
# The Hartford's Third Quarter 2023 Financial Results

The Hartford Financial Services Group, Inc. | October 26, 2023

THE HARTFORD

# SAFE HARBOR STATEMENT

Certain statements made in this presentation should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about The Hartford's future results of operations. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ, including those discussed in The Hartford's news release issued on October 26, 2023, The Hartford's Quarterly Reports on Form 10-Q, The Hartford's 2022 Annual Report on Form 10-K, and other filings we make with the U.S. Securities and Exchange Commission. We assume no obligation to update this presentation, which speaks as of today's date.

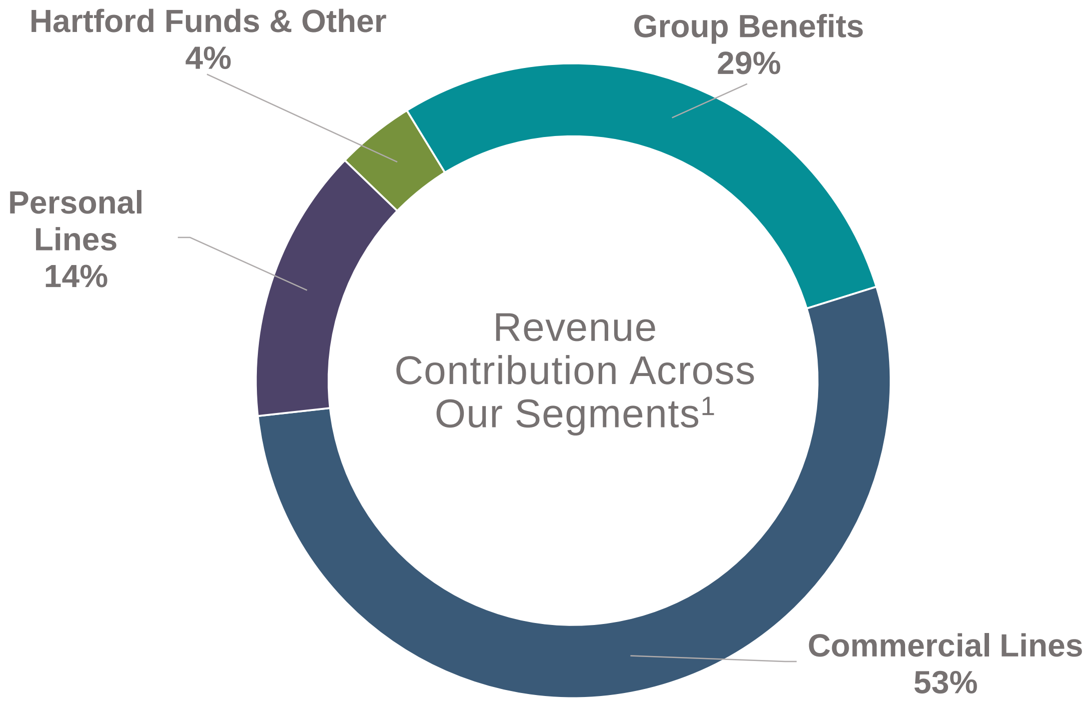
The discussion in this presentation of The Hartford's financial performance includes financial measures that are not derived from generally accepted accounting principles (GAAP). Information regarding these non-GAAP financial measures is provided in the appendix to this presentation, the news release issued on October 26, 2023 and The Hartford's Investor Financial Supplement for third quarter 2023 which is available at the Investor Relations section of The Hartford's website at **https://ir.thehartford.com**.

From time to time, The Hartford may use its website and/or social media outlets, such as Twitter and Facebook, to disseminate material company information. Financial and other important information regarding The Hartford is routinely accessible through and posted on our website at **https://ir.thehartford.com.** In addition, you may automatically receive email alerts and other information about The Hartford when you enroll your email address by visiting the "Email Alerts" section at **https://ir.thehartford.com**.

