income earned from the retained interest in the legal entity that acquired the life and annuity business sold in 2018.

Net Investment Income



Net investment income decreased primarily due to:

- Losses from limited partnership and other alternative investments in second quarter 2020 due to lower valuations of the underlying fund investments. Income (loss) from limited partnerships is generally reported on a three-month delay.
- A lower yield on fixed maturity investments resulting from reinvesting at lower rates and a lower yield on floating rate investments.
- The impact of holding a higher level of liquidity.
- Partially offset by a higher level of invested assets, primarily due to the acquisition of Navigators Group.

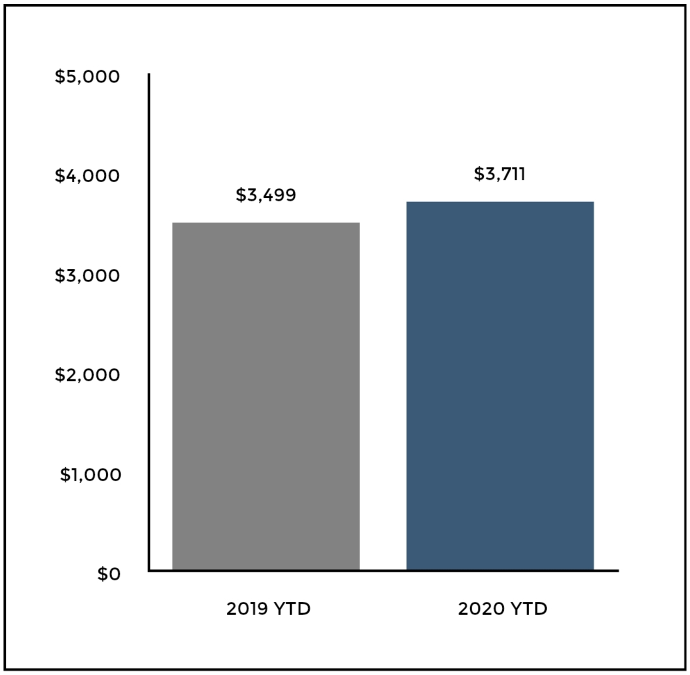
Net realized capital gains (losses) decreased primarily driven by:

- Depreciation in the value of equity securities due to the significant decline in equity market levels in the first quarter of 2020 as well as realized losses upon sales of equity securities.
- Partially offset by gains realized upon termination of derivatives used to hedge against declines in equity market levels and, to a lesser extent, higher net gains on sales of fixed maturity securities in 2020, primarily driven by trades to manage duration and credit.

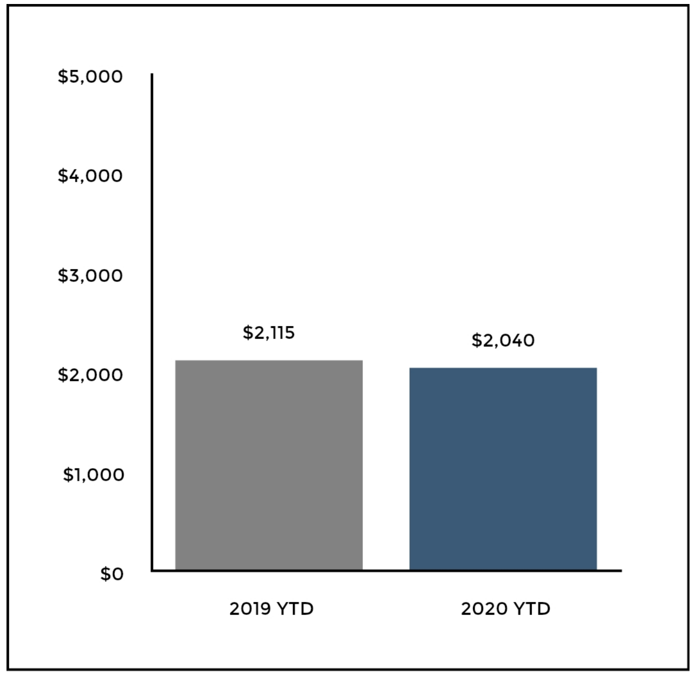
For further discussion of investment results, see MD&A - Investment Results, Net Realized Capital Gains and MD&A - Investment Results, Net Investment Income.

Benefits, losses and expenses

Losses and LAE Incurred for P&C



Losses and LAE Incurred for Group Benefits



Benefits, losses and loss adjustment expenses increased due to:

An increase in incurred losses for Property & Casualty which was driven by an increase in Commercial Lines, partially offset by a decrease in Personal Lines, and was attributable to:

- An increase in Property & Casualty current accident year ("CAY") loss and loss adjustment expenses before catastrophes due to the effect on incurred losses of earned premium from the Navigators Group acquisition, and COVID-19 incurred losses of $213, partially offset by lower weather-related non-catastrophe property claims, lower marine loss costs and lower claim frequency in personal automobile due to shelter-in-place guidelines reducing miles driven. COVID-19 incurred losses are net of favorable frequency of workers' compensation claims due to reduced business activity and lower payrolls.
- A favorable change in Property & Casualty net prior accident year reserve development of $269, before tax. Prior accident year reserve development in 2020 was a favorable $245 before tax, driven by $413 of reserve reductions related to catastrophes, including decreases in estimated losses arising from wind and hail events in 2018 and 2019 and from the 2017 and 2018 California wildfires, including a $289 before tax subrogation benefit from PG&E. Apart from catastrophes, reserve development in the six months ended June 30, 2020 primarily included a $102 before tax reserve increase for sexual molestation and abuse claims and $83 before tax of adverse development for Navigators related to 2018 and prior accident years. While the Navigators' reserve development has been economically ceded to NICO, the Company recognized a deferred gain under retroactive reinsurance accounting. Prior accident year development in 2019 primarily included increases in Navigators Group reserves upon acquisition of the business, partially offset by reserve decreases for workers' compensation, catastrophes, and package business. For further discussion, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.
- An increase in current accident year catastrophe losses of $80, before tax. Catastrophe losses in 2020 were primarily from the civil unrest that began in late May, 2020 and from tornado, wind and hail events in the South, Midwest and Great Plains. Catastrophe losses in 2019 were primarily from tornado, wind and hail events in the South and Midwest and winter storms across the country. For additional information, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.

- Partially offsetting the increase in Property & Casualty was a decrease in Group Benefits driven by a lower group disability loss ratio including an increase in favorable prior incurral year development, partially offset by $54 before tax of COVID-19 incurred benefits and losses.

For further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Amortization of deferred policy acquisition costs was up from the prior year period primarily due to:

- An increase in Commercial Lines primarily due to the impact of the Navigators Group acquisition, partially offset by a decrease in Personal Lines, with Group Benefits relatively flat to the prior year period.

Insurance operating costs and other expenses increased due to:

- Higher information technology costs in Group Benefits.
- Operating costs incurred in the 2020 period due to the Navigators Group acquisition in May of 2019, partially offset by lower integration and transaction costs in the six months ended June 30, 2020.
- A $64 before tax increase in the ACL on uncollectible premiums receivable in 2020 due to the economic impacts of COVID-19.
- A reduction in Group Benefits' state taxes and assessments in first quarter 2019.
- Partially offsetting the increase in expenses was a decrease in Hartford Funds due to lower variable costs and an overall reduction in employee travel costs.

Income tax expense decreased primarily due to a decrease in income before tax.

For further discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

INVESTMENT RESULTS

Composition of Invested Assets

	June 30, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent
Fixed maturities, available-for-sale ("AFS"), at fair value	$ 42,200	79.6%	$ 42,148	79.5%
Fixed maturities, at fair value using the fair value option ("FVO")	1	—%	11	—%
Equity securities, at fair value	756	1.4%	1,657	3.1%
Mortgage loans (net of ACL of $43 and $0)	4,399	8.3%	4,215	8.0%
Limited partnerships and other alternative investments	1,826	3.5%	1,758	3.3%
Other investments [1]	178	0.3%	320	0.6%
Short-term investments	3,668	6.9%	2,921	5.5%
Total investments	**$ 53,028**	**100.0%**	**$ 53,030**	**100.0%**

[1]Primarily consists of consolidated investment funds and derivative instruments which are carried at fair value.

June 30, 2020 compared to December 31, 2019

Fixed maturities, AFS increased slightly due to an increase in valuations as a result of a decline in interest rates, partially offset by wider credit spreads. The increase was mostly offset by the reinvestment of principal and interest into short-term investments.

Equity Securities, at fair value decreased primarily due to sales of equity securities during March and April.

Short-term investments increased due to actions taken to increase liquidity, primarily by reinvesting principal and interest, as well as proceeds from sales, into short-term instruments, partially offset by the March 2020 pay down of $500 of senior notes at maturity and the return of collateral related to a decline in the Company's security lending program.

Net Investment Income

	Three Months Ended June 30,				Six Months Ended June 30, 2020			
	2020		2019		2020		2019	
(Before tax)	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Fixed maturities [2]	$ 357	3.4 %	$ 386	3.9%	$ 734	3.5 %	$ 767	3.9%
Equity securities	6	3.1 %	12	3.4%	18	3.1 %	19	2.9%
Mortgage loans	42	3.8 %	41	4.5%	84	3.9 %	81	4.4%
Limited partnerships and other alternative investments	(71)	(15.3)%	60	13.9%	(13)	(1.5)%	116	13.9%
Other [3]	21		7		9		16	
Investment expense	(16)		(18)		(34)		(41)	
Total net investment income	**$ 339**	**2.7 %**	**$ 488**	**4.2%**	**$ 798**	**3.2 %**	**$ 958**	**4.1%**
Total net investment income excluding limited partnerships and other alternative investments	**$ 410**	**3.4 %**	**$ 428**	**3.8%**	**$ 811**	**3.4 %**	**$ 842**	**3.8%**

[1] Yields calculated using annualized net investment income divided by the monthly average invested assets at amortized cost, as applicable, excluding repurchase agreement and securities lending collateral, if any, and derivatives book value.
[2] Includes net investment income on short-term investments.
[3] Primarily includes income from derivatives that qualify for hedge accounting and hedge fixed maturities.

Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Total net investment income decreased in the 2020 period, primarily due to losses on limited partnerships and other alternative investments in second quarter 2020, which are generally reported on a three month delay, due to lower valuations of the underlying fund investments. Also contributing to the decrease was a lower yield on fixed maturity investments resulting from reinvesting at lower rates and a lower yield on floating rate investments, partially offset by a higher level of invested assets, primarily due to the acquisition of Navigators Group.

Annualized net investment income yield, excluding limited partnerships and other alternative investments was down primarily due to lower reinvestment rates and a lower yield on short-term and variable rate securities due to a decline in rates.

Average reinvestment rates on fixed maturities and mortgage loans, excluding certain U.S. Treasury securities, for the three and six month periods ended June 30, 2020, were 2.7% and 2.8%, respectively, which were below the average yield of sales and maturities of 3.6% and 3.5%, respectively. Average reinvestment rates for the three and six month periods ended June 30, 2019, were 3.5% and 3.7%, respectively, which were below the average yield of sales and maturities of 4.0%.

We expect the annualized net investment income yield for the year ended December 31, 2020, excluding limited partnerships and other alternative investments, to be lower than the portfolio yield earned for the year ended December 31, 2019, due to a lower yield on short-term investments, lower reinvestment rates, lower prepayment penalties on mortgage loans and make-whole payments on fixed maturities, and a greater percentage of the portfolio invested in short-term investments. The estimated impact on net investment income yield is subject to change as the composition of the portfolio changes through portfolio management and changes in market conditions.

Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30, 2020	
(Before tax)	2020	2019	2020	2019
Gross gains on sales	$ 96	$ 69	$ 174	$ 113
Gross losses on sales	(22)	(19)	(30)	(40)
Equity securities [1]	75	30	(311)	162
Change in ACL on fixed maturities, AFS [2]	(20)		(32)	
Change in ACL on mortgage loans [2]	(22)		(24)	
Intent-to-sell impairments [3]	—	—	(5)	—
Net other-than-temporary impairment ("OTTI") losses recognized in earnings		—		(2)
Valuation allowances on mortgage loans		1		1
Other, net [4]	2	(1)	106	9
Net realized capital gains (losses)	$ 109	$ 80	$ (122)	$ 243

[1] The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of June 30, 2020, were $67 and $(34) for the three and six months ended June 30, 2020, respectively. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of June 30, 2019, were $29 and $74 for the three and six months ended June 30, 2019, respectively.

[2] Represents the change in ACL recorded during the period following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies. In addition, see ACL on Fixed Maturities, AFS and ACL on Mortgage Loans within the Investment Portfolio Risks and Risk Management section of the MD&A.

[3] See Intent-to-Sell Impairments within the Investment Portfolio Risks and Risk Management section of the MD&A.

[4] Includes gains (losses) from transactional foreign currency revaluation of $0 and $10 for the three and six months ended June 30, 2020 , respectively. For the same periods, also includes gains (losses) on non-qualifying derivatives of $7 and $99, respectively. For the three and six months ended June 30, 2019, includes gains (losses) on non-qualifying derivatives of $(7) and $8, respectively.

Three and six months ended June 30, 2020

Gross gains and losses on sales were primarily driven by sales of U.S. treasury securities for duration and/or liquidity management and issuer-specific sales of corporate securities.

Equity securities net gains for the three month period ended June 30, 2020 were primarily driven by mark-to-market gains due to an increase in equity market levels. For the six month period ended June 30, 2020, net losses were driven by mark-to-market losses due to the decline in equity market levels in the first quarter and losses incurred on sales across multiple issuers as the Company reduced its exposure to equity securities.

Other, net gains for the six month period were primarily due to $75 of realized gains on terminated derivatives used to hedge against a decline in equity market levels and $21 of gains on interest rate derivatives due to a decline in interest rates.

Three and six months ended June 30, 2019

Gross gains and losses on sales were primarily the result of duration, liquidity and credit management within U.S. treasury securities, corporate securities and tax-exempt municipal bonds.

Equity securities net gains were primarily driven by appreciation of equity securities due to higher equity market levels.

Other, net gains for the six month period were primarily due to gains on credit derivatives of $27 driven by credit spread tightening, partially offset by losses on interest rate derivatives of $15 due to a decline in interest rates.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ, and in the past have differed, from those estimates.

The Company has identified the following estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

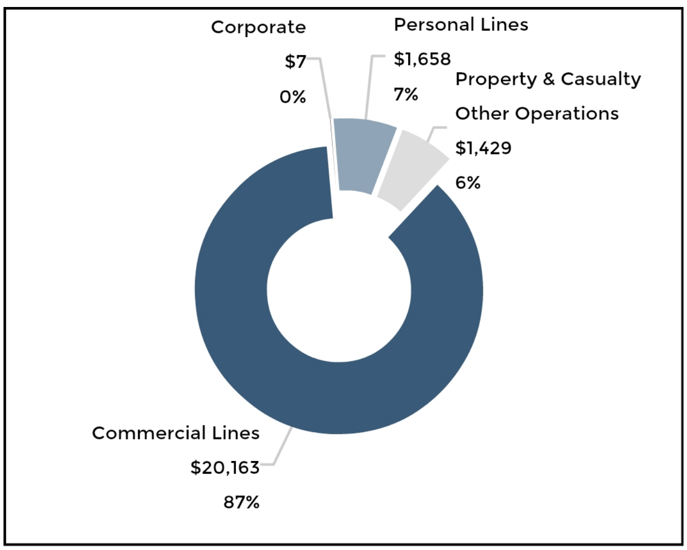
- property and casualty insurance product reserves, net of reinsurance;
- group benefit long-term disability (LTD) reserves, net of reinsurance;
- evaluation of goodwill for impairment;
- valuation of investments and derivative instruments including evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on mortgage loans;
- valuation allowance on deferred tax assets; and
- contingencies relating to corporate litigation and regulatory matters.

Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the Condensed Consolidated Financial Statements. In developing these estimates, management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate based upon the facts available upon compilation of the financial statements.

The Company's critical accounting estimates are discussed in Part II, Item 7 MD&A in the Company's 2019 Form 10-K Annual Report. In addition, Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report should be read in conjunction with this section to assist with obtaining an understanding of the underlying accounting policies related to these estimates. The following discussion updates certain of the Company's critical accounting estimates as of June 30, 2020.

Property & Casualty Insurance Product Reserves, Net of Reinsurance

P&C Loss and Loss Adjustment Expense Reserves, Net of Reinsurance, by Segment as of June 30, 2020



Based on the results of the quarterly reserve review process, the Company determines the appropriate reserve adjustments, if any, to record. Recorded reserve estimates are adjusted after consideration of numerous factors, including but not limited to, the magnitude of the difference between the actuarial indication and the recorded reserves, improvement or deterioration of actuarial indications in the period, the maturity of the accident year, trends observed over the recent past and the level of volatility within a particular line of business. In general, adjustments are made more quickly to more mature accident years and less volatile lines of business. Such adjustments of reserves are referred to as "prior accident year development". Increases in previous estimates of ultimate loss costs are referred to as either an increase in prior accident year reserves or as unfavorable reserve development. Decreases in previous estimates of ultimate loss costs are referred to as either a decrease in prior accident year reserves or as favorable reserve development. Reserve development can influence the comparability of year over year underwriting results and is set forth in the paragraphs and tables that follow.

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Six Months Ended June 30, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Corporate	Total Property & Casualty and Corporate
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 23,363**	**$ 2,201**	**$ 2,697**	**$ —**	**$ 28,261**
Reinsurance and other recoverables [1]	4,029	68	1,178	—	5,275
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**19,334**	**2,133**	**1,519**	**—**	**22,986**
Transfer of Y-Risk reserves from Commercial Lines to Corporate	(5)	—	—	5	—
Provision for unpaid losses and loss adjustment expenses				—	
Current accident year before catastrophes	2,815	819	—	7	3,641
Current accident year ("CAY") catastrophes	248	74	—	(1)	321
Prior accident year development ("PYD") [2]	118	(367)	4	—	(245)
Total provision for unpaid losses and loss adjustment expenses	**3,181**	**526**	**4**	**6**	**3,717**
Change in deferred gain on retroactive reinsurance included in other liabilities [2]	(83)	—	—	—	(83)
Payments	(2,254)	(1,001)	(94)	(4)	(3,353)
Foreign currency adjustment	(10)	—	—	—	(10)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**20,163**	**1,658**	**1,429**	**7**	**23,257**
Reinsurance and other recoverables	4,225	27	1,175	—	5,427
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 24,388**	**$ 1,685**	**$ 2,604**	**$ 7**	**$ 28,684**
Earned premiums and fee income	$ 4,435	$ 1,486			
Loss and loss expense paid ratio [3]	50.8	67.4			
Loss and loss expense incurred ratio	71.9	35.8			
Prior accident year development (pts) [4]	2.7	(25.0)			

[1] Reflects a cumulative effect adjustment of $1 and $(1) for Commercial Lines and Property & Casualty Other Operations respectively, representing an adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. See Note 1 - Basis of Presentation and Significant Accounting Policies for further information.
[2] Prior accident year development does not include the benefit of a portion of losses ceded under the Navigators adverse development cover ("Navigators ADC") which, under retroactive reinsurance accounting, is deferred and recognized over the period the ceded losses are recovered in cash from NICO. For additional information regarding the Navigators ADC agreement, please refer to Note 10 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Condensed Consolidated Financial Statements.
[3] The "loss and loss expense paid ratio" represents the ratio of paid losses and loss adjustment expenses to earned premiums.
[4] "Prior accident year development (pts)" represents the ratio of prior accident year development to earned premiums.

In December, 2019, the judge overseeing the bankruptcy of PG&E Corporation and Pacific Gas and Electric Company (together, "PG&E") approved an $11 billion settlement of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. That settlement was contingent upon, among other things, the judge entering an order confirming PG&E's chapter 11 bankruptcy plan ("PG&E Plan") incorporating the settlement agreement. On June 20, 2020, the bankruptcy court judge approved the PG&E Plan and PG&E subsequently transferred the $11 billion settlement amount to a trust designed to allocate and distribute the settlement among subrogation holders, including certain of the Company's insurance subsidiaries. In the second quarter of 2020, the Company recorded an estimated $289 subrogation benefit though the ultimate amount it collects will depend on how the Company's ultimate paid claims subject to subrogation compare to other insurers' ultimate paid claims subject to subrogation. On July 24, 2020, the Company received an initial distribution, net of attorney costs, of $216.

Current Accident Year Catastrophe Losses for the Six Months Ended June 30, 2020, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 134	$ 72	$ 206
Tropical Storms	1	1	2
Explosion/Fire	2	1	3
Civil Unrest	110	—	110
Other	1	—	1
Total catastrophe losses	**$ 248**	**$ 74**	**$ 322**

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended June 30, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (21)	$ —	$ —	$ (21)
Workers' compensation discount accretion	9	—	—	9
General liability	102	—	—	102
Marine	1	—	—	1
Package business	(7)	—	—	(7)
Commercial property	5	—	—	5
Professional liability	4	—	—	4
Bond	(10)	—	—	(10)
Assumed reinsurance	(7)	—	—	(7)
Automobile liability	22	(15)	—	7
Homeowners	—	2	—	2
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(67)	(333)	—	(400)
Uncollectible reinsurance	—	—	(2)	(2)
Other reserve re-estimates, net	(8)	(3)	6	(5)
Prior accident year development before change in deferred gain	**23**	**(349)**	**4**	**(322)**
Change in deferred gain on retroactive reinsurance included in other liabilities	54	—	—	54
Total prior accident year development	**$ 77**	**$ (349)**	**$ 4**	**$ (268)**

Unfavorable (Favorable) Prior Accident Year Development for the Six Months Ended June 30, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (38)	$ —	$ —	$ (38)
Workers' compensation discount accretion	18	—	—	18
General liability	114	—	—	114
Marine	1	—	—	1
Package business	(6)	—	—	(6)
Commercial property	(2)	—	—	(2)
Professional liability	5	—	—	5
Bond	(10)	—	—	(10)
Assumed reinsurance	(7)	—	—	(7)
Automobile liability	27	(21)	—	6
Homeowners	—	—	—	—
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(72)	(341)	—	(413)
Uncollectible reinsurance	—	—	(2)	(2)
Other reserve re-estimates, net	5	(5)	6	6
Prior accident year development before change in deferred gain	**35**	**(367)**	**4**	**(328)**
Change in deferred gain on retroactive reinsurance included in other liabilities	83	—	—	83
Total prior accident year development	**$ 118**	**$ (367)**	**$ 4**	**$ (245)**

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Six Months Ended June 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,455**	**$ 2,456**	**$ 2,673**	**$ 24,584**
Reinsurance and other recoverables	3,137	108	987	4,232
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**16,318**	**2,348**	**1,686**	**20,352**
Navigator's Group acquisition	2,001	—	—	2,001
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	2,216	1,017	—	3,233
Current accident year catastrophes	160	82	—	242
Prior accident year development	12	3	9	24
Total provision for unpaid losses and loss adjustment expenses	**2,388**	**1,102**	**9**	**3,499**
Payments	(1,886)	(1,261)	(82)	(3,229)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**18,821**	**2,189**	**1,613**	**22,623**
Reinsurance and other recoverables	4,039	112	974	5,125
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 22,860**	**$ 2,301**	**$ 2,587**	**$ 27,748**
Earned premiums and fee income	$ 3,782	$ 1,619		
Loss and loss expense paid ratio [1]	49.9	77.9		
Loss and loss expense incurred ratio	63.4	68.9		
Prior accident year development (pts) [2]	0.3	0.2		

[1] The "loss and loss expense paid ratio" represents the ratio of paid losses and loss adjustment expenses to earned premiums.
[2] "Prior accident year development (pts)" represents the ratio of prior accident year development to earned premiums.

Current Accident Year Catastrophe Losses for the Six Months Ended June 30, 2019, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 95	$ 63	$ 158
Winter storms	60	19	79
Flooding	1	—	1
Other	4	—	4
Total catastrophe losses	**$ 160**	**$ 82**	**$ 242**

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended June 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (30)	$ —	$ —	$ (30)
Workers' compensation discount accretion	9	—	—	9
General liability	37	—	—	37
Marine	10	—	—	10
Package business	(14)	—	—	(14)
Commercial property	(13)	—	—	(13)
Professional liability	33	—	—	33
Bond	—	—	—	—
Assumed Reinsurance	3	—	—	3
Automobile liability	2	—	—	2
Homeowners	—	—	—	—
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(16)	2	—	(14)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	1	2	9	12
Total prior accident year development	**$ 22**	**$ 4**	**$ 9**	**$ 35**

Unfavorable (Favorable) Prior Accident Year Development for the Six Months Ended June 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (50)	$ —	$ —	$ (50)
Workers' compensation discount accretion	17	—	—	17
General liability	43	—	—	43
Marine	10			10
Package business	(9)	—	—	(9)
Commercial property	(15)	—	—	(15)
Professional liability	33	—	—	33
Bond	—	—	—	—
Assumed Reinsurance	3			3
Automobile liability	2	(5)	—	(3)
Homeowners	—	1	—	1
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(28)	6	—	(22)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	6	1	9	16
Total prior accident year development	**$ 12**	**$ 3**	**$ 9**	**$ 24**

For discussion of the factors contributing to unfavorable (favorable) prior accident year reserve development, please refer to Note 10 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Condensed Consolidated Financial Statements.

Current Trends Contributing to Reserve Uncertainty

As discussed in our 2019 Form 10-K, as market conditions and loss trends develop, management must assess whether those conditions constitute a long-term trend that should result in a reserving action (i.e., increasing or decreasing property and casualty reserve). The Company has exposure to general liability claims, including from bodily injury, property damage and product liability and to workers' compensation claims, including from injury, illness or disability to an insured's employee while at work. Benefits paid under workers' compensation policies may include reimbursement of medical care costs, replacement income and compensation for permanent injuries and benefits to survivors. Reserves for these exposures can be particularly difficult to estimate due to the long development pattern and uncertainty about how cases will settle.

As further explained under "Impacts of COVID-19" within The Hartford's Operations section of MD&A, through June 30, 2020, the Company incurred $213 of COVID-19 claims in P&C, including in workers' compensation, property and financial lines. Under workers' compensation, we could experience a continuation of COVID-19 incurred losses, particularly due to laws or directives in certain states that require coverage of COVID-19 claims for health care and other essential workers based on a presumption that they contracted the virus while working. We could also incur losses on general liability policies if claimants can successfully assert that insureds were negligent from protecting employees, customers and others from exposure though we do not expect this exposure to be significant. Under commercial property policies, we have reserved for business interruption claims that pertain to policies in middle & large commercial and in global specialty which do not require direct physical loss or property damage. In other cases, particularly in small commercial, where there are policy exclusions and the general requirement that there be direct physical loss or damage to the property, we have not recorded loss reserves as there is no coverage though we have recorded a reserve for legal defense costs. In our commercial surety lines, there continues to be the potential for elevated frequency and severity due to an increase in the number of bankruptcies, especially in small businesses and impacted industries such as hospitality, entertainment and transportation. In construction surety, there is the potential for continued elevated losses from contractors who experience project shutdowns or payment delays, which negatively impact their cash flows, or result in disruptions in their supply chains, labor shortages or inflation in the cost of materials. We have also experienced an increase in COVID-19 related claims under director's and officers' insurance policies.

Reserve estimates for COVID-19 claims are difficult to estimate. In establishing reserves for COVID-19 incurred claims through June 30, 2020, we have provided IBNR at a higher percentage of ultimate estimated incurred losses than usual as we expect longer claim reporting patterns given the economic effects of COVID-19. For example, we expect longer delays than usual between the time a worker is treated and the date the claim is eventually submitted for workers' compensation coverage. Reserve estimates for D&O, E&O and employment practices liability are subject to significant uncertainty given that estimates must be made of the expected ultimate severity of claims that have just recently been reported.

Group Benefit Reserves

The Company establishes reserves for group life and accident & health contracts, including long-term disability coverage, for both reported claims and claims related to insured events that the Company estimates have been incurred but have not yet been reported. As long-term disability reserves are long-tail claim liabilities, they are discounted because the payment pattern and the ultimate costs are reasonably fixed and determinable on an individual claim basis. The Company held $6,583 and $6,616 of LTD unpaid losses and loss adjustment expenses, net of reinsurance, as of June 30, 2020 and December 31, 2019, respectively.

Impact of COVID-19 on 2020 Results of Operations

Due to the COVID-19 pandemic, the Company is exposed to short-term disability claims and group life claims. Through June 30, 2020, the Company had incurred short-term disability claims and claims for extended benefits under New York's paid family leave and disability programs totaling $11, before tax and group life claims of $43 before tax.

Current Trends Contributing to Reserve Uncertainty

We hedge our interest rate exposure over a three year period at the time we price and sell long-term disability policies and our weighted average discount rate assumption for the 2020 incurral year is down slightly from that of the 2019 incurral year.

While we have not seen a significant change in claim recovery patterns to date, in future periods, because of COVID-19, we could experience a delay in the Social Security Administration's processing of disability claims and a delay in physicians approving a disability claimant's ability to return to work, resulting in lower expected claim terminations or recoveries, including Social Security offsets. Also, due to the effects on the economy, including higher unemployment, we could experience an increase in claim incidence on long-term disability claims.

Evaluation of Goodwill for Impairment

Goodwill balances are reviewed for impairment at least annually, or more frequently if events occur or circumstances change that would indicate that a triggering event for a potential impairment has occurred. Effective January 1, 2020, the Company adopted updated accounting guidance on recognition and measurement of goodwill impairment, as required. The updated guidance requires recognition and measurement of goodwill impairment based on the excess of the carrying value of the reporting unit over its estimated fair value, up to the amount of the reporting unit's goodwill.

The estimated fair value of each reporting unit incorporates multiple inputs into discounted cash flow calculations including assumptions that market participants would make in valuing the reporting unit. Assumptions include levels of economic capital, future business growth, earnings projections, assets under management for Hartford Funds and the weighted average cost of capital used for purposes of discounting. Decreases in business growth, decreases in earnings projections and increases in the weighted average cost of capital will all cause a reporting unit's fair value to decrease, increasing the possibility of impairment.

A reporting unit is defined as an operating segment or one level below an operating segment. The Company's reporting units for which goodwill has been allocated consist of Commercial Lines, Personal Lines, Group Benefits and Hartford Funds.

The carrying value of goodwill was $1,911 as of June 30, 2020 and was comprised of $659 for Commercial Lines, $119 for Personal Lines, $861 for Group Benefits and $272 for Hartford Funds.

Due to changes in the economy because of the COVID-19 pandemic, the weighted average cost of capital used to discount expected cash flows under the Company's test for impairment increased during the first half of 2020 for most reporting units, which reduces estimated fair values of those reporting units.

Since the pandemic began, near-term expected net cash flows over the forecast period have been reduced due to lower revenues arising from the economic effects of COVID-19 and, for Commercial Lines and Group Benefits, an expected continuation of COVID-19 claims.

Considering the impacts of COVID-19, the Company evaluated the impact of market factors on the fair value of the reporting units using the income approach and determined the estimated fair values do not indicate a goodwill impairment for any reporting unit. If the weighted average cost of capital used for purposes of discounting increases significantly or if the economic downturn worsens or persists for an extended period and the Company's actual and forecasted operating results deteriorate, the Company may determine it is more likely than not that a reporting unit's fair value is below its carrying value, including goodwill, and perform an interim impairment test, which could result in an impairment of goodwill.

SEGMENT OPERATING SUMMARIES

COMMERCIAL LINES

Results of Operations

Underwriting Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Written premiums	$ 2,165	$ 2,078	4%	$ 4,573	$ 4,027	14%
Change in unearned premium reserve	8	91	(91%)	151	263	(43%)
Earned premiums	2,157	1,987	9%	4,422	3,764	17%
Fee income	5	9	(44%)	13	18	(28%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	1,472	1,179	25%	2,815	2,216	27%
Current accident year catastrophes [1]	193	90	114%	248	160	55%
Prior accident year development [1]	77	22	NM	118	12	NM
Total losses and loss adjustment expenses	1,742	1,291	35%	3,181	2,388	33%
Amortization of deferred policy acquisition costs	351	310	13%	707	584	21%
Underwriting expenses	387	392	(1%)	830	729	14%
Amortization of other intangible assets	7	2	NM	14	4	NM
Dividends to policyholders	7	6	17%	15	12	25%
Underwriting gain (loss)	**(332)**	**(5)**	**NM**	**(312)**	**65**	**NM**
Net servicing income	—	2	(100%)	1	1	—%
Net investment income [2]	204	281	(27%)	481	540	(11%)
Net realized capital gains (losses) [2]	64	54	19%	(79)	169	(147%)
Loss on reinsurance transaction	—	(91)	100%	—	(91)	100%
Other expenses	(11)	(6)	(83%)	(17)	(7)	(143%)
Income (loss) before income taxes	**(75)**	**235**	**(132%)**	**74**	**677**	**(89%)**
Income tax expense (benefit) [3]	(9)	44	(120%)	19	123	(85%)
Net income (loss)	**$ (66)**	**$ 191**	**(135%)**	**$ 55**	**$ 554**	**(90%)**

[1]For discussion of current accident year catastrophes and prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves Development, Net of Reinsurance and Note 10 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Condensed Consolidated Financial Statements.
[2]For discussion of consolidated investment results, see MD&A - Investment Results.
[3]For discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Premium Measures

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Small commercial new business premium	$ 118	$ 183	$ 275	$ 358
Middle market new business premium	99	177	224	317
Small commercial policy count retention	88%	83%	86%	83%
Middle market policy count retention [1]	79%	81%	78%	81%
Standard commercial lines renewal written price increases [1] [2]	3.6%	2.1%	3.9%	1.8%
Standard commercial lines renewal earned price increases [1] [2]	3.8%	2.0%	3.5%	2.2%
Small commercial premium retention	86%	86%	86%	86%
Middle market premium retention [1]	77%	86%	79%	85%
Small commercial policies in-force as of end of period (in thousands)	1,297	1,291		
Middle market policies in-force as of end of period (in thousands) [1]	60	64		

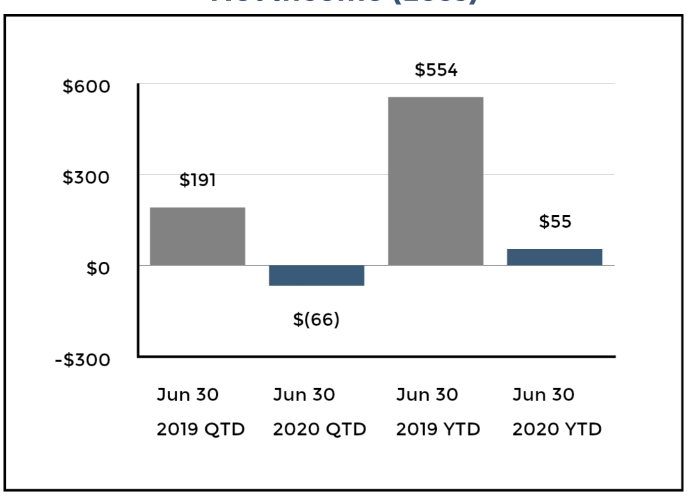
[1]Middle market disclosures exclude loss sensitive and programs businesses.
[2]Small commercial and middle market lines within middle & large commercial are generally referred to as standard commercial lines.

Underwriting Ratios

	Three Months Ended June 30, 2020	2019	Change	Six Months Ended June 30, 2020	2019	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	68.2	59.3	8.9	63.7	58.9	4.8
Current accident year catastrophes	8.9	4.5	4.4	5.6	4.3	1.3
Prior accident year development	3.6	1.1	2.5	2.7	0.3	2.4
Total loss and loss adjustment expense ratio	80.8	65.0	15.8	71.9	63.4	8.5
Expense ratio	34.3	35.0	(0.7)	34.8	34.5	0.3
Policyholder dividend ratio	0.3	0.3	—	0.3	0.3	—
Combined ratio	**115.4**	**100.3**	**15.1**	**107.1**	**98.3**	**8.8**
Impact of current accident year catastrophes and prior year development	(12.5)	(5.6)	(6.9)	(8.3)	(4.6)	(3.7)
Impact of current accident year change in loss reserves upon acquisition of a business [1]	—	(1.5)	1.5	—	(0.8)	0.8
Underlying combined ratio	**102.9**	**93.2**	**9.7**	**98.8**	**92.9**	**5.9**

[1] Upon acquisition of Navigators Group and a review of Navigators Insurers reserves, the three and six months ended June 30, 2019 included $68 of prior accident year reserve increases and $29 of current accident year reserve increases which were excluded for the purposes of the underlying combined ratio calculation.

Net Income (Loss)

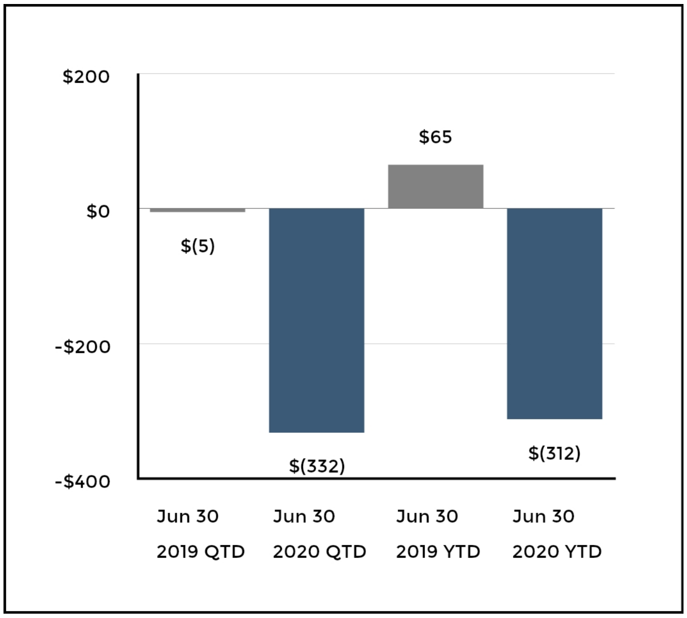


Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net loss for the three months ended June 30, 2020 compared to net income for the prior year three month period primarily due to increased underwriting losses driven by COVID-19 incurred losses, higher current accident year catastrophes driven by losses from the civil unrest in late May and June and an increase in net unfavorable prior accident year development as well as lower net investment income, primarily driven by losses on limited partnerships and other investments in the second quarter of 2020, partially offset by $91 before tax of ADC ceded premium in the prior year period.

Net income decreased for the six month period primarily due to a change from an underwriting gain in 2019 to an underwriting loss in 2020, a change from net realized capital gains in 2019 to net realized capital losses in 2020 largely due to equity market declines in the first quarter of 2020 and lower net investment income, primarily driven by losses on investments in limited partnerships and other alternative investments in the second quarter of 2020. Partially offsetting the decline in net income was $91 before tax of ADC ceded premium in the prior year period. For further discussion of investment results, see MD&A - Investment Results.

Underwriting Gain (Loss)



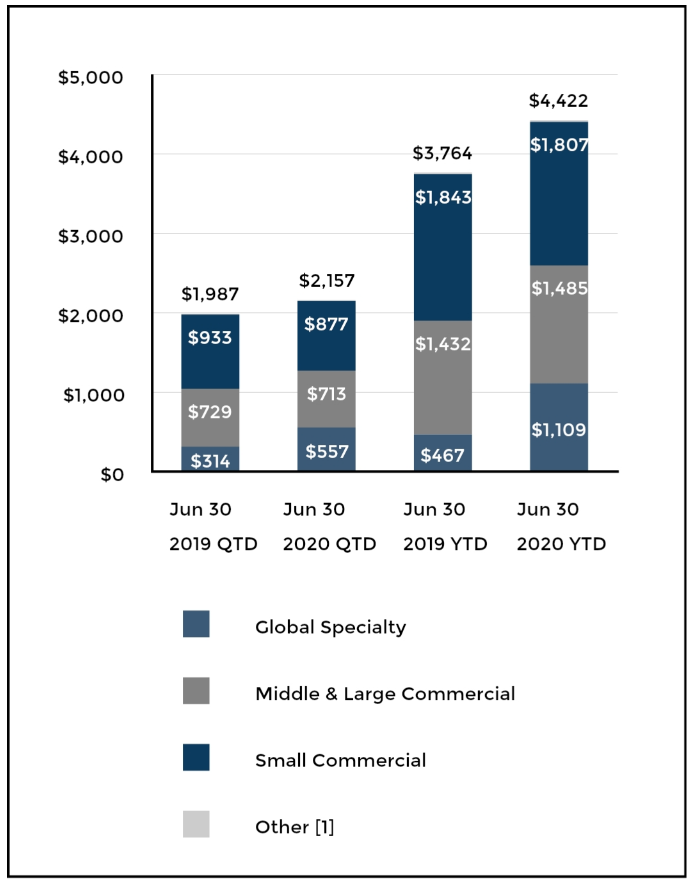
Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Underwriting loss increased in the three month period primarily due to COVID-19 incurred losses in property, workers' compensation and financial lines, higher current accident year catastrophes driven by civil unrest, and an increase in net unfavorable prior year development. Second quarter COVID-19 incurred losses and loss adjustment expenses of $213 in P&C primarily included $141 for property claims,$35 for workers' compensation, net of favorable frequency on other workers' compensation claims, and $37 of incurred losses largely concentrated in financial lines such as D&O and E&O. Included in the $141 of COVID-19 property incurred losses and loss adjustment expenses in the second quarter were $101 of losses arising from a small number of property policies that do not require direct physical loss or damage and from policies intended to cover specific business needs, including crisis management and performance disruption. In addition, we recorded a reserve of $40 for legal defense costs. The effect of lower estimated audit premium on workers' compensation and general liability net of lower incurred losses, was largely offset by lower non-catastrophe property losses. Underwriting expenses were down slightly year over year as a reduction in travel, incentive compensation and other expenses more than offset an increase in the ACL on premiums receivable.

Underwriting loss in the 2020 six month period compared with an underwriting gain in the 2019 six month period with the underwriting loss in 2020 primarily due to COVID-19 incurred losses in property, workers' compensation and financial lines, higher current accident year catastrophes driven by civil unrest, an increase in net unfavorable prior year development and higher underwriting expenses, including amortization of DAC. Contributing to the increase in underwriting expenses was an increase in the ACL on premiums receivable in 2020 due to the economic impacts of COVID-19 and the effect of a reduction in state taxes and assessments in first quarter 2019, partly offset by a reduction in travel, incentive compensation and marketing expenses.