# THE HARTFORD

## Diversified insurer with core strengths and market leadership

- **Market leader** in desirable segments with high return characteristics
- Delivering consistently strong results across **diversified businesses** with significant contribution from investment portfolio
- Leveraging **core strengths** of underwriting excellence, risk management, claims, products and distribution
- Investing in **differentiating capabilities** to strengthen competitive advantage to enable profitable growth
- **Ethics, people and performance** driven culture




**Unique portfolio of complementary underwriting businesses all contributing to our success.**

[1] Revenue contribution is for the trailing 12-months, excluding the corporate segment, for the period ended September 30, 2023

# THIRD QUARTER 2023 – DISCIPLINED EXECUTION

## The Hartford delivered…

**Growth:**

- P&C net written premium growth of 8%
- Group Benefits fully insured ongoing premium growth of 8%

**Profitability:**

- Commercial Lines combined ratio of 90.2 and underlying combined ratio[1] of 87.8
- Group Benefits core earnings margin[1] of 9.8%

**Balance sheet & capital management:**

- Proactive capital management – repurchased $350 million of shares and paid $131 million in common stockholder dividends in 3Q23
- Year to date, the company has returned $1.45 billion to stockholders including $1.05 billion in share repurchases and $0.4 billion in common stockholder dividends paid

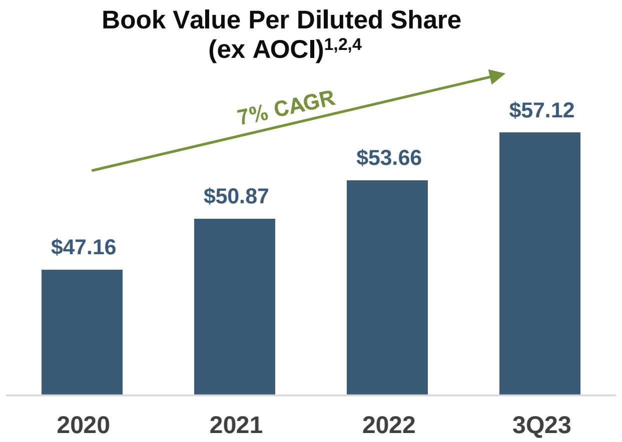
**Superior risk-adjusted returns:**

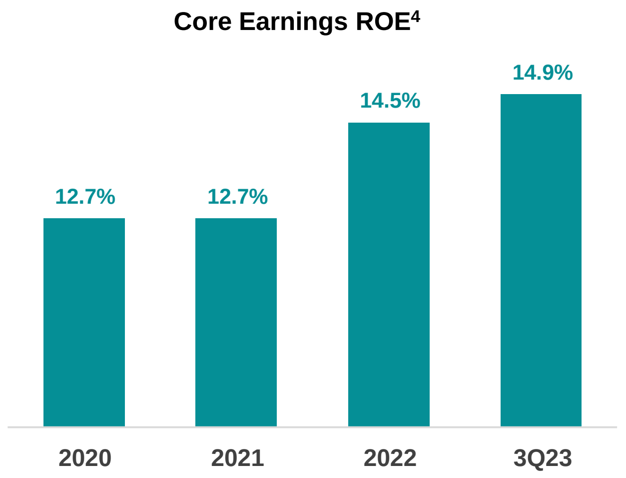
- 14.9% core earnings return on equity (ROE)[1,3]

**High Quality Investment Portfolio:**

- A+ overall average credit rating with net investment income of $597 million, before tax, benefiting from an increase in fixed maturities which had a 4.1% yield, before tax, a 10-basis point increase from 2Q23

**Maximizing Value Creation for All Stakeholders**




[1] Denotes financial measure not calculated based on GAAP
[2] Accumulated other comprehensive income
[3] ROE based on trailing 12-month average common equity, ex. AOCI and trailing 12-month core earnings
[4] 2020 values do not reflect the adoption of updated FASB guidance on accounting for long duration insurance contracts; however, the impact of such guidance on Company results for the other periods shown is immaterial