Additionally in both the three and six month periods, the acquisition of Navigators Group contributed to an increase in earned premiums with a corresponding increase to losses and loss adjustment expenses, amortization of DAC and underwriting expenses. Apart from the effect of the Navigators Group acquisition, earned premiums decreased in both periods.

Earned Premiums



[1]Other of $11 and $10 for the three months ended June 30, 2019, and 2020, respectively, and $22 and $21 for the six months ended June 30, 2019 and 2020, respectively, is included in the total.

Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

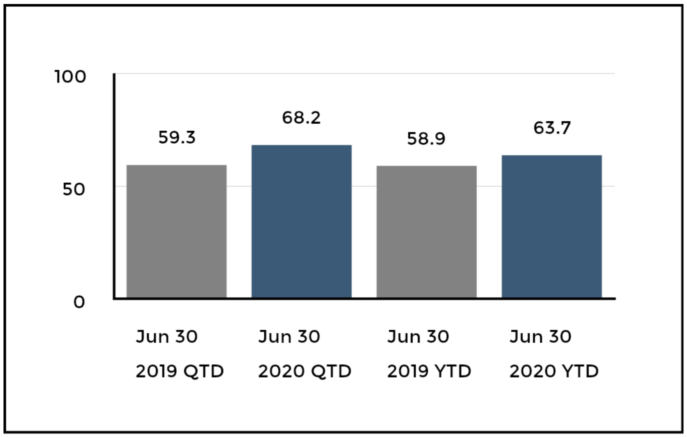
Earned premiums increased for the three and six months ended June 30, 2020 reflecting the acquisition of Navigators Group. Excluding Navigators, earned premiums declined in both periods.

Written premiums increased in the three and six months ended June 30, 2020 with the growth largely attributed to the acquisition of Navigators Group. Excluding Navigators, premiums declined in both the three and six month periods due to lower new business across most lines, lower premium retention in middle market as well as reductions in estimated audit premiums receivable and endorsements reducing premium in workers' compensation due to a declining exposure base, partially offset by continued written pricing increases. In standard commercial lines, renewal written price increases were higher than 2019 for both the three and six month periods, including double digit rate increases in middle market automobile and specialty excess liability lines and mid-to-high single digit rate increases in most other standard commercial lines. Small commercial workers' compensation written pricing continued to decrease in both the three and six month periods, with larger decreases in the second quarter. In Global Specialty, our US Wholesale book achieved a 24% renewal written price increase, led by excess casualty, property and automobile. The International lines also achieved strong price increases, led by D&O.

New business premium decreased in both the three and six month periods in most lines driven by lower quote volume due to the economic effects of COVID-19 and a competitive pricing environment. Also contributing to the decrease in new business in Small Commercial was the effect of new business from the 2018 Foremost renewal rights agreement of $28 and $60 in the 2019 three and six month periods, respectively.

- Small commercial written premium declined for both the three and six month periods driven by a decrease in workers' compensation, partially offset by growth in package business.
- Middle & large commercial written premium decreased for both the three and six month periods driven by lower new business and premium retention across all lines, partially offset by the acquisition of Navigators Group. Apart from the increase from Navigators Group, middle & large commercial premium decreases in both periods were primarily driven by declines in workers' compensation, as well as other product lines within industry verticals and national accounts.
- Global specialty written premium increased for both the three and six month periods driven by the acquisition of Navigators Group. Apart from Navigators Group, global specialty decreased in both the three and six month periods due to a decline in wholesale and bond business, partially offset by growth in professional liability.

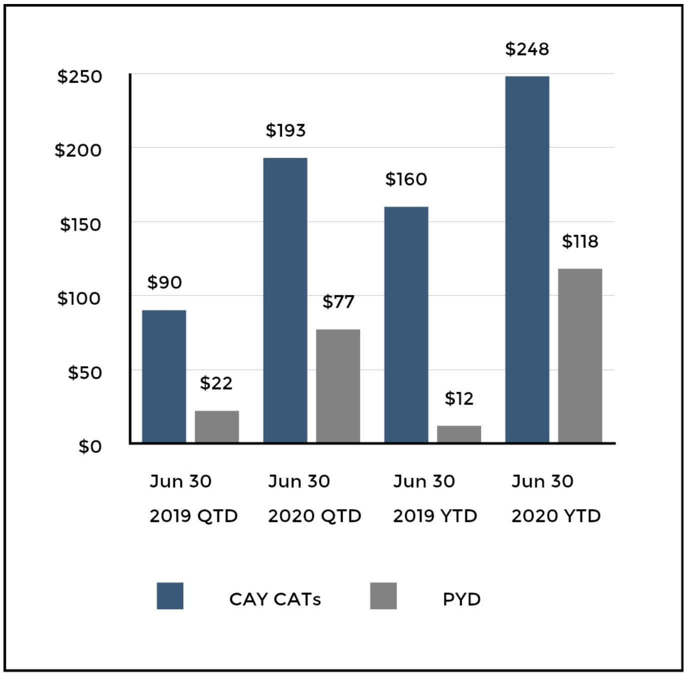
Current Accident Year Loss and LAE Ratio before Catastrophes



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Current accident year loss and LAE ratio before catastrophes increased for both the three and six months ended June 30, 2020, primarily due to COVID-19 incurred losses of $213 before tax, including losses in property, workers' compensation and financial lines, partially offset by favorable frequency in workers' compensation due to government restrictions and shelter in place guidelines limiting business activity as well as lower marine losses and, for the six month period, lower non-COVID-19 non-catastrophe property claims in small commercial. The Company incurred COVID-19 business interruption property losses in the three and six month periods on the small number of property policies that do not require direct physical loss or damage, including for crisis management and performance disruption coverage, and recorded a reserve for legal defense costs. Workers' compensation COVID-19 incurred losses were driven by claims in both states with presumptive coverage and in other states where the claimant must prove their COVID-19 illness was contracted at work. Financial lines COVID-19 claims were primarily driven by exposures in D&O, E&O and employment practices liability and the recessionary impacts on the surety book of business.

Catastrophes and Unfavorable (Favorable) Prior Accident Year Development



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Current accident year catastrophe losses for the three months ended June 30, 2020 included losses from the civil unrest that took place in late May and June as well as wind and hail events principally in the South, Midwest and Great Plains.

Current accident year catastrophe losses for the three months ended June 30, 2019 were all tornado, wind and hail events in various areas of the Midwest and South.

Current accident year catastrophe losses for the six months ended June 30, 2020 were primarily from the civil unrest and from tornado, wind and hail events in the South, Midwest and Great Plains. Current accident year catastrophe losses for the six months ended June 30, 2019 were primarily from winter storms in the northern plains, Midwest and Northeast as well as tornado, wind and hail events in various areas of the Midwest and South.

Prior accident year development was a net unfavorable $77 before tax in the 2020 three month period compared to a net unfavorable $22 before tax in the comparable 2019 period and was a net unfavorable $118 before tax in the 2020 six month period compared to a net unfavorable $12 before tax in the comparable 2019 period. Net unfavorable reserve development for the three and six months ended June 30, 2020 included reserve increases for general liability driven primarily by increases in reserves for sexual molestation and abuse claims, and increases in automobile liability reserves, partially offset by reserve decreases for workers' compensation and catastrophes. Favorable development on prior year catastrophe reserves in the three and six month periods was due to recognizing a $29 before tax subrogation benefit from a settlement with PG&E over certain of the 2017 and 2018 California wildfires and a reduction in estimated catastrophe losses from a number of wind and hail events that occurred in 2018 and 2019. Prior accident year development in the three and six month periods of 2020 also included $54 million and $83 million, respectively, of reserve increases related to Navigators Group on 2018 and prior accident years that was economically ceded to NICO but for which the benefit was not recognized in earnings as it has been recorded as a deferred gain on retroactive reinsurance. Net reserve increases for the three and six months ended June 30, 2019 were primarily related to a $68 before tax increase to Navigators reserves upon acquisition of the business, partially offset by lower loss reserve estimates for workers' compensation claims, catastrophes, and, for the three month period only, a decrease in package business reserves. The increase in Navigators reserves upon acquisition of the business principally related to higher reserve estimates for general liability, professional liability and marine.

PERSONAL LINES

Results of Operations

Underwriting Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Written premiums	$ 738	$ 824	(10%)	$ 1,482	$ 1,595	(7%)
Change in unearned premium reserve	44	23	91%	14	(5)	NM
Earned premiums	694	801	(13%)	1,468	1,600	(8%)
Fee income	9	10	(10%)	18	19	(5%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	356	517	(31%)	819	1,017	(19%)
Current accident year catastrophes [1]	55	48	15%	74	82	(10%)
Prior accident year development [1]	(349)	4	NM	(367)	3	NM
Total losses and loss adjustment expenses	62	569	(89%)	526	1,102	(52%)
Amortization of DAC	61	65	(6%)	125	130	(4%)
Underwriting expenses	150	155	(3%)	301	310	(3%)
Amortization of other intangible assets	2	2	—%	3	3	—%
Underwriting gain	**428**	**20**	**NM**	**531**	**74**	**NM**
Net servicing income [2]	3	4	(25%)	5	7	(29%)
Net investment income [3]	28	46	(39%)	69	88	(22%)
Net realized capital gains (losses) [3]	8	8	—%	(15)	27	(156%)
Other income (expenses)	1	(2)	150%	1	(1)	NM
Income before income taxes	**468**	**76**	**NM**	**591**	**195**	**NM**
Income tax expense [4]	97	14	NM	122	37	NM
Net income	**$ 371**	**$ 62**	**NM**	**$ 469**	**$ 158**	**197 %**

[1]For discussion of current accident year catastrophes and prior accident year development, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.
[2]Includes servicing revenues of $21 and $23 for the three months ended June 30, 2020 and 2019 , respectively, and $40 and $42 for the six months ended June 30, 2020 and 2019, respectively. Includes servicing expenses of $18 and $19 for the three months ended June 30, 2020 and 2019, respectively, and $35 for the six months ended June 30, 2020 and 2019.
[3]For discussion of consolidated investment results, see MD&A - Investment Results.
[4]For discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Written and Earned Premiums

	Three Months Ended June 30,			Six Months Ended June 30,		
Written Premiums	2020	2019	Change	2020	2019	Change
Product Line						
Automobile	$ 481	$ 564	(15%)	$ 1,015	$ 1,119	(9%)
Homeowners	257	260	(1%)	467	476	(2%)
Total	**$ 738**	**$ 824**	**(10%)**	**$ 1,482**	**$ 1,595**	(7%)
Earned Premiums						
Product Line						
Automobile	$ 456	$ 557	(18%)	$ 992	$ 1,112	(11%)
Homeowners	238	244	(2%)	476	488	(2%)
Total	**$ 694**	**$ 801**	**(13%)**	**$ 1,468**	**$ 1,600**	(8%)

Premium Measures

Premium Measures	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Policies in-force end of period (in thousands)				
Automobile			1,416	1,465
Homeowners			865	903
New business written premium				
Automobile	$ 65	$ 59	$ 123	$ 115
Homeowners	$ 18	$ 20	$ 35	$ 36
Policy count retention [1]				
Automobile	90%	85%	88%	85%
Homeowners	89%	85%	87%	85%
Renewal written price increase				
Automobile	2.5%	4.8%	2.8%	5.1%
Homeowners	5.2%	7.0%	5.0%	7.4%
Renewal earned price increase				
Automobile	3.6%	5.6%	3.9%	6.1%
Homeowners	5.4%	8.9%	5.7%	9.2%
Premium retention				
Automobile [2]	74%	87%	80%	87%
Homeowners	92%	90%	91%	90%

[1] Policy count retention increased in the three month period ended June 30, 2020 largely due to suspension of cancellations for non-payment of premium as a result of providing policyholders additional time to pay their premium (until May 31, 2020 in most states). Policy count retention in the third quarter of 2020 will likely be lower than the recent historical average as more policies are expected to cancel in the third quarter.

[2] Premium retention for automobile decreased in the three month period ended June 30, 2020 largely due to $81 of premium credits given to automobile policyholders. Excluding the impact of the premium credits, automobile premium retention would have been 88% in second quarter 2020.

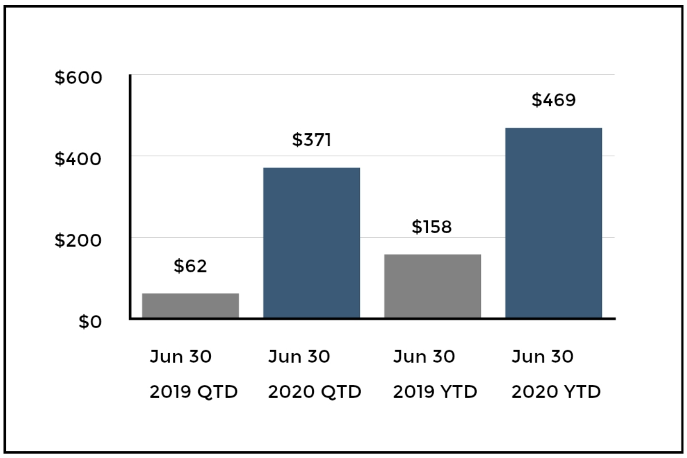
Underwriting Ratios

Underwriting Ratios	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Three Months Ended June 30, Change	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Six Months Ended June 30, Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	51.3	64.5	(13.2)	55.8	63.6	(7.8)
Current accident year catastrophes	7.9	6.0	1.9	5.0	5.1	(0.1)
Prior year development	(50.3)	0.5	(50.8)	(25.0)	0.2	(25.2)
Total loss and loss adjustment expense ratio	8.9	71.0	(62.1)	35.8	68.9	(33.1)
Expense ratio	29.4	26.5	2.9	28.0	26.5	1.5
Combined ratio	**38.3**	**97.5**	**(59.2)**	**63.8**	**95.4**	**(31.6)**
Impact of current accident year catastrophes and prior year development	42.4	(6.5)	48.9	20.0	(5.3)	25.3
Underlying combined ratio	**80.7**	**91.0**	**(10.3)**	**83.8**	**90.1**	**(6.3)**

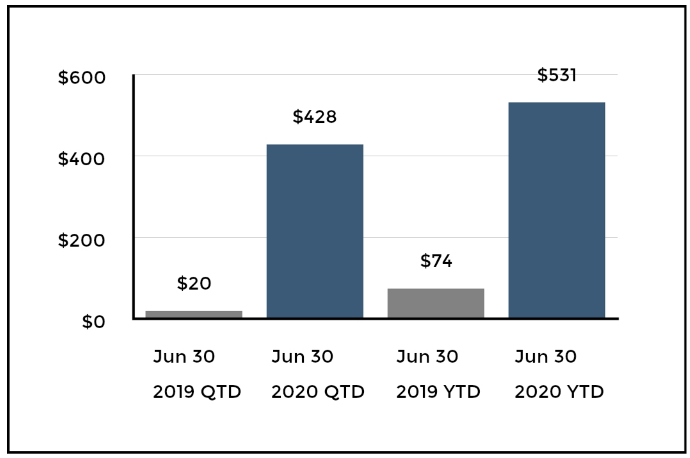
Product Combined Ratios

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Automobile						
Combined ratio	82.5	97.2	(14.7)	86.4	95.2	(8.8)
Underlying combined ratio	86.3	96.7	(10.4)	88.8	95.2	(6.4)
Homeowners						
Combined ratio	(45.8)	99.3	(145.1)	16.7	96.2	(79.5)
Underlying combined ratio	70.1	79.2	(9.1)	73.1	78.8	(5.7)

Net Income



Underwriting Gain



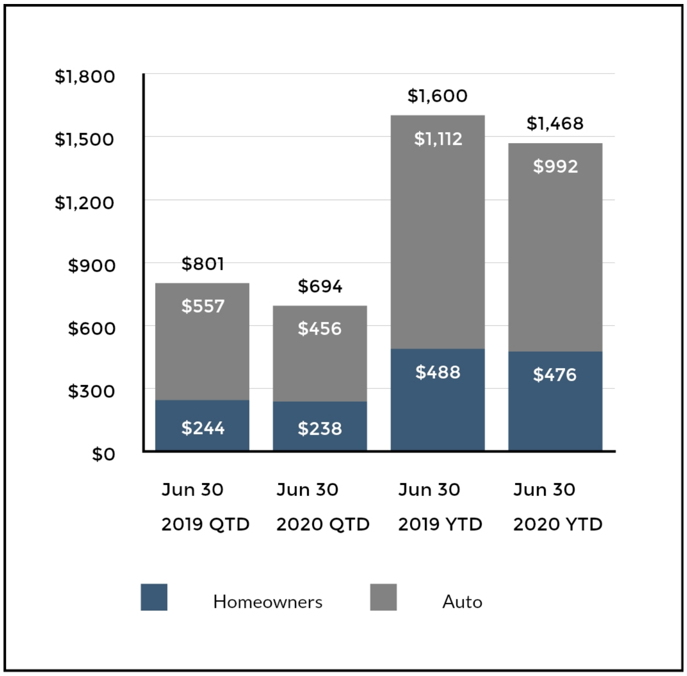
Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net income increased for the three and six months ended June 30, 2020, primarily due to favorable prior accident year development in the 2020 period and lower current accident year losses in automobile due to effects of the COVID-19 pandemic that has resulted in a reduction in claim frequency associated with insureds driving less due to shelter-in-place guidelines. Partially offsetting was the effect of a reduction in earned premium, including the effect of $81 in premium credits given to automobile policyholders in the second quarter of 2020, and lower net investment income, primarily driven by losses on limited partnerships and other alternative investments in the second quarter of 2020.

Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Underwriting gain increased for the three and six months ended June 30, 2020, primarily due to favorable prior accident year catastrophe development in the 2020 period, lower current accident year losses in automobile due to effects of the COVID-19 pandemic and, to a lesser extent, lower non-catastrophe weather-related claims in homeowners. Partially offsetting was a reduction in earned premium, including the effect of $81 in premium credits given to automobile policyholders in the second quarter of 2020.

Earned Premiums



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Earned premiums decreased in both the three and six month periods ending June 30, 2020, reflecting a decline in written premium over the prior twelve months in both Agency channels and in AARP Direct and the effect of $81 of premium credits given to automobile policyholders in the second quarter of 2020 in recognition of shelter-in-place guidelines that have resulted in a decline in miles driven.

Written premiums decreased in both the three and six month periods in AARP Direct and both Agency channels. For automobile, written premium in the 2020 periods included a reduction for the $81 of premium credits given to policyholders in the second quarter, largely offset by the effect of a suspension of policy cancellations for non-payment in second quarter 2020. Apart from these effects, written premium for both automobile and homeowners declined despite an increase in new business for automobile as the amount of non-renewed premium exceeded the new business premium.

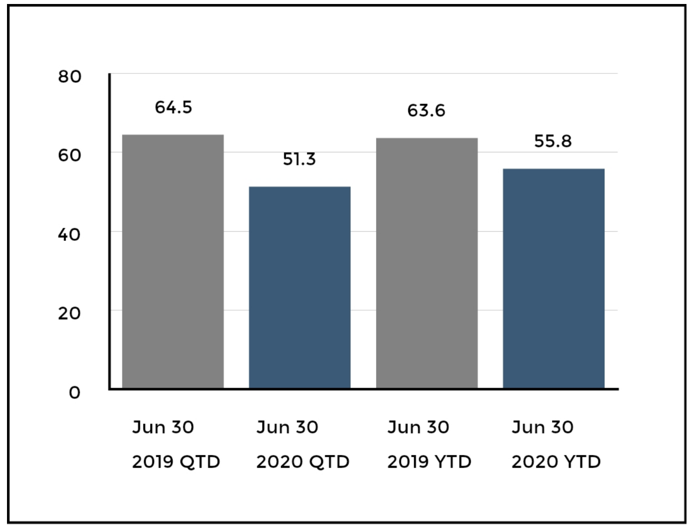
Renewal written pricing increases in 2020 were lower in both automobile and homeowners in response to moderating loss cost trends.

Policy count retention increased in both automobile and homeowners, in part driven by moderating renewal written price increases, with most of the increase due to the suspension of cancellations for non-payment in the second quarter of 2020.

Premium retention decreased in automobile for the three and six months ended June 30, 2020 due to the $81 of automobile premium credits given to policyholders in the second quarter of 2020 while home premium retention improved, reflecting the increase in policy retention.

Policies in-force decreased in 2020 in both automobile and homeowners, driven by not generating enough new business to offset the loss of non-renewed policies.

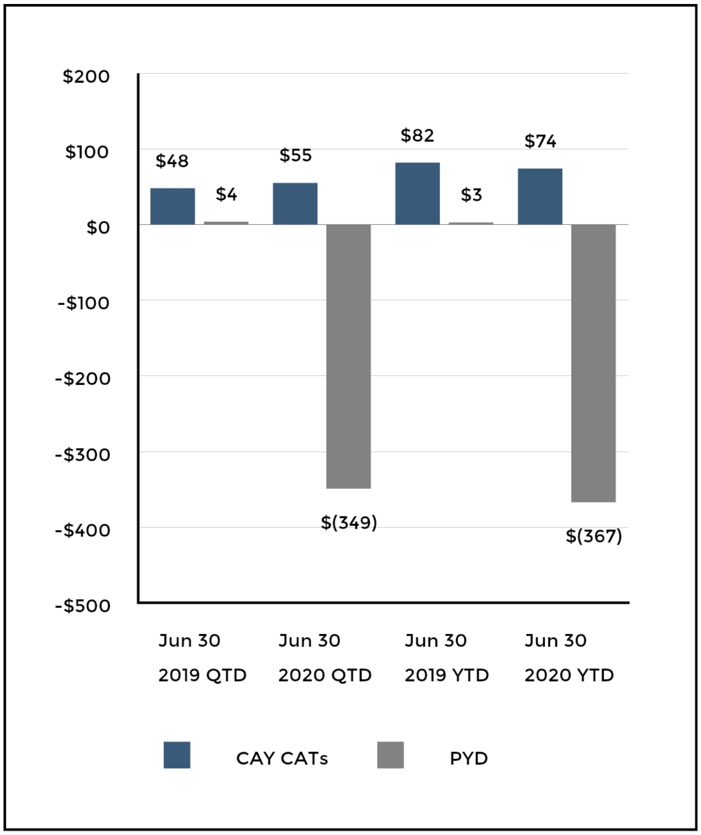
Current Accident Year Loss and LAE Ratio before Catastrophes



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Current accident year Loss and LAE ratio before catastrophes decreased for the three and six months ended June 30, 2020 in both automobile and homeowners. For automobile, the loss and loss adjustment expense ratio benefited from earned pricing increases and from lower claim frequency, primarily driven by shelter-in-place guidelines due to the COVID-19 pandemic and, to a lesser, extent, milder weather. For home, in the three and six month periods, the primary driver was fewer non-catastrophe weather claims.

Current Accident Year Catastrophes and Unfavorable (Favorable) Prior Accident Year Development



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Current accident year catastrophe losses for the three months ended June 30, 2020 were primarily from tornado, wind and hail events in the South, Midwest and Great Plains. Current accident year catastrophe losses for the three months ended June 30, 2019 were primarily from tornado, wind and hail events in the South and Midwest.

Current accident year catastrophe losses for the six months ended June 30, 2020 were primarily from tornado, wind and hail events in the South, Midwest, and Great Plains. Catastrophe losses for the six months ended June 30, 2019 included winter storms across the country and, to a lesser extent,tornado, wind and hail events in the South and Midwest.

Prior accident year development was favorable in both the three and six month periods, principally due to a reduction in catastrophe loss reserves and, to a lesser, extent, lower estimated automobile liability claim severity for the 2017 and 2018 accident years. The reduction in catastrophe loss reserves was driven by lower estimated losses for the 2017 and 2018 California wildfires, including a $260 subrogation benefit from PG&E, as well as a reduction in losses for various 2018 and 2019 wind and hail events. Prior accident year development was unfavorable in both the three and six months ended June 30, 2019 primarily due to net increases in reserves for prior accident year catastrophes, partially offset by a decrease in automobile liability reserves in the six month period.

PROPERTY & CASUALTY OTHER OPERATIONS

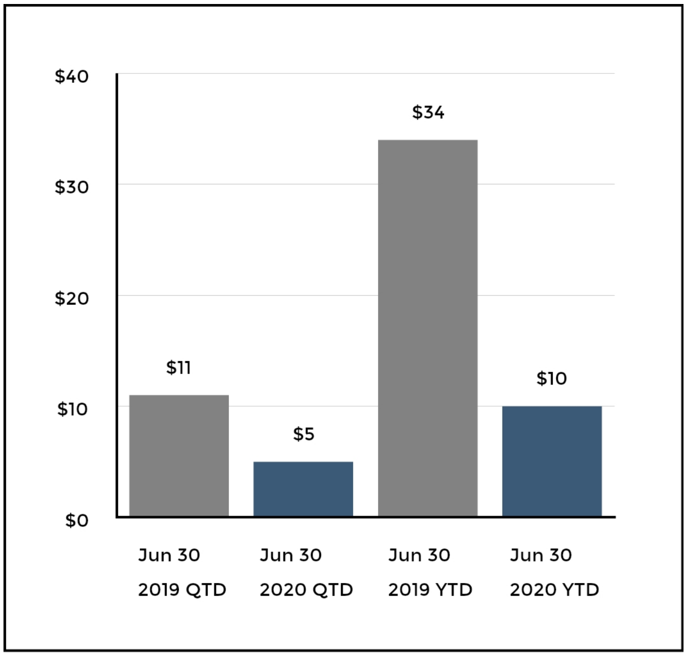
Results of Operations

Underwriting Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Losses and loss adjustment expenses						
Prior accident year development [1]	$ 4	$ 9	(56%)	$ 4	$ 9	(56%)
Total losses and loss adjustment expenses	4	9	(56%)	4	9	(56%)
Underwriting expenses	3	3	—%	6	6	—%
Underwriting loss	**(7)**	**(12)**	**42%**	**(10)**	**(15)**	**33%**
Net investment income [2]	10	21	(52%)	26	43	(40%)
Net realized capital gains (losses) [2]	2	4	(50%)	(5)	13	(138%)
Income before income taxes	**5**	**13**	**(62%)**	**11**	**41**	**(73%)**
Income tax expense [3]	—	2	(100%)	1	7	(86%)
Net income	**$ 5**	**$ 11**	**(55%)**	**$ 10**	**$ 34**	**(71%)**

[1]For discussion of prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves, Net of Reinsurance.
[2]For discussion of consolidated investment results, see MD&A - Investment Results.
[3]For discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Net income



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net income decreased for both the three and six month periods, principally due to a decrease in net investment income and, for the six month period, a change from net realized capital gains to net realized capital losses, partially offset by lower net unfavorable prior accident year reserve development.

Asbestos and environmental reserve comprehensive annual reviews will occur in the fourth quarter of 2020. For information on A&E reserves, see MD&A - Critical Accounting Estimates, Asbestos and Environmental Reserves included in the Company's 2019 Form 10-K Annual Report.

GROUP BENEFITS

Results of Operations

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Premiums and other considerations	$ 1,423	$ 1,422	—%	$ 2,814	$ 2,831	(1%)
Net investment income [1]	92	121	(24%)	207	242	(14%)
Net realized capital gains (losses) [1]	3	7	(57%)	(5)	12	(142%)
Total revenues	**1,518**	**1,550**	**(2%)**	**3,016**	**3,085**	**(2%)**
Benefits, losses and loss adjustment expenses	1,033	1,062	(3%)	2,040	2,115	(4%)
Amortization of DAC	13	14	(7%)	26	27	(4%)
Insurance operating costs and other expenses	340	324	5%	679	639	6%
Amortization of other intangible assets	9	11	(18%)	20	21	(5%)
Total benefits, losses and expenses	**1,395**	**1,411**	**(1%)**	**2,765**	**2,802**	**(1%)**
Income before income taxes	**123**	**139**	**(12%)**	**251**	**283**	**(11%)**
Income tax expense [2]	22	26	(15%)	46	52	(12%)
Net income	**$ 101**	**$ 113**	**(11%)**	**$ 205**	**$ 231**	**(11%)**

[1]For discussion of consolidated investment results, see MD&A - Investment Results.
[2]For discussion of income taxes, see Note 13 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Premiums and Other Considerations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Fully insured – ongoing premiums	$ 1,349	$ 1,373	(2%)	$ 2,672	$ 2,735	(2%)
Buyout premiums	29	4	NM	54	6	NM
Fee income	45	45	—%	88	90	(2%)
Total premiums and other considerations	**$ 1,423**	**$ 1,422**	**—%**	**$ 2,814**	**$ 2,831**	**(1%)**
Fully insured ongoing sales, excluding buyouts	**$ 149**	**$ 99**	**51%**	**$ 534**	**$ 506**	**6%**

Ratios, Excluding Buyouts

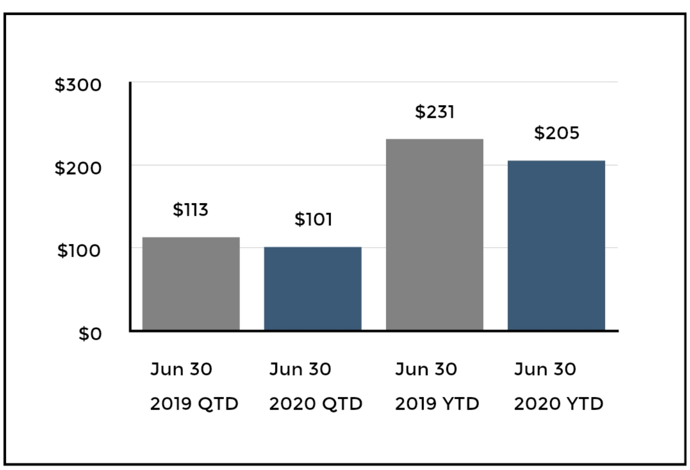
	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Group disability loss ratio	62.6%	72.9%	(10.3)	67.0%	71.3%	(4.3)
Group life loss ratio	85.9%	77.8%	8.1	80.3%	79.6%	0.7
Total loss ratio	**72.0%**	**74.6%**	**(2.6)**	**72.0%**	**74.7%**	**(2.7)**
Expense ratio [1]	**25.6%**	**23.9%**	**1.7**	**25.9%**	**23.6%**	**2.3**

[1] Integration and transaction costs related to the acquisition of Aetna's U.S. group life and disability business are not included in the expense ratio.

Margin

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Net income margin	**6.7%**	**7.3%**	**(0.6)**	**6.8%**	**7.5%**	**(0.7)**
Adjustments to reconcile net income margin to core earnings margin:						
Net realized capital losses (gains) excluded from core earnings, before tax	(0.1%)	(0.4%)	0.3	0.2%	(0.4%)	0.6
Integration and transaction costs associated with acquired business, before tax	0.3%	0.7%	(0.4)	0.3%	0.7%	(0.4)
Income tax benefit	(0.1%)	(0.1%)	—	(0.1%)	(0.1%)	—
Impact of excluding buyouts from denominator of core earnings margin	0.1%	—%	0.1	0.1%	—%	0.1
Core earnings margin	**6.9%**	**7.5%**	**(0.6)**	**7.3%**	**7.7%**	**(0.4)**

Net Income

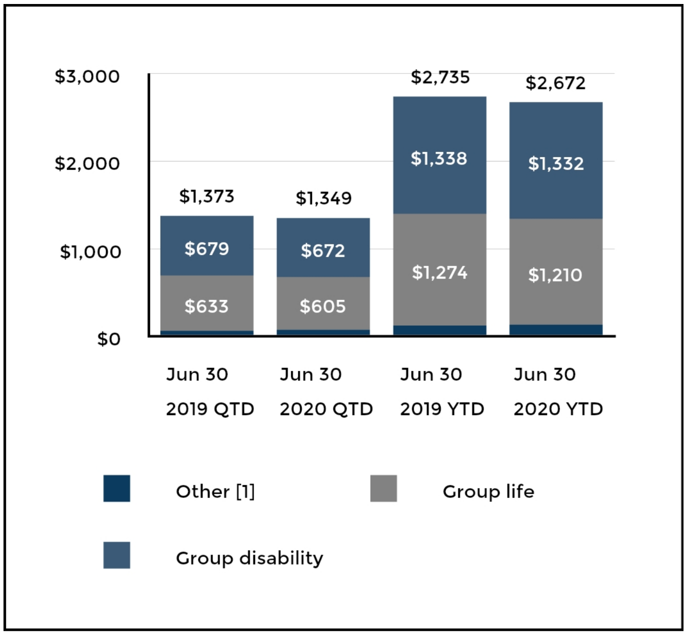


Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net income decreased for the three and six month periods, primarily due to COVID-19 benefits and incurred losses in 2020, an increase in insurance operating costs and other expenses, lower net investment income and lower net realized capital gains (losses), partially offset by higher recoveries and lower claim incidence on group disability claims and, for the six month period, favorable non-COVID-19 mortality emergence on prior year incurral year claims. COVID-19 incurred benefits and losses included $43 of group life claims in the three and six months ended June 30, 2020 and included ($5) and $11, respectively, of incurred losses on short-term disability and New York paid family leave claims in the three and six month periods of 2020. Lower net investment income was primarily driven by losses on limited partnership and other alternative investments in the second quarter of 2020.

Insurance operating costs and other expenses increased for the three and six month periods, primarily due to an increase in the allowance for credit losses on premiums receivable in 2020 and, for the six month period, increased information technology ("IT") and other costs related to improving the customer experience as well as a reduction in state taxes and assessments in first quarter 2019. The increase in the allowance for credit losses on premiums receivable was $14 for the three month period and $16 for the six month period.

Fully Insured Ongoing Premiums



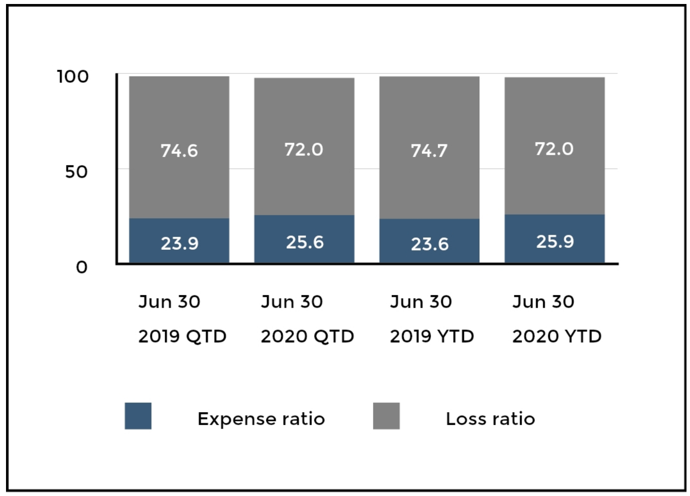
[1] Other of $61 and $72 is included in the three months ended June 30, 2019, and 2020, respectively, and $123 and $130 for the six months ended June 30, 2019, and 2020 is included in the total.

Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Fully insured ongoing premiums for group life and disability decreased for both periods resulting primarily from lower insured exposure on in-force policies and the non-renewal of a large account. Premiums for voluntary business increased in both the three and six month periods, primarily due to strong sales and persistency.

Fully insured ongoing sales, excluding buyouts increased in both the three and six month periods with increases in both group disability and group life.

Ratios



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Total loss ratio decreased 2.6 points for the three month period and 2.7 points for the six month period reflecting a lower group disability loss ratio, partially offset by a higher group life ratio. The group life loss ratio increased 8.1 points for the three month period and 0.7 points for the six month period, respectively, primarily due to $43 of COVID-19 life benefits in the second quarter of 2020. The loss ratio for the six month period benefited from favorable mortality emergence on prior incurral years recognized in the three month period ended March 31, 2020. The group disability loss ratio decreased 10.3 points for the three month period and 4.3 points for the six month period due to higher recoveries driving favorable development on prior incurral year reserves, continued low incidence, and a New York Paid Family Leave 2019 risk assessment refund. Partially offsetting the favorable experience are incurred losses in the six month period on COVID-19 short-term disability and New York Paid Family Leave claims of $11, which reflects a favorable adjustment during the three month period ended June 30, 2020.

Expense ratio increased 1.7 and 2.3 points for the three and six month periods, respectively, primarily due to an increase in the allowance for credit losses on premiums receivable in 2020 and, for the six month period, increased information technology ("IT") and other costs related to improving the customer experience as well as a reduction in state taxes and assessments in first quarter 2019.

HARTFORD FUNDS

Results of Operations

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Fee income and other revenue	$ 227	$ 251	(10%)	$ 474	$ 489	(3%)
Net investment income	1	2	(50%)	2	4	(50%)
Net realized capital gains (losses)	8	—	NM	(3)	2	NM
Total revenues	**236**	**253**	**(7%)**	**473**	**495**	**(4%)**
Amortization of DAC	3	3	—%	7	6	17%
Operating costs and other expenses	183	203	(10%)	372	405	(8%)
Total benefits, losses and expenses	**186**	**206**	**(10%)**	**379**	**411**	**(8%)**
Income before income taxes	**50**	**47**	**6%**	**94**	**84**	**12%**
Income tax expense [1]	11	9	22%	19	16	19%
Net income	**$ 39**	**$ 38**	**3%**	**$ 75**	**$ 68**	**10%**
Daily average Hartford Funds AUM	**$110,864**	**$117,875**	**(6%)**	**$115,248**	**$115,058**	**—%**
ROA [2]	**14.1**	**12.9**	**9%**	**13.0**	**11.9**	**9%**
Adjustment to reconcile ROA to ROA, core earnings:						
Effect of net realized capital losses (gains) excluded from core earnings, before tax	(2.9)	—	NM	0.7	(0.4)	NM
Effect of income tax expense (benefit)	0.7	—	NM	(0.3)	—	NM
ROA, core earnings [2]	**11.9**	**12.9**	**(8%)**	**13.4**	**11.5**	**17%**

[1]For discussion of income taxes, see Note 13 - Income Taxes of Notes to Condensed Consolidated Financial Statements.
[2]Represents annualized earnings divided by a daily average of assets under management, as measured in basis points.

Hartford Funds Segment AUM

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Mutual Fund and ETP AUM - beginning of period	**$ 90,615**	**$103,225**	**(12%)**	**$112,533**	**$ 91,557**	**23%**
Sales - mutual fund	7,506	5,707	32%	15,627	12,019	30%
Redemptions - mutual fund	(8,057)	(6,097)	(32%)	(17,535)	(11,997)	(46%)
Net flows - ETP	(124)	285	(144%)	(191)	747	(126%)
Net flows - mutual fund and ETP	(675)	(105)	NM	(2,099)	769	NM
Change in market value and other	14,781	3,769	NM	(5,713)	14,563	(139%)
Mutual fund and ETP AUM - end of period	**104,721**	**106,889**	**(2%)**	**104,721**	**106,889**	**(2%)**
Talcott Resolution life and annuity separate account AUM [1]	**13,123**	**14,412**	**(9%)**	**13,123**	**14,412**	**(9%)**
Hartford Funds AUM - end of period	**$117,844**	**$121,301**	**(3%)**	**$117,844**	**$121,301**	**(3%)**

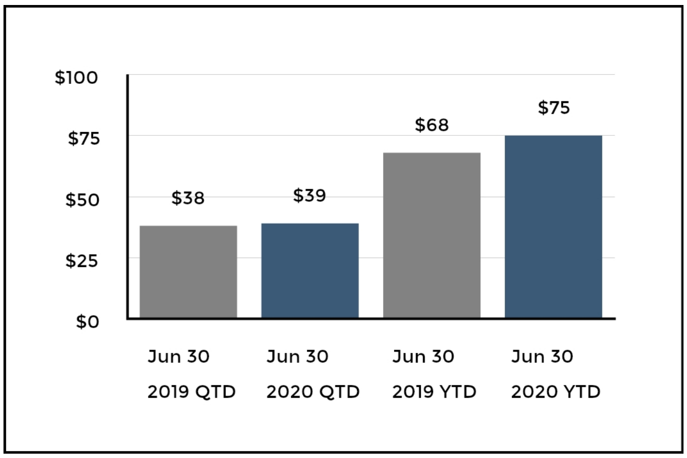
[1]Represents AUM of the life and annuity business sold in May 2018 that is still managed by the Company's Hartford Funds segment.

Mutual Fund and ETP AUM by Asset Class

	June 30,		
	2020	2019	Change
Equity	$ 66,838	$ 68,474	(2)%
Fixed Income	14,771	15,569	(5)%
Multi-Strategy Investments [1]	20,526	20,095	2 %
Exchange-traded Products	2,586	2,751	(6)%
Mutual Fund and ETP AUM	**$104,721**	**$106,889**	**(2)%**

[1]Includes balanced, allocation, and alternative investment products.

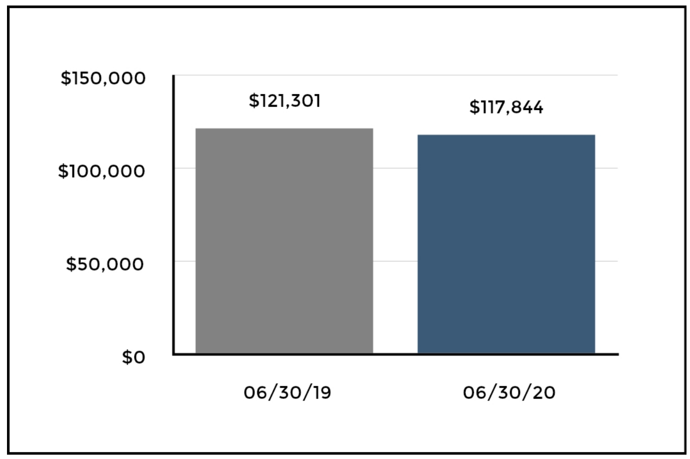
Net Income



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net income increased slightly for the three month period due to an increase in net realized capital gains due to mark-to-market gains on Company assets invested in some of the funds and lower operating costs and other expenses, largely offset by a decrease in fee income. Net income increased for the six month period due to lower operating costs and other expenses, including a reduction in contingent consideration of $12 before tax associated with the acquisition of Lattice, partly offset by a decrease in fee income and a change from net realized capital gains to net realized capital losses. The decrease in investment management fee revenue in the three and six months ended June 30, 2020 was the result of lower daily average AUM driven by the decline in AUM that occurred in the first quarter of 2020. See Note 5 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements for additional information regarding contingent consideration payable.