# 3Q23 CORE EARNINGS[1] OF $708 MILLION, EPS[1,2] OF $2.29, ROE[1,3] OF 14.9%

| **Core Earnings (loss) By Segment** *($ in millions, except per share amounts)* | **3Q23** | **3Q22** | **Change[4]** |
|---|---|---|---|
| Commercial Lines | $542 | $363 | 49% |
| Personal Lines | (8) | (28) | 71% |
| P&C Other Operations | 11 | 10 | 10% |
| **Property & Casualty Total** | 545 | **345** | **58%** |
| Group Benefits | 170 | 117 | 45% |
| Hartford Funds | 45 | 47 | (4)% |
| **Sub-total** | 760 | **509** | **49%** |
| Corporate | (52) | (37) | (41)% |
| **Core earnings** | **708** | **472** | **50%** |
| Net realized losses, before tax | (76) | (166) | 54% |
| Restructuring and other costs, before tax | (1) | (3) | 67% |
| Integration and other non-recurring M&A costs, before tax | (2) | (5) | 60% |
| Income tax benefit | 16 | 36 | (56)% |
| **Net income available to common stockholders** | **645** | **334** | **93%** |
| Add back: Preferred stock dividends | 6 | 6 | —% |
| **Net Income** | **$651** | **$340** | **91%** |
| **Core earnings per diluted share** | **$2.29** | **$1.45** | **58%** |
| **Net income available to common stockholders per diluted share** | **$2.09** | **$1.02** | **105%** |
| Wtd. avg. diluted shares outstanding | 309.0 | 326.3 | (5)% |
| Common shares outstanding and dilutive potential common shares | 306.8 | 323.7 | (5)% |
| Book value per diluted share | $43.50 | $39.13 | 11% |
| Book value per diluted share (excluding AOCI)[1] | $57.12 | $52.65 | 8% |
| Net income ROE, last 12 months | 17.7% | 12.8% | 4.9 pts. |
| Core earnings ROE, last 12 months | 14.9% | 14.3% | 0.6 pts. |

[1] Denotes financial measure not calculated based on GAAP
[2] Core earnings per diluted share (EPS)
[3] Core earnings ROE
[4] The Hartford defines increases or decreases greater than or equal to 200%, or changes from a net gain to a net loss position, or vice versa, as "NM" or not meaningful

# 3Q23 KEY BUSINESS HIGHLIGHTS VS. 3Q22

## PROPERTY & CASUALTY

Strong contribution from Commercial Lines with growth across the segment

| Written premiums | Combined ratio (%) | Underlying combined ratio[1] (%) |
|---|---|---|
| $3.9B ▲ 8% | 94.0 ▼ 3.7pts | 90.3 ▼ 0.5 pts |

| | Written premiums | | | Combined ratio (%) | | | Underlying combined ratio[1] (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Commercial Lines** | **$3.0B** | ▲ | **8%** | **90.2** | ▼ | **4.1 pts.** | **87.8** | ▼ | **1.5 pts.** |
| Small Commercial | $1.2B | ▲ | 9% | 87.7 | ▼ | 1.6 pts. | 89.7 | ▲ | 1.2 pts. |
| Middle & Large Commercial | $1.0B | ▲ | 5% | 94.5 | ▼ | 6.2 pts. | 88.1 | ▼ | 5.6 pts. |
| Global Specialty | $730M | ▲ | 11% | 88.9 | ▼ | 5.3 pts. | 84.3 | ▼ | 0.2 pts. |
| **Personal Lines** | **$869M** | ▲ | **8%** | **107.9** | ▼ | **1.7 pts.** | **99.0** | ▲ | **3.1 pts.** |
| Auto | $596M | ▲ | 10% | 110.8 | ▼ | 2.4 pts. | 108.5 | ▲ | 5.9 pts. |
| Homeowners | $273M | ▲ | 4% | 101.4 | ▼ | 1.2 pts. | 78.1 | ▼ | 2.3 pts. |

## Group Benefits

Core earnings margin[1] of 9.8% and an 8% increase in premiums deliver profitable growth

| Fully Insured Ongoing Premiums | Core earnings margin | Life loss ratio (%) | Disability loss ratio (%) |
|---|---|---|---|
| $1.6B ▲ 8% | 9.8% ▲ 2.6 pts. | 80.2% ▼ 2.9 pts. | 67.3% ▼ 1.1 pts. |

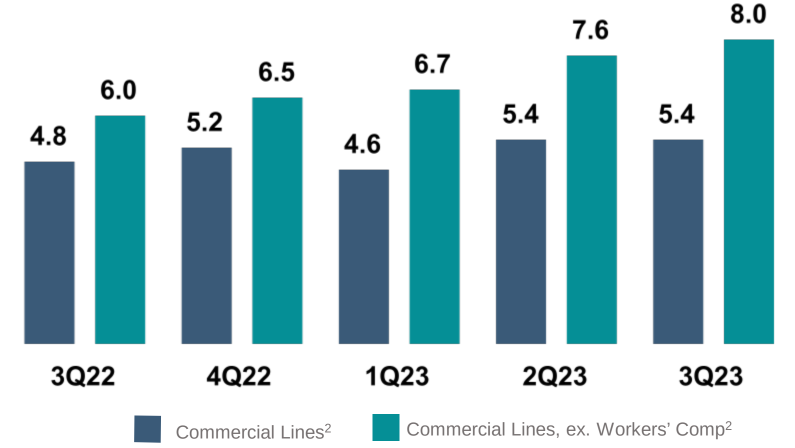
[1] Denotes financial measure not calculated based on GAAP