Hartford Funds AUM



June 30, 2020 compared to June 30, 2019

Hartford Funds AUM decreased compared to the prior year due to the decline in markets driven by the economic effects of the COVID-19 pandemic and due to net outflows, along with the continued runoff of AUM related to the Talcott Resolution life and annuity separate account AUM. Net flows from mutual funds and ETP were outflows of $2.1 billion in first six months of 2020 compared to inflows of $769 in first six months of 2019.

CORPORATE

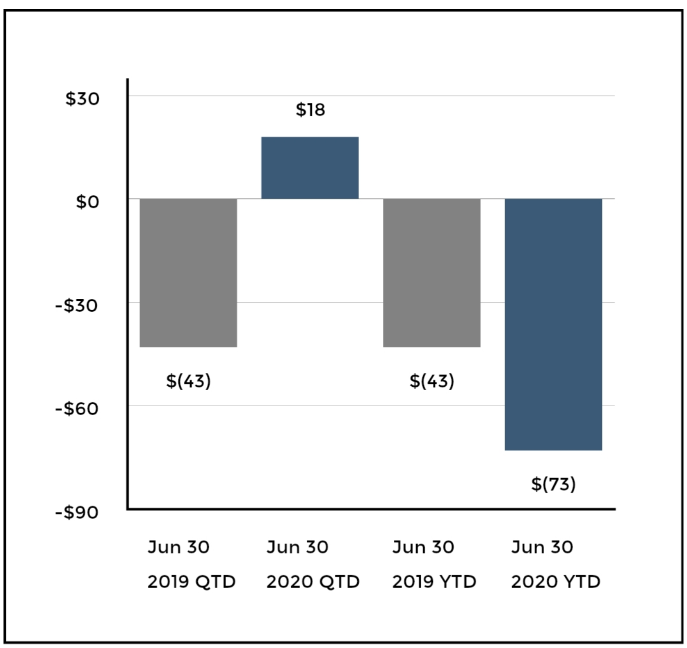
Results of Operations

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Fee income	$ 12	$ 11	9%	$ 25	$ 24	4%
Earned Premium	5	1	NM	9	1	NM
Other revenue	68	9	NM	66	43	53%
Net investment income	4	17	(76%)	13	41	(68%)
Net realized capital gains (losses)	24	7	NM	(15)	20	(175%)
Total revenues	**113**	**45**	**151%**	**98**	**129**	**(24%)**
Benefits, losses and loss adjustment expenses [1]	6	3	100%	12	5	140%
Insurance operating costs and other expenses	29	33	(12%)	50	46	9%
Interest expense [2]	57	63	(10%)	121	127	(5%)
Total benefits, losses and expenses	**92**	**99**	**(7%)**	**183**	**178**	**3%**
Income (loss) before income taxes	**21**	**(54)**	**139%**	**(85)**	**(49)**	**(73%)**
Income tax expense (benefit) [3]	3	(11)	127%	(12)	(6)	(100%)
Net income (loss)	**18**	**(43)**	**142%**	**(73)**	**(43)**	**(70%)**
Preferred stock dividends	5	—	**NM**	10	5	**100%**
Net income (loss) available to common stockholders	**$ 13**	**$ (43)**	**130 %**	**$ (83)**	**$ (48)**	**(73)%**

[1] Includes benefits expense on life and annuity business previously underwritten by the Company.
[2] For discussion of debt, see Note 12 - Debt of Notes to Condensed Consolidated Financial Statements and Note 13- Debt of Notes to Consolidated Financial Statement in The Hartford's 2019 Form 10-K Annual Report.
[3] For discussion of income taxes, see Note 13 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Net Income (Loss)



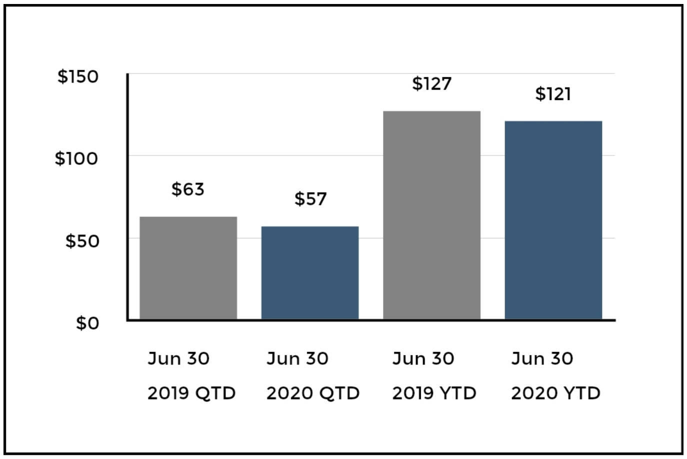
Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Net income for the three months ended June 30, 2020 compared with a net loss for the comparable period in 2019 primarily due to higher income from the Company's retained equity interest in the former life and annuity operations included in other income and an increase in net realized capital gains, partially offset by a decrease in net investment income.

Net loss increased for the six month period primarily due to a change from net realized capital gains to net realized capital losses and a decrease in net investment income, partially offset by higher income from the Company's retained equity interest in the former life and annuity operations.

Income from the Company's retained equity interest in the former life and annuity operations was $68 and $64, respectively for the three and six months ended June 30, 2020 and was $3 and $31, respectively, for the three and six months ended June 30, 2019.

Interest Expense



Three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019

Interest expense decreased for both the three and six month periods primarily due to the repayment of our 5.5% senior notes in March of 2020.

ENTERPRISE RISK MANAGEMENT

The Company's Board of Directors has ultimate responsibility for risk oversight, as described more fully in our Proxy Statement, while management is tasked with the day-to-day management of the Company's risks.

The Company manages and monitors risk through risk policies, controls and limits. At the senior management level, an Enterprise Risk and Capital Committee ("ERCC") oversees the risk profile and risk management practices of the Company.

The Company's enterprise risk management ("ERM") function supports the ERCC and functional committees, and is tasked with, among other things:

- risk identification and assessment;
- the development of risk appetites, tolerances, and limits;
- risk monitoring; and
- internal and external risk reporting.

The Company categorizes its main risks as insurance risk, operational risk and financial risk. Insurance risk and financial risk are described in more detail below. Operational risk and specific risk tolerances for natural catastrophes and pandemic risk are described in the ERM section of the MD&A in The Hartford's 2019 Form 10-K Annual Report.

Insurance Risk

Insurance risk is the risk of losses of both a catastrophic and non-catastrophic nature on the P&C and Group Benefits products the Company has sold. Catastrophe insurance risk is the exposure arising from both natural (e.g., weather, earthquakes, wildfires, pandemics) and man-made catastrophes (e.g., terrorism, cyber-attacks) that create a concentration or aggregation of loss across the Company's insurance or asset portfolios.

Sources of Insurance Risk Non-catastrophe insurance risks exist within each of the Company's segments except Hartford Funds and include:

- **Property-** Risk of loss to personal or commercial property from automobile related accidents, weather, explosions, smoke, shaking, fire, theft, vandalism, inadequate installation, faulty equipment, collisions and falling objects, and/or machinery mechanical breakdown resulting in physical damage and other covered perils.
- **Liability-** Risk of loss from automobile related accidents, uninsured and underinsured drivers, lawsuits from accidents, defective products, breach of warranty, negligent acts by professional practitioners, environmental claims, latent exposures, fraud, coercion, forgery, failure to fulfill obligations per contract surety, liability from errors and omissions, losses from political and credit coverages, losses from derivative lawsuits, and other securities actions and covered perils.
- **Mortality-** Risk of loss from unexpected trends in insured deaths impacting timing of payouts from group life insurance, personal or commercial automobile related accidents, and death of employees or executives during the course of employment, while on disability, or while collecting workers compensation benefits.
- **Morbidity-** Risk of loss to an insured from illness incurred during the course of employment or illness from other covered perils.
- **Disability-** Risk of loss incurred from personal or commercial automobile related losses, accidents arising outside of the workplace, injuries or accidents incurred during the course of employment, or from equipment, with each loss resulting in short term or long-term disability payments.
- **Longevity-** Risk of loss from increased life expectancy trends among policyholders receiving long-term benefit payments.
- **Cyber Insurance**- Risk of loss to property, breach of data and business interruption from various types of cyber-attacks.

Catastrophe risk primarily arises in the property, automobile, workers' compensation, casualty, group life, and group disability lines of business.

Impact Non-catastrophe insurance risk can arise from unexpected loss experience, underpriced business and/or underestimation of loss reserves and can have significant effects on the Company's earnings. Catastrophe insurance risk can arise from various unpredictable events and can have significant effects on the Company's earnings and may result in losses that could constrain its liquidity.

Management The Company's policies and procedures for managing these risks include disciplined underwriting protocols, exposure controls, sophisticated risk-based pricing, risk modeling, risk transfer, and capital management strategies. The Company has established underwriting guidelines for both individual risks, including individual policy limits, and risks in the aggregate, including aggregate exposure limits by geographic zone and peril. The Company uses both internal and third-party models to estimate the potential loss resulting from various catastrophe events and the potential financial impact those events would have on the Company's financial position and results of operations across its businesses.

In addition, certain insurance products offered by The Hartford provide coverage for losses incurred due to cyber events and the Company has assessed and modeled how those products would respond to different events in order to manage its aggregate exposure to losses incurred under the insurance policies we sell. The Company models numerous deterministic scenarios including losses caused by malware, data breach, distributed denial of service attacks, intrusions of cloud environments and attacks of power grids.

Among specific risk tolerances set by the Company, risk limits are set for natural catastrophes, terrorism risk and pandemic risk.

Reinsurance as a Risk Management Strategy

The Company uses reinsurance to transfer certain risks to reinsurance companies based on specific geographic or risk concentrations. A variety of traditional reinsurance products are used as part of the Company's risk management strategy, including excess of loss occurrence-based products that reinsure property and workers' compensation exposures, and individual risk (including facultative reinsurance) or quota share arrangements, that reinsure losses from specific classes or lines of business. The Company has no significant finite risk contracts in place and the statutory surplus benefit from all such prior year contracts is immaterial. The Hartford also participates in governmentally administered reinsurance facilities such as the Florida Hurricane Catastrophe Fund ("FHCF"), the Terrorism Risk Insurance Program ("TRIPRA") and other reinsurance programs relating to particular risks or specific lines of business.

Reinsurance for Catastrophes- The Company utilizes various reinsurance programs to mitigate catastrophe losses including excess of loss occurrence-based treaties covering property and workers' compensation, and an aggregate property catastrophe treaty as well as individual risk agreements (including facultative reinsurance) that reinsure losses from specific classes or lines of business. The aggregate property catastrophe treaty covers the aggregate of catastrophe events designated by the Property Claim Services office of Verisk and, for international business, net losses arising from two or more risks involved in the same loss occurrence totaling at least $500 thousand, in excess of a $700 retention. The occurrence-based property catastrophe treaties respond in excess of $150 per occurrence for all perils other than named storm and earthquake. Pandemic is not excluded from the catastrophe treaties, so there could be reinsurance coverage for COVID-19 if related losses exceed the retentions and fall within the terms and conditions of the contract, including that losses are sustained by the Company during a 168 hour period. Because of the level of the retentions and the Company's current loss estimates, the Company expects limited reinsurance recovery from COVID-19 related losses under the per-occurrence catastrophe treaties. In addition to catastrophe reinsurance, the Company has per risk and quota share reinsurance that would respond to certain COVID-19 related losses; however, the reinsurance market has shifted to require communicable disease exclusions on certain treaties that have renewed subsequent to 7/1/20. The Company has reinsurance in place to cover individual group life losses in excess of $1 per person. With respect to recent civil unrest, losses relating to civil unrest designated by the Property Claim Services office of Verisk as a catastrophe event will cede to our property catastrophe aggregate cover. Such losses are not expected to be covered by the property catastrophe occurrence treaties because the unrest occurred in non-contiguous areas though the Company has property per risk and property quota share reinsurance that would cover certain losses related to the civil unrest.

Primary Catastrophe Treaty Reinsurance Coverages as of June 30, 2020 [1]

	Portion of losses reinsured	Portion of losses retained by The Hartford
Per Occurrence Property Catastrophe Treaty from 1/1/2020 to 12/31/2020 [1] [2]		
Losses of $0 to $150	None	100% retained
Losses of $150 to $350 for named storms and earthquakes	None	100% retained
Losses of $150 to $350 from one event other than named storms and earthquakes	70% of $200 in excess of $150	30% co-participation
Losses of $350 to $500 from one event (all perils)	75% of $150 in excess of $350	25% co-participation
Losses of $500 to $1.1 billion from one event [3] (all perils)	90% of $600 in excess $500	10% co-participation
Aggregate Property Catastrophe Treaty for 1/1/2020 to 12/31/2020 [4]		
$0 to $700 of aggregate losses	None	100% retained
$700 to $900 of aggregate losses	100%	None
Workers' Compensation Catastrophe Treaty for 1/1/2020 to 12/31/2020		
Losses of $0 to $100 from one event	None	100% retained
Losses of $100 to $450 from one event [5]	80% of $350 in excess of $100	20% co-participation

[1] As of January 1, 2020 Navigators Group (Global Specialty) is included in the Corporate Property Catastrophe treaties. These treaties do not cover the assumed reinsurance business which purchases its own retrocessional coverage.

[2] In addition to the Property Occurrence Treaty, for Florida wind events, The Hartford has purchased the mandatory FHCF reinsurance for the annual period starting at 6/1. Retention and coverage varies by writing company. The writing company with the largest coverage under FHCF is Hartford Insurance Company of the Midwest, with coverage estimated at approximately $67 of per event losses in excess of a $27 retention (estimates are based on best available information at this time and are periodically updated as information is made available by Florida).

[3] Portions of this layer of coverage extend beyond a traditional one year term.

[4] The aggregate treaty is not limited to a single event; rather, it is designed to provide reinsurance protection for the aggregate of all catastrophe events (up to $350 per event), either designated by the Property Claim Services office of Verisk or, for international business, net losses arising from two or more risks involved in the same loss occurrence totaling at least $500 thousand. All catastrophe losses apply toward satisfying the $700 attachment point under the aggregate treaty.

[5] In addition to the limits shown, the workers' compensation reinsurance includes a non-catastrophe, industrial accident layer, providing coverage for 80% of $30 in per event losses in excess of a $20 retention.

In addition to the property catastrophe reinsurance coverage described in the above table, the Company has other reinsurance agreements that cover property catastrophe losses. The Per Occurrence Property Catastrophe Treaty, and Workers' Compensation Catastrophe Treaty include a provision to reinstate one limit in the event that a catastrophe loss exhausts limits on one or more layers under the treaties.

Reinsurance for Terrorism- For the risk of terrorism, private sector catastrophe reinsurance capacity is generally limited and largely unavailable for terrorism losses caused by nuclear, biological, chemical or radiological attacks. As such, the Company's principal reinsurance protection against large-scale terrorist attacks is the coverage currently provided through TRIPRA to the end of 2027.

TRIPRA provides a backstop for insurance-related losses resulting from any “act of terrorism”, which is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General, for losses that exceed a threshold of industry losses of $200 million. Under the program, in any one calendar year, the federal government will pay a percentage of losses incurred from a certified act of terrorism after an insurer's losses exceed 20% of the Company's eligible direct commercial earned premiums of the prior calendar year up to a combined annual aggregate limit for the federal government and all insurers of $100 billion. The percentage of losses paid by the federal government is 80%. The Company's estimated deductible under the program is $1.5 billion for 2020. If an act of terrorism or acts of terrorism result in covered losses exceeding the $100 billion annual industry aggregate limit, Congress would be responsible for determining how additional losses in excess of $100 billion will be paid.

Reinsurance for A&E and Navigators Group Reserve Development - The Company has two adverse development cover (“ADC”) reinsurance agreements in place, both of which are accounted for as retroactive reinsurance. One agreement covers substantially all A&E reserve development for 2016 and prior accident years (the “A&E ADC”) and the other covers substantially all reserve development of Navigators Insurance Company and certain of its affiliates for 2018 and prior accident years (“Navigators ADC”). For more information on the A&E ADC and the Navigators ADC, see Note- 1, Basis of Presentation and Significant Accounting Policies, and Note 11, Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements, included in The Hartford's 2019 Form 10-K Annual Report.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error, or from external events.

Sources of Operational Risk Operational risk is inherent in the Company's business and functional areas. Operational risks include: compliance with laws and regulation, cybersecurity, business disruption, technology failure, inadequate execution or process management, reliance on model and data analytics, internal fraud, external fraud, third party dependency and attraction and retention of talent.

Impact Operational risk can result in financial loss, disruption of our business, regulatory actions or damage to our reputation.

Management Responsibility for day-to-day management of operational risk lies within each business unit and functional area. ERM provides an enterprise-wide view of the Company's operational risk on an aggregate basis. ERM is responsible for establishing, maintaining and communicating the framework, principles and guidelines of the Company's operational risk management program.

In response to COVID-19 the Company has implemented a number of mitigation strategies to address potential operational impacts, including:

- Activated our cross-functional Crisis Management Team (CMT) comprising of representatives from areas such as the Business Resiliency Office, IT, Corporate Health & Well-being, Employee Relations, Security, Facilities and Communications
- Enabled the vast majority of employees to work from home with no material impacts to operations
- Strengthened technology infrastructure and expanded policies for accessing the Company's network remotely
- Actively worked with sourcing partners to ensure they were implementing their business continuity plans
- Provided support to employees through our Corporate, Health & Well-being team comprised of healthcare professionals to identify and isolate employees with potential COVID-19 exposure.

Financial Risk

Financial risks include direct and indirect risks to the Company's financial objectives from events that impact financial market conditions and the value of financial assets. Some events may cause correlated movement in multiple risk factors. The primary sources of financial risks are the Company's invested assets.

Consistent with its risk appetite, the Company establishes financial risk limits to control potential loss on a U.S. GAAP, statutory, and economic basis. Exposures are actively monitored and managed, with risks mitigated where appropriate. The Company uses various risk management strategies, including limiting aggregation of risk, portfolio re-balancing and hedging with over-the-counter and exchange-traded derivatives with counterparties meeting the appropriate regulatory and due diligence requirements. Derivatives are utilized to achieve one of four Company-approved objectives: hedging risk arising from interest rate, equity market, commodity market, credit spread and issuer default, price or currency exchange rate risk or volatility; managing liquidity; controlling transaction costs; or entering into synthetic replication transactions. Derivative activities are monitored and evaluated by the Company's compliance and risk management teams and reviewed by senior management. The Company identifies different categories of financial risk, including liquidity, credit, interest rate, equity and foreign currency exchange.

Liquidity Risk

Liquidity risk is the risk to current or prospective earnings or capital arising from the Company's inability or perceived inability to meet its contractual funding obligations as they come due.

Sources of Liquidity Risk Sources of liquidity risk include funding risk, company-specific liquidity risk and market liquidity risk resulting from differences in the amount and timing of sources and uses of cash as well as company-specific and general market conditions. Stressed market conditions may impact the ability to sell assets or otherwise transact business and may result in a significant loss in value.

Impact Inadequate capital resources and liquidity could negatively affect the Company's overall financial strength and its ability to generate cash flows from its businesses, borrow funds at competitive rates, and raise new capital to meet operating and growth needs.

Management The Company has defined ongoing monitoring and reporting requirements to assess liquidity across the enterprise under both current and stressed market conditions. The Company measures and manages liquidity risk exposures and funding needs within prescribed limits across legal entities, taking into account legal, regulatory and operational limitations to the transferability liquidity. The Company also monitors internal and external conditions, and identifies material risk changes and emerging risks that may impact operating cash flows or liquid assets. The liquidity requirements of the Holding Company have been and will continue to be met by the Holding Company's fixed maturities, short-term investments and cash, and dividends from its subsidiaries, principally its insurance operations, as well as the issuance of common stock, debt or other capital securities and borrowings from its credit facilities as needed. The Company maintains multiple sources of contingent liquidity including a revolving credit facility, a commercial paper program, an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates, and access to collateralized advances from the Federal Home Loan Bank of Boston ("FHLBB") for certain affiliates. The Company's CFO has primary responsibility for liquidity risk.

Refer to the Capital Resources & Liquidity section of MD&A for the discussion of what the Company is doing to manage liquidity during the COVID-19 pandemic.

Credit Risk and Counterparty Risk

Credit risk is the risk to earnings or capital due to uncertainty of an obligor's or counterparty's ability or willingness to meet its obligations in accordance with contractually agreed upon terms. Credit risk is comprised of three major factors: the risk of change in credit quality, or credit migration risk; the risk of default; and the risk of a change in value due to changes in credit spreads.

Sources of Credit Risk The majority of the Company's credit risk is concentrated in its investment holdings and use of derivatives, but it is also present in the Company's ceded reinsurance activities and various insurance products.

Impact A decline in creditworthiness is typically reflected as an increase in an investment's credit spread and associated decline in value, potentially resulting in recording an ACL and an increased probability of a realized loss upon sale. In certain instances, counterparties may default on their obligations and the Company may realize a loss on default. Premiums receivable, including premiums for retrospectively rated plans, reinsurance recoverable and deductible losses recoverable are also subject to credit risk based on the counterparty's unwillingness or inability to pay.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Management The objective of the Company's enterprise credit risk management strategy is to identify, quantify and manage credit risk in aggregate and to limit potential losses in accordance with the Company's credit risk management policy. The Company manages its credit risk by managing aggregations of risk, holding a diversified mix of issuers and counterparties across its investment, reinsurance and insurance portfolios and limiting exposure to any specific reinsurer or counterparty. Potential credit losses can be mitigated through diversification (e.g., geographic regions, asset types, industry sectors), hedging and the use of collateral to reduce net credit exposure.

The Company manages credit risk through the use of various surveillance, analyses and governance processes. The investment, derivatives and reinsurance areas have formal policies and procedures for counterparty approvals and authorizations, which establish criteria defining minimum levels of creditworthiness and financial stability for eligible counterparties. Credits considered for investment are subject to underwriting reviews and private securities are subject to management approval. Mitigation strategies vary across the three sources of credit risk, but may include:

- Investing in a portfolio of high-quality and diverse securities;
- Selling investments subject to credit risk;
- Hedging through use of credit default swaps;
- Clearing transactions through central clearing houses that require daily variation margin;
- Entering into contracts only with strong creditworthy institutions;
- Requiring collateral; and
- Non-renewing policies/contracts or reinsurance treaties.

The Company has developed credit exposure thresholds which are based upon counterparty ratings. Aggregate counterparty credit quality and exposure are monitored on a daily basis utilizing an enterprise-wide credit exposure information system that contains data on issuers, ratings, exposures, and credit limits. Exposures are tracked on a current and potential basis and aggregated by ultimate parent of the counterparty across investments, reinsurance receivables, insurance products with credit risk, and derivatives.

As of June 30, 2020, the Company had no investment exposure to any credit concentration risk of a single issuer or counterparty greater than 10% of the Company's stockholders' equity, other than the U.S. government and certain U.S. government agencies. For further discussion of concentration of credit risk in the investment portfolio, see the Concentration of Credit Risk section in Note 6 - Investments of Notes to Condensed Consolidated Financial Statements.

Credit Risk of Derivatives

The Company uses various derivative counterparties in executing its derivative transactions. The use of counterparties creates credit risk that the counterparty may not perform in accordance with the terms of the derivative transaction.

Downgrades to the credit ratings of the Company's insurance operating companies may have adverse implications for its use of derivatives. In some cases, downgrades may give derivative counterparties for OTC derivatives and clearing brokers for OTC-cleared derivatives the right to cancel and settle outstanding derivative trades or require additional collateral to be posted. In addition, downgrades may result in counterparties and clearing brokers becoming unwilling to engage in or clear additional derivatives or may require additional collateralization before entering into any new trades.

The Company also has derivative counterparty exposure policies which limit the Company's exposure to credit risk. Credit exposures are generally quantified based on the prior business day's net fair value, including income accruals, of all derivative positions transacted with a single counterparty for each separate legal entity. The Company enters into collateral arrangements in connection with its derivatives positions and collateral is pledged to or held by, or on behalf of, the Company to the extent the exposure is greater than zero, subject to minimum transfer thresholds. For the six months ended June 30, 2020, the Company incurred no losses on derivative instruments due to counterparty default. For further discussion, see the Derivative Commitments section of Note 14 - Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements.

Use of Credit Derivatives

The Company may also use credit default swaps to manage credit exposure or to assume credit risk to enhance yield.

Credit Risk Reduced Through Credit Derivatives

The Company uses credit derivatives to purchase credit protection with respect to a single entity or referenced index. The Company purchases credit protection through credit default swaps to economically hedge and manage credit risk of certain fixed maturity investments across multiple sectors of the investment portfolio.

Credit Risk Assumed Through Credit Derivatives

The Company also enters into credit default swaps that assume credit risk as part of replication transactions. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company's investment policies. These swaps primarily reference investment grade single corporate issuers and indexes.

For further information on credit derivatives, see Note 7 - Derivatives of Notes to Condensed Consolidated Financial Statements.

Credit Risk of Business Operations

The Company is subject to credit risk related to the company's commercial business that is written with large deductible policies or retrospectively-rated plans. The Company's results of operations could be adversely affected if a significant portion of such contract holders failed to reimburse the Company for the deductible amount or the retrospectively rated policyholders failed to pay additional premiums owed. While the Company attempts to manage the risks discussed above through underwriting, credit analysis, collateral requirements, provision for bad debt, and other oversight mechanisms, the Company's efforts may not be successful.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities arising from movements in interest rates. Interest rate risk encompasses exposures with respect to changes in the level of interest rates, the shape of the term structure of rates and the volatility of interest rates. Interest rate risk does not include exposure to changes in credit spreads.

Sources of Interest Rate Risk The Company has exposure to interest rate risk arising from its fixed maturity investments, commercial mortgage loans, capital securities issued by the Company and discount rate assumptions associated with the Company's claim reserves and pension and other post-retirement benefit obligations as well as from assets that support the Company's pension and other post-retirement benefit plans.

Impact Changes in interest rates from current levels can have both favorable and unfavorable effects for the Company.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Management The Company manages its exposure to interest rate risk by constructing investment portfolios that seek to protect the firm from the economic impact associated with changes in interest rates by setting portfolio duration targets that are aligned with the duration of the liabilities that they support. The Company analyzes interest rate risk using various models including parametric models and cash flow simulation under various market scenarios of the liabilities and their supporting investment portfolios. Key metrics that the Company uses to quantify its exposure to interest rate risk inherent in its invested assets and the associated liabilities include duration, convexity and key rate duration.

The Company utilizes a variety of derivative instruments to mitigate interest rate risk associated with its investment portfolio or to hedge liabilities. Interest rate caps, floors, swaps, swaptions, and futures may be used to manage portfolio duration.

Equity Risk

Equity risk is the risk of financial loss due to changes in the value of global equities or equity indices.

Sources of Equity Risk The Company has exposure to equity risk from invested assets, assets that support the Company's pension and other post-retirement benefit plans, and fee income derived from Hartford Funds assets under management. In addition, the Company has equity exposure through its 9.7% ownership interest in the limited partnership, Hopmeadow Holdings LP, that owns the life and annuity business sold in 2018. For further information, see Note 21 - Business Dispositions and Discontinued Operations of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report.

Impact The investment portfolio is exposed to losses from market declines affecting equity securities and derivatives, which could negatively impact the Company's reported earnings. In addition, investments in limited partnerships and other alternative investments generally have a level of correlation to domestic equity market levels and can expose the Company to losses in earnings if valuations decline; however, earnings impacts are recognized on a lag as results from private equity investments and other funds are generally reported on a three-month delay. For assets supporting pension and other post-retirement benefit plans, the Company may be required to make additional plan contributions if equity investments in the plan portfolios decline in value. Hartford Funds earnings are also significantly influenced by the U.S. and other equity markets. Generally, declines in equity markets will reduce the value of assets under management and the amount of fee income generated from those assets. Increases in equity markets will generally have the inverse impact.

In addition, since our Hartford Funds segment revenues are based on average daily assets under management, the significant decline in equity markets during the first quarter of 2020 has reduced assets under management and, therefore, we expect a reduction to our fee income from that segment.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Management The Company uses various approaches in managing its equity exposure, including limits on the proportion of assets invested in equities, diversification of the equity portfolio, and hedging of changes in equity indices. Early in the second quarter of 2020, the Company reduced its exposure to equity securities through sales. For assets supporting pension and other post-retirement benefit plans, the asset allocation mix is reviewed on a periodic basis. In order to minimize risk, the pension plans maintain a listing of permissible and prohibited investments and impose concentration limits and investment quality requirements on permissible investment options.

Equity Sensitivity

Investment portfolio and the assets supporting pension and other post-retirement benefit plans

Included in the following tables are the estimated before tax change in the economic value of the Company's invested assets and assets supporting pension and other post-retirement benefit plans with sensitivity to equity risk. The calculation of the hypothetical change in economic value below assumes a 20% upward and downward shock to the Standard & Poor's 500 Composite Price Index ("S&P 500"). For limited partnerships and other alternative investments, the movement in economic value is calculated using a beta analysis largely derived from historical experience relative to the S&P 500.

The selection of the 20% shock to the S&P 500 was made only as an illustration to the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could differ materially from those illustrated below due to the nature of the estimates and assumptions used in the analysis. These calculations do not capture the impact of portfolio re-allocations.

Equity Sensitivity [1]

	As of June 30, 2020			As of December 31, 2019		
		Shock to S&P 500			Shock to S&P 500	
(Before tax)	Fair Value	+20%	-20%	Fair Value	+20%	-20%
Investment Portfolio	$ 2,215	$ 273	$ (273)	$ 3,295	$ 440	$ (407)
Assets supporting pension and other post-retirement benefit plans	$ 1,357	$ 227	$ (227)	$ 1,372	$ 230	$ (230)

[1] Table excludes the Company's investment in Hopmeadow Holdings LP which is reported in other assets on the Company's Consolidated Balance Sheets.

Hartford Funds assets under management

Hartford Funds earnings are significantly influenced by the U.S. and other equity markets. If equity markets were to hypothetically decline 20% and remain depressed for one year, the estimated before tax impact on reported earnings for that one year period is a decrease of $48 as of June 30, 2020. The selection of the 20% shock to the S&P 500 was made only as an illustration to the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could differ materially due to the nature of the estimates and assumptions used in the analysis.

Foreign Currency Exchange Risk

Sources of Currency Risk Foreign currency exchange risk is the risk of financial loss due to changes in the relative value between currencies.

The Company has foreign currency exchange risk in non-U.S. dollar denominated cash, fixed maturities, equities, and derivative instruments. In addition, the Company has non-U.S. subsidiaries, some with functional currencies other than U.S. dollar, and which transact business in multiple currencies resulting in assets and liabilities denominated in foreign currencies.

Impact Changes in relative values between currencies can create variability in cash flows and realized or unrealized gains and losses on changes in the fair value of assets and liabilities.

Management The Company manages its foreign currency exchange risk primarily through asset-liability matching and through the use of derivative instruments. However, legal entity capital is invested in local currencies in order to satisfy regulatory requirements and to support local insurance operations. The foreign currency exposure of non-U.S. dollar denominated investments will most commonly be reduced through the sale of the assets or through hedges using foreign currency swaps and forwards.

Investment Portfolio Risk

The following table presents the Company’s fixed maturities, AFS, by credit quality. The credit ratings referenced throughout this section are based on availability and are generally the midpoint of the available ratings among Moody’s, S&P, and Fitch. If no rating is available from a rating agency, then an internally developed rating is used. Accrued interest receivable related to fixed maturities are recorded in other assets on the Condensed Consolidated Balance Sheets and are not included in the amortized cost or fair value of the fixed maturities. For further information refer to Note 6 - Investments of Notes to Condensed Consolidated Financial Statements.

Fixed Maturities, AFS by Credit Quality

	June 30, 2020			December 31, 2019		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
United States Government/Government agencies	$ 4,839	$ 5,204	12.3%	$ 5,478	$ 5,644	13.4%
AAA	6,203	6,471	15.3%	6,412	6,617	15.7%
AA	7,543	8,013	19.0%	7,746	8,146	19.3%
A	10,409	11,289	26.8%	10,144	10,843	25.7%
BBB	8,936	9,590	22.7%	8,963	9,530	22.6%
BB & below	1,710	1,633	3.9%	1,335	1,368	3.3%
Total fixed maturities, AFS	**$ 39,640**	**$ 42,200**	**100.0%**	**$ 40,078**	**$ 42,148**	**100.0%**

The fair value of fixed maturities, AFS increased slightly as compared to December 31, 2019, primarily due to an increase in valuations as a result of a decline in interest rates, partially offset by wider credit spreads. The increase was mostly offset by the reinvestment of principal and interest into short-term investments. Fixed Maturities, FVO, are not included in the preceding table. For further discussion on FVO securities, see Note 5 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

Fixed Maturities, AFS by Type

	June 30, 2020						December 31, 2019				
	Amortized Cost	ACL [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value
Asset-backed securities ("ABS")											
Consumer loans	$ 1,257	$ —	$ 29	$ —	$ 1,286	3.0%	$ 1,350	$ 16	$ (3)	$ 1,363	3.2%
Other	130	—	1	(1)	130	0.3%	111	2	—	113	0.3%
Collateralized loan obligations ("CLOs")	2,246	—	—	(59)	2,187	5.2%	2,186	5	(8)	2,183	5.2%
CMBS											
Agency [2]	1,732	—	108	(9)	1,831	4.4%	1,878	43	(7)	1,914	4.5%
Bonds	2,118	—	95	(50)	2,163	5.1%	2,108	86	(4)	2,190	5.2%
Interest only	217	—	5	(5)	217	0.5%	224	12	(2)	234	0.6%
Corporate											
Basic industry	618	—	38	(6)	650	1.6%	539	31	(1)	569	1.4%
Capital goods	1,543	—	104	(30)	1,617	3.8%	1,495	72	(9)	1,558	3.7%
Consumer cyclical	1,151	(8)	82	(5)	1,220	2.9%	991	57	(1)	1,047	2.5%
Consumer non-cyclical	2,692	(1)	255	(13)	2,933	7.0%	2,372	137	(3)	2,506	5.9%
Energy	1,480	(3)	92	(34)	1,535	3.6%	1,550	96	(3)	1,643	3.9%
Financial services	4,221	(20)	297	(20)	4,478	10.6%	3,977	192	(4)	4,165	9.9%
Tech./comm.	2,486	—	311	(7)	2,790	6.6%	2,360	208	—	2,568	6.1%
Transportation	687	—	51	(12)	726	1.7%	743	44	—	787	1.9%
Utilities	1,976	—	192	(2)	2,166	5.1%	2,019	132	(4)	2,147	5.1%
Other	429	—	19	—	448	1.1%	389	17	—	406	1.0%
Foreign govt./govt. agencies	906	—	70	(4)	972	2.3%	1,057	66	—	1,123	2.7%
Municipal bonds											
Taxable	1,027	—	88	(5)	1,110	2.6%	815	45	(1)	859	2.0%
Tax-exempt	7,577	—	716	(9)	8,284	19.6%	7,948	692	(1)	8,639	20.5%
RMBS											
Agency	1,710	—	101	—	1,811	4.3%	2,409	57	(1)	2,465	5.8%
Non-agency	1,555	—	38	(3)	1,590	3.8%	1,786	17	(2)	1,801	4.2%
Alt-A	36	—	1	—	37	0.1%	40	3	—	43	0.1%
Sub-prime	449	—	9	(1)	457	1.1%	540	20	—	560	1.3%
U.S. Treasuries	1,397	—	165	—	1,562	3.7%	1,191	75	(1)	1,265	3.0%
Total fixed maturities, AFS	**$ 39,640**	**$(32)**	**$ 2,867**	**$ (275)**	**$42,200**	**100.0%**	**$ 40,078**	**$ 2,125**	**$ (55)**	**$42,148**	**100.0%**
Fixed maturities, FVO					**$ 1**					**$ 11**	
Equity securities, at fair value					**$ 756**					**$ 1,657**	

[1] Represents the ACL recorded following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Footnote 1 - Basis of Presentation and Significant Accounting Policies.
[2] Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

The fair value of fixed maturities, AFS increased slightly as compared with December 31, 2019, primarily due to an increase in valuations as a result of a decline in interest rates, partially offset by wider credit spreads. The increase was mostly offset by the reinvestment of principal and interest into short-term investments. The Company increased holdings in consumer non-cyclical, financial services and technology/communication corporate bonds as well as in U.S. Treasuries, while simultaneously reducing holdings to RMBS and tax-exempt municipal bonds.

Energy Exposure

Oil prices came under significant pressure during the first half of 2020, particularly during March and April, largely due to the unprecedented reduction in demand stemming from the global pandemic as well as a decision by Saudi Arabia to raise production despite declining demand. Subsequently, OPEC Plus' agreement to reduce production in combination with recovering demand from economic re-openings has contributed to a significant price recovery. The uncertain outlook has caused credit spreads to widen for corporate and sovereign issuers that participate in the exploration, production, transportation and refining of oil and gas. Ultimately, the impact on these issuers will be determined by the severity and duration of the decline in energy prices and the ability of the issuers to maintain liquidity and manage their indebtedness.

The Company's direct exposure within its investment portfolio to the energy sector totals approximately 3% of invested assets as of June 30, 2020 and is primarily comprised of investment grade corporate debt. These investments are diversified by issuer and different sub-sectors of the energy market, with the highest exposure to the midstream industry and the lowest to oil field services. The following table summarizes the Company's exposure to the energy sector by security type and credit quality.

Exposure to Energy

	June 30, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Corporate securities, AFS and Equity securities, at fair value				
Investment grade	$ 1,230	$ 1,310	$ 1,425	$ 1,516
Below investment grade	250	225	125	127
Equity securities, at fair value	7	7	45	45
Total corporate, AFS and equity securities, at fair value	1,487	1,542	1,595	1,688
Foreign govt./govt agencies				
Investment grade	225	255	232	254
Below investment grade	9	9	9	10
Total foreign govt./govt. agencies, AFS	234	264	241	264
Other	5	6	20	21
Total energy exposure	**$ 1,726**	**$ 1,812**	**$ 1,856**	**$ 1,973**

The Company manages the credit risk associated with the energy sector within the investment portfolio on an on-going basis using macroeconomic analysis and issuer credit analysis. The Company considers alternate scenarios including oil prices remaining at low levels for an extended period and/or declining significantly below current levels. For additional details regarding the Company's management of credit risks, see the Credit Risk Section of this MD&A. The Company has evaluated available-for-sale securities with exposure to energy for a potential ACL as of June 30, 2020 and concluded that for the securities in an unrealized loss position, it is more likely than not that the Company will recover the entire amortized cost basis of the securities. In addition, no other securities in the table above have been identified as intent-to-sell, nor is the Company required to sell. For additional details regarding the Company's impairment process, see the ACL on Fixed Maturities, AFS and Intent-to-Sell Impairments section below.

Commercial & Residential Real Estate

The following table presents the Company's exposure to CMBS and RMBS by current credit quality included in the preceding Securities by Type table.

Exposure to CMBS & RMBS Bonds as of June 30, 2020

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
CMBS												
Agency [1]	$ 1,728	$1,827	$ 4	$ 4	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,732	$1,831
Bonds	1,011	1,079	546	557	432	395	129	132	—	—	2,118	2,163
Interest Only	149	150	62	62	—	—	4	4	2	1	217	217
Total CMBS	**2,888**	**3,056**	**612**	**623**	**432**	**395**	**133**	**136**	**2**	**1**	**4,067**	**4,211**
RMBS												
Agency	1,687	1,786	23	25	—	—	—	—	—	—	1,710	1,811
Non-Agency	1,077	1,106	242	248	214	214	21	21	1	1	1,555	1,590
Alt-A	—	—	6	6	4	4	2	2	24	25	36	37
Sub-Prime	6	6	37	38	146	148	126	129	134	136	449	457
Total RMBS	**2,770**	**2,898**	**308**	**317**	**364**	**366**	**149**	**152**	**159**	**162**	**3,750**	**3,895**
Total CMBS & RMBS	**$ 5,658**	**$5,954**	**$ 920**	**$ 940**	**$ 796**	**$ 761**	**$ 282**	**$ 288**	**$ 161**	**$ 163**	**$ 7,817**	**$8,106**

Exposure to CMBS & RMBS Bonds as of December 31, 2019

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
CMBS												
Agency [1]	$ 1,878	$1,914	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,878	$ 1,914
Bonds	1,013	1,055	561	576	416	438	118	121	—	—	2,108	2,190
Interest Only	150	158	67	70	—	—	5	5	2	1	224	234
Total CMBS	**3,041**	**3,127**	**628**	**646**	**416**	**438**	**123**	**126**	**2**	**1**	**4,210**	**4,338**
RMBS												
Agency	2,386	2,441	23	24	—	—	—	—	—	—	2,409	2,465
Non-Agency	1,215	1,226	300	304	257	257	13	13	1	1	1,786	1,801
Alt-A	—	—	8	8	4	4	8	9	20	22	40	43
Sub-Prime	9	9	56	57	167	173	164	171	144	150	540	560
Total RMBS	**3,610**	**3,676**	**387**	**393**	**428**	**434**	**185**	**193**	**165**	**173**	**4,775**	**4,869**
Total CMBS & RMBS	**$ 6,651**	**$6,803**	**$ 1,015**	**$1,039**	**$ 844**	**$ 872**	**$ 308**	**$ 319**	**$ 167**	**$ 174**	**$ 8,985**	**$ 9,207**

[1] Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

The Company also has exposure to commercial mortgage loans. These loans are collateralized by real estate properties that are diversified both geographically throughout the United States and by property type. These commercial loans are originated by the Company as high quality whole loans, and the Company may sell participation interests in one or more loans to third parties. A loan participation interest represents a pro-rata share in interest and principal payments generated by the participated loan, and the relationship between the Company as loan originator, lead participant and servicer and the third party as a participant are governed by a participation agreement.

As of June 30, 2020, mortgage loans had an amortized cost of $4.4 billion and carrying value of $4.4 billion, with an ACL of $43. As of December 31, 2019, mortgage loans had an amortized cost of $4.2 billion and carrying value of $4.2 billion, with no valuation allowance. The increase in the allowance is attributable to both the recognition of an ACL in connection with the adoption of accounting guidance for credit losses on January 1, 2020 and as a result of giving increased weight to recession scenarios in response to the COVID-19 pandemic as well as lower estimated property values and operating income to better reflect current economic conditions. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements.

The Company funded $368 of commercial mortgage loans with a weighted average loan-to-value ("LTV") ratio of 59% and a weighted average yield of 3.2% during the six months ended June 30, 2020. The Company continues to originate commercial loans within primary markets, such as office, industrial and multi-family, focusing on loans with strong LTV ratios and high quality property collateral. There were no mortgage loans held for sale as of June 30, 2020 or December 31, 2019.

Municipal Bonds

The following table presents the Company's exposure to municipal bonds by type and weighted average credit quality included in the preceding Securities by Type table.

Available For Sale Investments in Municipal Bonds

	June 30, 2020			December 31, 2019		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$ 1,094	$ 1,231	AA+	$ 1,157	$ 1,268	AA
Pre-refunded [1]	915	971	AAA	936	985	AAA
Revenue						
Transportation	1,462	1,620	A+	1,509	1,675	A+
Health Care	1,358	1,448	A+	1,360	1,454	A+
Leasing [2]	794	864	AA-	781	842	AA-
Education	765	852	AA	784	853	AA
Water & Sewer	644	688	AA	660	700	AA
Sales Tax	462	519	AA	456	517	AA
Power	349	391	A+	339	374	A
Housing	110	116	AA+	114	117	AA+
Other	651	694	AA-	667	713	AA-
Total Revenue	6,595	7,192	AA-	6,670	7,245	AA-
Total Municipal	**$ 8,604**	**$ 9,394**	**AA-**	**$ 8,763**	**$ 9,498**	**AA-**

[1] Pre-refunded bonds are bonds for which an irrevocable trust containing sufficient U.S. treasury, agency, or other securities has been established to fund the remaining payments of principal and interest.

[2] Leasing revenue bonds are generally the obligations of a financing authority established by the municipality that leases facilities back to a municipality. The notes are typically secured by lease payments made by the municipality that is leasing the facilities financed by the issue. Lease payments may be subject to annual appropriation by the municipality or the municipality may be obligated to appropriate general tax revenues to make lease payments.

As of both June 30, 2020 and December 31, 2019, the largest issuer concentrations were the Commonwealth of Massachusetts, the New York City Transitional Finance Authority, and the New York Dormitory Authority, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and revenue bonds. In total, municipal bonds make up 18% of the fair value of the Company's investment portfolio.

Limited Partnerships and Other Alternative Investments

The following table presents the Company's investments in limited partnerships and other alternative investments which include hedge funds, real estate funds, and private equity funds. Real estate funds consist of investments primarily in real estate joint ventures and, to a lesser extent, equity funds. Private equity funds primarily consist of investments in funds whose assets typically consist of a diversified pool of investments in small to mid-sized non-public businesses with high growth potential as well as limited exposure to public markets.

Income or losses on investments in limited partnerships and alternative investments are recognized on a lag as results from private equity investments and other funds are generally reported on a three-month delay. For a discussion of impacts resulting from the COVID-19 pandemic and recent economic conditions, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Limited Partnerships and Other Alternative Investments - Net Investment Income

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Hedge funds	$ (3)	(10.3%)	1	11.3%	$ (2)	(3.2%)	$ 2	8.5%
Real estate funds	(2)	(2.1%)	14	12.8%	14	6.5%	34	15.1%
Private equity funds	(42)	(18.5%)	31	14.8%	(8)	(1.8%)	58	14.8%
Other alternative investments [1]	(24)	(24.0%)	14	13.8%	(17)	(8.6%)	22	11.3%
Total	**$ (71)**	**(15.3)%**	**$ 60**	**13.9%**	**$ (13)**	**(1.5)%**	**$ 116**	**13.9%**

Investments in Limited Partnerships and Other Alternative Investments

	June 30, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent
Hedge funds	$ 153	8.4%	$ 94	5.3%
Real estate funds	434	23.8%	407	23.2%
Private equity and other funds	861	47.1%	851	48.4%
Other alternative investments [1]	378	20.7%	406	23.1%
Total	**$ 1,826**	**100.0%**	**$ 1,758**	**100.0%**

[1]Consists of an insurer-owned life insurance policy which is invested in hedge funds and other investments.

Fixed Maturities, AFS — Unrealized Loss Aging

The total gross unrealized losses were $275 as of June 30, 2020 and have increased $220, from December 31, 2019, primarily due to wider credit spreads, partially offset by lower interest rates. As of June 30, 2020, $234 of the gross unrealized losses were associated with fixed maturities, AFS depressed less than 20% of amortized cost. The remaining $41 of gross unrealized losses were associated with fixed maturities, AFS depressed greater than 20%. The fixed maturities, AFS depressed more than 20% are primarily related to CMBS and one variable-rate coupon corporate issuer with a long-dated maturity date, both of which are depressed primarily due to wider credit spreads since the securities were purchased.

As part of the Company's ongoing security monitoring process, the Company has reviewed its fixed maturities, AFS securities in an unrealized loss position and concluded that these fixed maturities are temporarily depressed and are expected to recover in value as the securities approach maturity or as market spreads tighten. For these fixed maturities in an unrealized loss position where an ACL has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the security. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities. For further information regarding the Company's ACL analysis, see the ACL on Fixed Maturities, AFS and Intent-to-Sell Impairments section below.

Unrealized Loss Aging for Fixed Maturities, AFS Securities

	June 30, 2020				December 31, 2019			
Consecutive Months	Items	Amortized Cost	Unrealized Loss	Fair Value	Items	Amortized Cost	Unrealized Loss	Fair Value
Three months or less	166	$ 820	$ (8)	$ 812	347	$ 2,529	$ (15)	$ 2,514
Greater than three to six months	712	3,976	(193)	3,783	114	712	(8)	704
Greater than six to nine months	39	203	(9)	194	50	190	(2)	188
Greater than nine to eleven months	17	43	(4)	39	15	24	(1)	23
Twelve months or more	215	1,016	(61)	955	345	1,440	(29)	1,411
Total	**1,149**	**$ 6,058**	**$ (275)**	**$ 5,783**	**871**	**$ 4,895**	**$ (55)**	**$ 4,840**

Unrealized Loss Aging for Fixed Maturities, AFS Continuously Depressed Over 20%

	June 30, 2020				December 31, 2019			
Consecutive Months	Items	Amortized Cost	Unrealized Loss	Fair Value	Items	Amortized Cost	Unrealized Loss	Fair Value
Three months or less	11	$ 100	$ (27)	$ 73	—	$ —	$ —	$ —
Greater than three to six months	9	41	(10)	31	5	2	(1)	1
Twelve months or more	28	9	(4)	5	32	10	(4)	6
Total	**48**	**$ 150**	**$ (41)**	**$ 109**	**37**	**$ 12**	**$ (5)**	**$ 7**

ACL on Fixed Maturities, AFS and Intent-to-Sell Impairments

Three and six months ended June 30, 2020

The Company recorded an increase in the ACL on fixed maturities, AFS of $20 and $32 for the three and six months ended June 30, 2020, respectively. The increase for the three months ended June 30, 2020, was primarily attributable to one private regional and commercial aircraft lessor within corporate fixed maturities. In addition, for the six months ended June 2020, the ACL includes other corporate fixed maturities, mainly one cruise line issuer. Unrealized losses on securities with ACL recognized in other comprehensive income were $0 and $1 for the three and six months ended June 30, 2020. For further information, refer to Note 6 - Investments of Notes to Condensed Consolidated Financial Statements.

Intent-to-sell impairments were $0 and $5 for the three and six months ended June 30, 2020, respectively, with impairments in the six month period primarily related to one corporate issuer in the energy sector and one issuer with exposure to India.

The Company incorporates its best estimate of future performance using internal assumptions and judgments that are informed by economic and industry specific trends, as well as our expectations with respect to security specific developments.

Future impairments may develop as the result of changes in intent-to-sell specific securities that are in an unrealized loss position or if modeling assumptions, such as macroeconomic factors or security specific developments, change unfavorably from our current modeling assumptions, resulting in lower cash flow expectations. For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Three and six months ended June 30, 2019

Impairments recognized in earnings were comprised of credit impairments of $2 for the six months ended June 30, 2019. The credit impairments were primarily related to one corporate security experiencing issuer-specific financial difficulties. There were no impairments recognized in earnings in the second quarter of 2019.

Non-credit impairments recognized in other comprehensive income were $0 and $2 for the three and six months ended June 30, 2019, respectively.

ACL on Mortgage Loans

The Company reviews mortgage loans on a quarterly basis to estimate the ACL with changes in the ACL recorded in net realized capital gains and losses. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. For further information, refer to Note 6 - Investments of Notes to Condensed Consolidated Financial Statements.

For the three and six months ended June 30, 2020, the Company recorded an increase in the ACL on mortgage loans of $22 and $24, respectively. The increase was primarily a result of giving increased weight to recession scenarios in response to the COVID-19 pandemic as well as lower estimated property values and operating income to better reflect current economic conditions. The Company did not record an ACL on any individual mortgage loans.

CAPITAL RESOURCES AND LIQUIDITY

The following section discusses the overall financial strength of The Hartford and its insurance operations including their ability to generate cash flows from each of their business segments, borrow funds at competitive rates and raise new capital to meet operating and growth needs over the next twelve months.

SUMMARY OF CAPITAL RESOURCES AND LIQUIDITY

Capital available to the holding company as of June 30, 2020:

- $1.3 billion in fixed maturities, short-term investments, investment sales receivable and cash at The Hartford Financial Services Group, Inc, ("HFSG Holding Company").

- A senior unsecured five-year revolving credit facility that provides for borrowing capacity up to $750 of unsecured credit through March 29, 2023.
- Borrowings available under a commercial paper program to a maximum of $750. As of June 30, 2020 there was no commercial paper outstanding.
- An intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes.

2020 expected dividends and other sources of capital:

The future payment of dividends from our subsidiaries is dependent on several factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

- **P&C -** The Company's U.S. property and casualty insurance subsidiaries have dividend capacity of $1.6 billion for 2020, with $850 to $900 of net dividends expected in 2020 including $527 paid to HFSG Holding Company through June 30, 2020.
- **Group Benefits -** HLA has dividend capacity of $534 in 2020 with $300 to $350 of dividends expected in 2020 including $210 paid to HFSG Holding Company through June 30, 2020.
- **Hartford Funds** - HFSG Holding Company expects to receive $100 to $125 in dividends from Hartford Funds in 2020 including $61 received through June 30, 2020.
- Cash tax receipts of approximately $520 to $540, including realization of net operating losses and AMT credits. Through June 30, 2020, HFSG Holding Company has received cash tax receipts of $275. In July 2020, the Company received a $206 refund of AMT credits, including $1 of interest, of which HFSG Holding Company has received $154.

Expected liquidity requirements for the next twelve months as of June 30, 2020:

- $215 of interest on debt.
- $21 dividends on preferred stock, subject to the discretion of the Board of Directors.
- $470 of common stockholders' dividends, subject to the discretion of the Board of Directors and before share repurchases.

Equity repurchase program:

Under a $1.0 billion share repurchase authorization by the Board of Directors in February, 2019, during the six months ended June 30, 2020, the Company repurchased 2.7 million common shares for $150. During the period from April 1, 2020 to July 28, 2020, the Company did not repurchase any common shares under this authorization. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

Liquidity Requirements and Sources of Capital

The Hartford Financial Services Group, Inc. (" HFSG Holding Company")

The liquidity requirements of the holding company of The Hartford Financial Services Group, Inc. have been and will continue to be met by HFSG Holding Company's fixed maturities; short-term investments and cash; dividends, principally from its subsidiaries; and tax receipts, including realization of net operating losses and refunds of prior period AMT credits available to the HFSG Holding Company.

The Company maintains sufficient liquidity and has a variety of contingent liquidity resources to manage liquidity across a range of economic scenarios. To date, the impact of the pandemic and resulting economic downturn on net operating cash flows have been relatively modest with net operating cash flows increasing by $263 in the first six months of 2020 compared to the first six months of 2019, driven by the inclusion of Navigators Group for a full six months in 2020 and a decrease in claims paid for both Group Benefits and P&C excluding Navigators, partially offset by lower P&C premiums received excluding Navigators. Over the remainder of 2020, we expect moderate impacts to net operating cash flow will continue with lower premium receipts and additional COVID-19 losses though the amount of such impacts will ultimately depend on the length and severity of the pandemic and its effects on the economy. Furthermore, those impacts could continue into 2021. However, we expect to continue to successfully manage our liquidity throughout the pandemic.

The Company has waived late payment fees for a period of time for business and personal insurance customers and temporarily suspended the policy cancellation process for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments. Due to those actions and the economic effects of the pandemic, we have experienced an increase in uncollectible premiums receivable and, accordingly, increased our current expected credit loss allowance on premiums receivable by $64 before tax for the six months ended June 30, 2020, resulting in a net increase to the allowance of $61 before tax.

In March, the Company stopped repurchasing shares under its authorized share repurchase program and did not repurchase any common shares under this authorization through the end of July 2020. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity. The HFSG Holding Company expects to continue to receive dividends from its operating subsidiaries in the future and manages the capital and surplus in each of its operating subsidiaries to be sufficient under economic stress scenarios.

Under economic stress scenarios that could arise due to the COVID-19 pandemic, the Company has the ability to meet short-term cash requirements, if needed, by borrowing under its revolving credit facility and commercial paper program or by having its insurance subsidiaries take collateralized advances under a facility with the Federal Home Loan Bank of Boston ("FHLBB"). The Company could also choose to have its insurance subsidiaries sell certain fixed maturities or the Company could issue debt in the public markets under its shelf registration. No borrowings or advances have occurred to date.

During the second quarter of 2020, fixed maturities of $64 were deposited by Hartford Fire Insurance Company into a Lloyd's of London ("Lloyd's") trust account to provide required capital to The Hartford's Lloyd's Syndicate. This replaces $26 of the capital previously contributed by HFSG Holding Company to the Lloyd's corporate member in the first quarter of 2020 for the benefit of the syndicate and which was returned to the HFSG Holding Company in July 2020. During the second half of 2020, we will reevaluate the capital requirements of the Hartford's Lloyd's Syndicate in accordance with Lloyd's Coming into Line process. Additionally, the amount of letters of credit under the Lloyd's Letter of Credit Facility permitted to support Lloyd's capital requirements will be reduced by the end of 2020, which will require the Company to seek alternative means of supporting its obligations at Lloyd's. As a result, an additional contribution is expected to be made in the second half of 2020 and will be funded either with cash from HFSG Holding Company or with assets pledged by Hartford Fire Insurance Company.

Debt

On March 30, 2020, The Hartford repaid at maturity the $500 principal amount of its 5.5% senior notes.

Equity

Under a $1.0 billion share repurchase authorization by the Board of Directors in February, 2019, during the six months ended June 30, 2020, the Company repurchased 2.7 million common shares for $150. During the period from April 1, 2020 to July 28, 2020, the Company did not repurchase any common shares under this authorization. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

For further information about equity repurchases, see Part II - Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Dividends

The Hartford's Board of Directors declared the following quarterly dividends since April 1, 2020:

Common Stock Dividends

Declared	Record	Payable	Amount per share
May 20, 2020	June 1, 2020	July 2, 2020	$ 0.325
July 16, 2020	September 1, 2020	October 2, 2020	$ 0.325

Preferred Stock Dividends

Declared	Record	Payable	Amount per share
May 20, 2020	August 1, 2020	August 17, 2020	$ 375.00
July 16, 2020	November 1, 2020	November 16, 2020	$ 375.00

There are no current restrictions on the HFSG Holding Company's ability to pay dividends to its stockholders.

For a discussion of restrictions on dividends to the HFSG Holding Company from its insurance subsidiaries, see the following "Dividends from Subsidiaries" discussion. For a discussion of potential restrictions on the HFSG Holding Company's ability to pay dividends, see the risk factor "Our ability to declare and pay dividends is subject to limitations" in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Pension Plans and Other Postretirement Benefits

The Company does not have a 2020 required minimum funding contribution for the U.S. qualified defined benefit pension plan and the funding requirements for all pension plans are expected to be immaterial. The Company has not determined whether, and to what extent, contributions may be made to the U.S. qualified defined benefit pension plan in 2020. The Company will monitor the funded status of the U.S. qualified defined benefit pension plan during 2020 to make this determination.

Dividends from Subsidiaries

Dividends to HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. Upon the acquisition of Navigators Group, the Company's principal insurance subsidiaries are domiciled in the United States, the United Kingdom and Belgium.

The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's statutory policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner.

Property casualty insurers domiciled in New York, including Navigators Insurance Company ("NIC") and Navigators Specialty Insurance Company ("NSIC"), generally may not, without notice to and approval by the state insurance commissioner, pay dividends out of earned surplus in any twelve-month period that exceeds the lesser of (i) 10% of the insurer's statutory policyholders' surplus as of the most recent financial statement on file, or (ii) 100% of its adjusted net investment income, as defined, for the same twelve month period. As part of the New York state insurance commissioner's approval of the Navigators Group acquisition, and as is common practice, any dividend from NIC and NSIC before May 2021 will require prior approval from the state insurance commissioner.

The insurance holding company laws of the other jurisdictions in which The Hartford's insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances more restrictive) limitations on the payment of dividends. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiaries, regulatory capital requirements and liquidity requirements of the individual operating company.

Corporate members of Lloyd's Syndicates may pay dividends to its parent to the extent of available profits that have been distributed from the syndicate in excess of the Funds at Lloyd's ("FAL") capital requirement. The FAL is determined based on the syndicate's solvency capital requirement under the E.U.'s Solvency II capital adequacy model, plus a Lloyd's specific economic capital assessment.

Insurers domiciled in the United Kingdom may pay dividends to their parent out of their statutory profits subject to restrictions imposed under U.K. Company law and European Insurance regulation (Solvency II). Belgium domiciled insurers may only pay dividends if, at the end of their previous fiscal year, the total amount of their assets, as reduced by its provisions and debts, are in excess of certain minimum capital thresholds calculated under Belgian law.

Through the first six months of 2020, HFSG Holding Company received $798 of net dividends, including $210 from HLA, $61 from Hartford Funds and $527 from its U.S. P&C subsidiaries.

Over the remainder of 2020, the Company anticipates receiving approximately $90 to $140 of dividends from HLA, $40 to $65 of dividends from Hartford Funds and $320 to $370 of net dividends from its U.S. P&C subsidiaries.

Other Sources of Capital for the HFSG Holding Company

The Hartford endeavors to maintain a capital structure that provides financial and operational flexibility to its insurance subsidiaries, ratings that support its competitive position in the financial services marketplace (see the "Ratings" section below for further discussion), and stockholder returns. As a result, the Company may from time to time raise capital from the issuance of debt, common equity, preferred stock, equity-related debt or other capital securities and is continuously evaluating strategic opportunities. The issuance of debt, common equity, equity-related debt or other capital securities could result in the dilution of stockholder interests or reduced net income due to additional interest expense.

Shelf Registrations

The Hartford filed an automatic shelf registration statement with the Securities and Exchange Commission ("the SEC") on May 17, 2019 that permits it to offer and sell debt and equity securities during the three-year life of the registration statement.

Revolving Credit Facilities

The Company has a senior unsecured five-year revolving credit facility (the "Credit Facility") that provides up to $750 of unsecured credit through March 29, 2023. As of June 30, 2020, no borrowings were outstanding and no letters of credit were issued under the Credit Facility and the Company was in compliance with all financial covenants.

Commercial Paper

The availability of the Company's commercial paper program is dependent upon a variety of factors including the Company's ratings and market conditions. As of June 30, 2020, The Hartford's maximum borrowings available under its commercial paper program is $750 and there was no commercial paper outstanding.

Intercompany Liquidity Agreements

The Company has $2.0 billion available under an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes. The Connecticut Department of Insurance ("CTDOI") granted approval for certain affiliated insurance companies that are parties to the agreement to treat receivables from a parent, including the HFSG Holding Company, as admitted assets for statutory accounting purposes.

As of June 30, 2020 there were no amounts outstanding at the HFSG Holding Company.

Collateralized Advances with Federal Home Loan Bank of Boston

The Company's subsidiaries, Hartford Fire Insurance Company ("Hartford Fire") and Hartford Life and Accident Insurance Company ("HLA"), are members of the Federal Home Loan Bank of Boston ("FHLBB"). Membership allows these subsidiaries access to collateralized advances, which may be short- or long-term with fixed or variable rates. Advances may be used to support general corporate purposes, which would be presented as short- or long-term debt, or to earn incremental investment income, which would be presented in other liabilities consistent with other collateralized financing transactions. As of June 30, 2020, there were no advances outstanding.

For further information regarding collateralized advances with Federal Home Loan Bank of Boston, see Note 13 - Debt of Notes to Consolidated Financial Statements included in the Company's 2019 Form 10-K Annual Report.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford has two letter of credit facility agreements: the Club Facility and the Bilateral Facility, which are used to provide a portion of the capital requirements at Lloyd's. As of June 30, 2020, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million were outstanding under the Club Facility and £18 million was outstanding under the Bilateral Facility. As of December 31, 2019, the Bilateral Facility has unused capacity of $3 for issuance of additional letters of credit. Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding tangible net worth and Funds at Lloyd's ("FAL"). As of June 30, 2020, Navigators Group was in compliance with all financial covenants.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand either immediate and ongoing full collateralization or immediate termination and settlement of the outstanding net derivative positions transacted under each agreement. For further information, refer to Note 14, Commitment and Contingencies.

As of June 30, 2020, no derivative positions would be subject to immediate termination in the event of a downgrade of one level below the current financial strength ratings. This could change as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated.

Insurance Operations

While subject to variability period to period, underwriting and investment cash flows continue to provide sufficient liquidity to meet anticipated demands over the next twelve months. For information about the impact of COVID-19 on the Company's cash flows see the Risk Factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as amended in Part II Item 1A herein. For a discussion and tabular presentation of the Company's contractual obligations by period, refer to Off-Balance Sheet Arrangements and Aggregate Contractual Obligations within the Capital Resources and Liquidity section of the MD&A included in The Hartford's 2019 Form 10-K Annual Report.

The principal sources of operating funds are premiums, fees earned from assets under management and investment income, while investing cash flows primarily originate from maturities and sales of invested assets. The primary uses of funds are to pay claims, claim adjustment expenses, commissions and other underwriting and insurance operating costs, to pay taxes, to purchase new investments and to make dividend payments to the HFSG Holding Company.

The Company's insurance operations consist of property and casualty insurance products (collectively referred to as "Property & Casualty Operations") and Group Benefits.

The Company's insurance operations hold fixed maturity securities including a significant short-term investment position (securities with maturities of one year or less at the time of purchase) to meet liquidity needs. Liquidity requirements that are unable to be funded by the Company's insurance operations' short-term investments would be satisfied with current operating funds, including premiums or investing cash flows, which includes proceeds received through the sale of invested assets. A sale of invested assets could result in significant realized capital losses.

The following tables represent the fixed maturity holdings, including the aforementioned cash and short-term investments available to meet liquidity needs, for each of the Company's insurance operations.

Property & Casualty

		As of June 30, 2020
Fixed maturities	$	31,908
Short-term investments		1,710
Cash		272
Less: Derivative collateral		76
Total	**$**	**33,814**

Group Benefits Operations

		As of June 30, 2020
Fixed maturities	$	10,070
Short-term investments		471
Cash		14
Less: Derivative collateral		46
Total	**$**	**10,509**

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

There have been no material changes to the Company's off-balance sheet arrangements and aggregate contractual obligations since the filing of the Company's 2019 Form 10-K Annual Report.

Capitalization

Capital Structure

		June 30, 2020		December 31, 2019	Change
Short-term debt (includes current maturities of long-term debt)	$	—	$	500	(100%)
Long-term debt		4,350		4,348	—%
Total debt		**4,350**		**4,848**	**(10%)**
Common stockholders' equity excluding AOCI, net of tax		16,259		15,884	2%
Preferred stock		334		334	—%
AOCI, net of tax		479		52	NM
Total stockholders' equity		**17,072**		**16,270**	**5%**
Total capitalization	**$**	**21,422**	**$**	**21,118**	**1%**
Debt to stockholders' equity		25%		30%	
Debt to capitalization		20%		23%	

Total capitalization increased $304, or 1%, as of June 30, 2020 compared to December 31, 2019 primarily due to an increase in AOCI and net income in excess of stockholder dividends.

For additional information on AOCI, net of tax, including unrealized capital gains from securities, see Note 16 - Changes In and Reclassifications From Accumulated Other Comprehensive Income (Loss), Note 6 - Investments . For additional information on debt, see Note 12 - Debt.of Notes to Condensed Consolidated Financial Statements.

Cash Flow

	Six Months Ended June 30,	
	2020	2019
Net cash provided by operating activities	$ 1,267	$ 1,004
Net cash provided by investing activities	$ 215	$ 30
Net cash used for financing activities	$ (1,327)	$ (855)
Cash and restricted cash– end of period	$ 372	$ 283

Cash provided by operating activities increased in 2020 as compared to the prior year period primarily driven by the inclusion of Navigators Group for the full six months in 2020 and a decrease in Group Benefits claims paid, partially offset by lower P&C premiums received excluding Navigators.

Cash provided by investing activities increased primarily due to the acquisition of Navigators Group for $1.9 billion in 2019, a change from net payments to net proceeds from fixed maturities in 2020 and an increase in net proceeds from equity securities, partially offset by a change from net proceeds to net payments from short-term investments and a change from net proceeds to net payments of mortgage loans.

Cash used for financing activities increased primarily due to an increase in the repurchase of common shares and a larger net decrease in securities loaned or sold under agreements to repurchase.

Operating cash flow for the six months ended June 30, 2020 have been adequate to meet liquidity requirements.

Equity Markets

For a discussion of the potential impact of the equity markets on capital and liquidity, see the Financial Risk section in this MD&A and the Financial Risk on Statutory Capital section of the MD&A in the Company's 2019 Form 10-K Annual Report.

Ratings

Ratings are an important factor in establishing a competitive position in the insurance marketplace and impact the Company's ability to access financing and its cost of borrowing. There can be no assurance that the Company’s ratings will continue for any given period of time, or that they will not be changed. In the event the Company’s ratings are downgraded, the Company’s competitive position, ability to access financing, and its cost of borrowing, may be adversely impacted.

On June 19, 2020, A.M. Best raised its financial strength rating on Hartford Life and Accident Insurance Company (“HLA”) to A+ from A. The upgrade is reflective of the support provided by The Hartford, as well as the group benefits business’ growing contribution to consolidated revenue and earnings and the overall diversification it provides.

Insurance Financial Strength Ratings as of July 28, 2020

	A.M. Best	Standard & Poor’s	Moody’s
Hartford Fire Insurance Company	A+	A+	A1
Hartford Life and Accident Insurance Company	A+	A+	A2
Navigators Insurance Company	A+	A	Not Rated
Other Ratings:			
The Hartford Financial Services Group, Inc.:			
Senior debt	a-	BBB+	Baa1
Commercial paper	AMB-1	A-2	P-2

These ratings are not a recommendation to buy or hold any of The Hartford’s securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The agencies consider many factors in determining the final rating of an insurance company. One consideration is the relative level of statutory capital and surplus (referred to collectively as "statutory capital") necessary to support the business written and is reported in accordance with accounting practices prescribed by the applicable state insurance department.

Statutory Capital

U.S. Statutory Capital Rollforward for the Company's Insurance Subsidiaries

	Property and Casualty Insurance Subsidiaries [1] [2]	Group Benefits Insurance Subsidiary	Total
U.S statutory capital at January 1, 2020	**$ 10,208**	**$ 2,644**	**$ 12,852**
Statutory income	760	253	1,013
Dividends to parent	(527)	(210)	(737)
Other items	(257)	—	(257)
Net change to U.S. statutory capital	(24)	43	19
U.S statutory capital at June 30, 2020	**$ 10,184**	**$ 2,687**	**$ 12,871**

[1] The statutory capital for property and casualty insurance subsidiaries in this table does not include the value of an intercompany note owed by Hartford Holdings, Inc. ("HHI") to Hartford Fire Insurance Company.
[2] Excludes insurance operations in the U.K. and continental Europe.

Contingencies

Legal Proceedings

For a discussion regarding contingencies related to The Hartford's legal proceedings, please see the information contained under "Litigation" and "Run-off Asbestos and Environmental Claims" in Note 14 - Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements and Part II, Item 1 Legal Proceedings, which are incorporated herein by reference.

Legislative and Regulatory Developments

COVID-19 Global Pandemic

State retroactive business interruption coverage and other insurance regulatory relief initiatives- State lawmakers are actively considering legislation and regulation in response to COVID-19. There have been proposals to impose retroactive coverage of COVID-19 claims under existing business interruption coverage provisions. If such proposals were enacted, they could represent a material exposure for the Company. Further, some states have adopted, or are considering incorporating, a presumption that if certain workers become infected with COVID-19, such infection would constitute an occupational disease triggering workers' compensation coverage. In addition, state insurance regulators, including California, New Jersey and New York, have been encouraging (and in some cases requiring) insurers to offer immediate relief to policyholders including refunding and offering discounts for drivers, incorporating flexible payment solutions for families, individuals, and businesses, providing additional time to make payments, waiving insurance premium late fees, pausing cancellation of coverage for personal and commercial policies due to non-payment and policy expiration, and suspending personal automobile exclusions for restaurant employees who are transitioning to meal delivery services using their personal automobile policy as coverage. The Hartford has offered consumer financial relief including a 15 percent refund on policyholders' April, May and June personal automobile insurance premiums, waived late payments fees for a period of time for business and personal insurance customers and temporarily suspended policy cancellations for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments. As the COVID-19 global pandemic continues, regulators may require us to or we may elect to provide additional consumer and/or business financial relief. The duration and scope of such regulatory/Company actions are uncertain, and the impacts of such actions could adversely affect the Company's insurance business.

Federal retroactive business interruption coverage- Congress continues to focus on supporting small businesses in the wake of COVID-19. Legislation has been introduced in the U.S. House of Representatives to force retroactive coverage of COVID-19 claims under future business interruption coverage provisions and would seek to nullify existing contracts. If such proposals were enacted, they could represent a material exposure for the Company. The Senate has not introduced any companion legislation to date. Potential action on such legislation is unclear at this time.

Federal pandemic risk insurance- Congress is considering possible action for future pandemic risk insurance coverage through a risk sharing mechanism between insurers and the federal government. Timing for any Congressional action with respect to these efforts is uncertain at this time. If such a program were to be enacted, it could represent a significant obligation for the company in terms of deductible and co-share obligations.

Federal emergency leave legislation- On March 18, 2020, the Families First Coronavirus Response Act was signed into law by the President. This legislation included a number of funding provisions and worker protections including mandated emergency paid leave and sick leave programs. For employers with fewer than 500 employees, new programs were put in place to guarantee individuals 10 days of paid sick leave, and up to 10 weeks of emergency paid family and medical leave to deal directly with COVID-19. Eligible employers have access to a tax credit to reimburse for costs related to the emergency leave programs. The Hartford is providing support for the administration of the leave component of the new leave provisions for our Group Benefits clients. Congress also approved a $2 trillion Coronavirus Aid, Relief and Economic Security ("CARES") Act. The bill signed into law on March 27, 2020 focused on providing financial support for small businesses, individuals, emergency workers, airlines and other industries of national security. The CARES Act included several technical corrections to the emergency leave programs and created advance refunding credits, which allow the U.S.

Treasury to develop regulations or guidance to permit advancement of the tax credit for both sick and emergency paid leave. As Congress considers future legislation in response to COVID-19, it is possible that lawmakers look to expand the scope of eligibility and use of emergency leave. This change in the law could trigger a significant increase in claims volume and compliance requirements for Group Benefits. The timing of such legislation is unclear at this time.

Federal tax legislation- In response to the COVID-19 Global Pandemic, Congress and other global jurisdictions have passed various pieces of legislation which contain various changes to the tax laws in order to aid impacted businesses and individuals, as well as provide economic stimulus. The deferral of the employer's portion of the Social Security tax on wages has been extended from March 27, 2020 to year-end 2020. Such deferred amounts would be due and payable over a two-year period, 50% by December 31, 2021 and 50% by December 31, 2022. Refer to Note 13 of Notes to Condensed Consolidated Financial Statements for information about the impact of these new tax laws on the Company. The U.S. Treasury and IRS continue to develop guidance implementing these new tax law provisions, and Congress may consider additional technical corrections to these laws. Tax proposals and regulatory initiatives which have been or are being considered by Congress and/or the U.S. Treasury Department could have a material effect on the Company and its insurance businesses. The nature and timing of any Congressional or regulatory action with respect to any such efforts is unclear.

Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act")

It is unclear whether the Administration, Congress or the courts will seek to reverse, amend or alter the ongoing operation of the Affordable Care Act ("ACA"). If such actions were to occur, they may have an impact on various aspects of our business, including our insurance businesses. It is unclear what an amended ACA would entail, and to what extent there may be a transition period for the phase out of the ACA. The impact to The Hartford as an employer would be consistent with other large employers. The Hartford's core business does not involve the issuance of health insurance, and we have not observed any material impacts on the Company's workers' compensation business or group benefits business from the enactment of the ACA. We will continue to monitor the impact of the ACA and any reforms on consumer, broker and medical provider behavior for leading indicators of changes in medical costs or loss payments primarily on the Company's workers' compensation and disability liabilities.

Tax Reform

At the end of 2017, Congress passed and the president signed, the Tax Cuts and Jobs Act of 2017 ("Tax Reform"), which enacted significant reforms to the U.S. tax code. The major areas of interest to the Company included the reduction of the corporate tax rate from 35% to 21% and the repeal of the corporate alternative minimum tax (AMT) and the refunding of AMT credits. The U.S. Treasury and IRS continue to develop guidance implementing Tax Reform, and Congress may consider additional technical corrections to the law. Tax proposals and regulatory initiatives which have been or are being considered by Congress and/or the U.S. Treasury Department could have a material effect on the Company and its insurance businesses. The nature and timing of any Congressional or regulatory action with respect to any such efforts is unclear. For additional information on risks to the Company related to Tax Reform, please see the risk factor entitled "Changes in federal or state tax laws could adversely affect our business, financial condition, results of operations and liquidity" under "Risk Factors" in Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019 as amended in Part II Item 1A herein.

IMPACT OF NEW ACCOUNTING STANDARDS

For a discussion of accounting standards, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in The Hartford's 2019 Form 10-K Annual Report and Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s principal executive officer and its principal financial officer, based on their evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) have concluded that the Company’s disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e) as of June 30, 2020.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's current fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most employees of the Company and of our vendors have had to work from home during the COVID-19 pandemic though we will continue to assess the impact on the design and operating effectiveness of our internal controls.

Item 1. LEGAL PROCEEDINGS

Litigation

The Hartford is involved in claims litigation arising in the ordinary course of business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it, including claims alleging bad faith in the handling of insurance claims or other allegedly unfair or improper claims practices. The Hartford accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. Subject to the uncertainties discussed under "Regulatory and Legal Risks" of the Risk Factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as amended in Part II Item 1A herein, and those related to The Hartford's A&E claims discussed in Note 14 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements, management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.

The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. These actions include lawsuits seeking certification of a state or national class alleging improper business practices, including, for example, underpayment of claims or improper underwriting practices, as well as individual lawsuits in which punitive damages may be sought. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of The Hartford. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, the outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

COVID-19 Pandemic Business Income Insurance Coverage Litigation

Like many others in the property and casualty insurance industry, beginning in April 2020, various direct and indirect subsidiaries of the Company (collectively "the Hartford writing companies"), and in some instances the Company itself, have been served as defendants in lawsuits seeking insurance coverage under commercial insurance policies issued by the Hartford writing companies for alleged losses resulting from the shutdown or suspension of their businesses due the spread of the novel coronavirus that leads to COVID-19. As of July 29, 2020, the Company is aware of more than 150 such lawsuits, of which 45 purport to be filed on behalf of broad nationwide or statewide classes of policyholders. These lawsuits have been filed in state and federal courts in roughly 25 states. Although the allegations vary, the plaintiffs generally seek a declaration of insurance coverage, damages for breach of contract in unspecified amounts, interest, and attorney's fees. Many of the lawsuits also allege that the insurance claims were denied in bad faith or otherwise in violation of state laws and seek extra-contractual or punitive damages. Several groups of plaintiffs have asked the Joint Panel on Multi-District Litigation ("JPMDL") for an order that would coordinate or consolidate for pre-trial purposes, all COVID-19 pandemic business income coverage lawsuits pending in federal court against any commercial insurer, including Hartford writing companies. The Company and others in the insurance industry, and some plaintiffs, have opposed that request. The JPMDL's decision is expected in or after August 2020.

The Company and its subsidiaries deny the allegations and intend to defend vigorously. The Hartford writing companies maintain that they have no coverage obligations with respect to these suits for business income allegedly lost by the plaintiffs due to the COVID-19 pandemic based on the clear terms of the applicable insurance policies. Although the policy terms vary depending, among other things, upon the size, nature, and location of the policyholder's business, in general, the claims at issue in these lawsuits were denied because the claimant identified no direct physical damage or loss to property at the insured premises, and the governmental orders that led to the complete or partial shutdown of the business were not due to the existence of any such damage or loss in the immediate vicinity of the insured premises and did not prohibit access to the insured premises, as required by the terms of the insurance policies. In addition, the vast majority of the policies at issue expressly exclude from coverage any loss caused directly or indirectly by the presence, growth, proliferation, spread or activity of a virus, subject to a narrow set of exceptions not applicable in connection with this pandemic, and contain a pollution and contamination exclusion that, among other things, expressly excludes from coverage any loss caused by material that threatens human health or welfare.

In addition to the inherent difficulty in predicting litigation outcomes, the COVID-19 pandemic business income coverage lawsuits present numerous uncertainties and contingencies that are not yet known, including how many policyholders will ultimately file claims, the number of lawsuits that will be filed, the extent to which any state or nationwide classes will be certified and the size and scope of any such classes, and whether the validity of the coverage defenses will be determined by one court or many. The legal theories advocated by plaintiffs vary significantly by case as do the state laws that govern the policy interpretation, and virtually no substantive legal rulings have been made. In addition, business income calculations depend upon a wide range of factors that are particular to the circumstances of each individual policyholder and, here, virtually none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss, and, in any event, the Company's experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. Accordingly, management cannot now reasonably estimate the possible loss or range of loss, if any. Nonetheless, given the large number of claims and potential claims, the indeterminate amounts sought, and the inherent unpredictability of litigation, it is possible that adverse outcomes, if any, in the aggregate, could have a material adverse effect on the Company's consolidated operating results.

Item 1A. RISK FACTORS

Investing in The Hartford involves risk. In deciding whether to invest in The Hartford, you should carefully consider the risk factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as amended and updated by Item 1A of Part II of the Company's Form 10-Q for the period ended March 30, 2020, which is incorporated herein by reference, any of which could have a significant or material adverse effect on the business, financial condition, operating results or liquidity of The Hartford. This information should be considered carefully together with the other information contained in this report and the other reports and materials filed by The Hartford with the SEC.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

In February, 2019, the Company announced a $1.0 billion share repurchase authorization by the Board of Directors which is effective through December 31, 2020. During the period from April 1, 2020 to July 28, 2020, the Company did not repurchase any common shares under this authorization. Any repurchase of shares under the remaining equity repurchase authorization of $650 is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity.

Item 5. Other Information

On July 30, 2020, the Company announced an operational transformation and cost reduction plan it refers to as Hartford Next. For a discussion of Hartford Next, including the expected restructuring and other costs and expected expense savings through 2022, refer to Operational Transformation and Cost Reduction Plan in The Hartford's Operations section within the MD&A.

Item 6. EXHIBITS

See Exhibits Index on page 124.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE QUARTER ENDED JUNE 30, 2020
FORM 10-Q
EXHIBITS INDEX

Exhibit No.	Description	Form	File No.	Exhibit No	Filing Date
3.01	Restated Certificate of Incorporation of The Hartford, as filed with the Delaware Secretary of State on October 20, 2014.	8-K	001-13958	3.1	10/20/2014
3.02	Amended and Restated By-Laws of The Hartford, amended effective July 21, 2016.	8-K	001-13958	3.1	7/21/2016
15.01	Deloitte & Touche LLP Letter of Awareness.**				
31.01	Certification of Christopher J. Swift pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**				
31.02	Certification of Beth A. Costello pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**				
32.01	Certification of Christopher J. Swift pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				
32.02	Certification of Beth A. Costello pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**				
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema.**				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.**				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.**				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.**				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.**				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in Inline XBRL.				
*	Management contract, compensatory plan or arrangement.				
**	Filed with the Securities and Exchange Commission as an exhibit to this report.				

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	The Hartford Financial Services Group, Inc.
	(Registrant)
Date: July 30, 2020	/s/ Scott R. Lewis
	Scott R. Lewis
	Senior Vice President and Controller
	(Chief accounting officer and duly authorized signatory)

Exhibit 15.01

July 30, 2020

The Board of Directors and Stockholders of The Hartford Financial Services Group, Inc.
One Hartford Plaza
Hartford, Connecticut 06155

We are aware that our report dated July 30, 2020, on our review of the interim financial information of The Hartford Financial Services Group, Inc. and subsidiaries appearing in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, is incorporated by reference in the following registration statements:

Form S-3 Registration No.	Form S-8 Registration Nos.
333-231592	333-105707
	333-49170
	333-105706
	333-34092
	033-80665
	333-12563
	333-125489
	333-157372
	333-160173
	333-168537
	333-197671

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut

Exhibit 31.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christopher J. Swift, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hartford Financial Services Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

/s/ Christopher J. Swift

Christopher J. Swift
Chief Executive Officer

Exhibit 31.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Beth A. Costello, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hartford Financial Services Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2020

/s/ Beth A. Costello

Beth A. Costello
Executive Vice President and Chief Financial Officer

Exhibit 32.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of The Hartford Financial Services Group, Inc. (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020	*/s/ Christopher J. Swift*
	Christopher J. Swift
	Chief Executive Officer

Exhibit 32.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2020 of The Hartford Financial Services Group, Inc. (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 30, 2020

/s/ Beth A. Costello

Beth A. Costello
Executive Vice President and Chief Financial Officer