# COMMERCIAL LINES

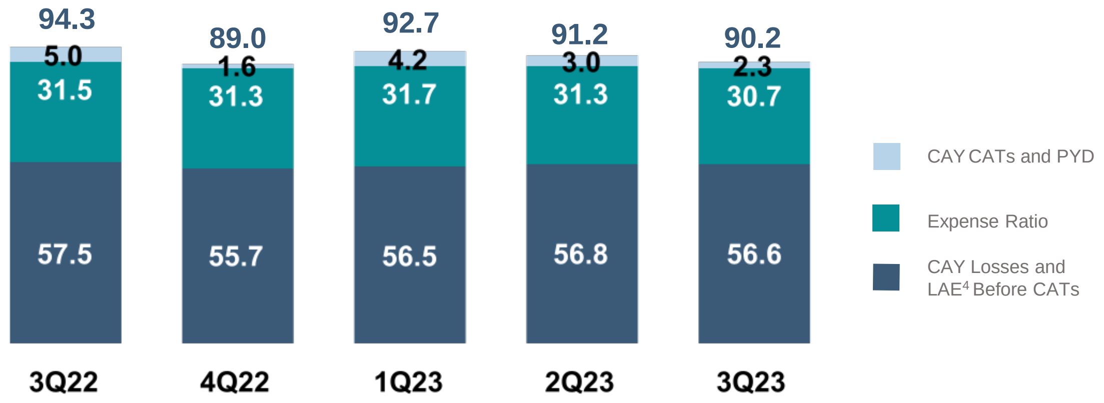
## Strong contributions from each business continue to deliver profitable growth

- Written premiums of $3.0 billion in 3Q23 increased 8% from 3Q22 with increases across the segment, including continued expansion in property lines, meaningful new business growth within Small Commercial and Global Specialty, and the effect of higher renewal written price increases
- High single digit renewal written price increases, excluding workers' compensation, in Small Commercial and Middle Market
- Combined ratio of 90.2 in 3Q23 compared to 94.3 in 3Q22 and underlying combined ratio[1] of 87.8 compared to 89.3 in 3Q22, primarily due to improvements in both the underlying loss and loss adjustment expense ratio and expense ratio
- Expense ratio of 30.7 improved 0.8 points from 3Q22 driven by the impact of higher earned premium, lower incentive-based compensation and incremental savings from the Hartford Next program

**Commercial Lines Renewal Written Pricing %**

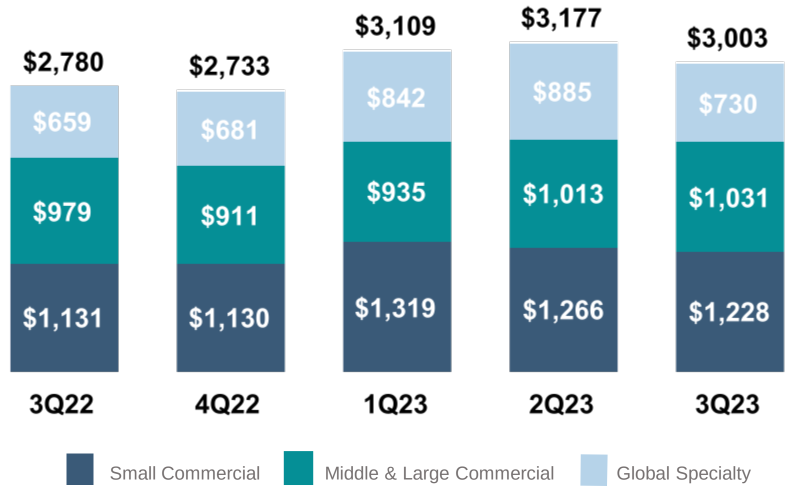



**Commercial Lines Combined Ratio[3]**




**Commercial Lines Written Premiums[5]**

($ in millions)




[1] Denotes financial measure not calculated based on GAAP

[2] Excludes Middle Market loss sensitive and programs businesses, Global Re, offshore energy policies, credit and political risk insurance policies, political violence and terrorism policies, and any business under which the managing agent of our Lloyd's Syndicate 1221 delegates underwriting authority to coverholders and other third parties

[3] Combined ratio includes policyholder dividends ratio

[4] Loss adjustment expense (LAE)

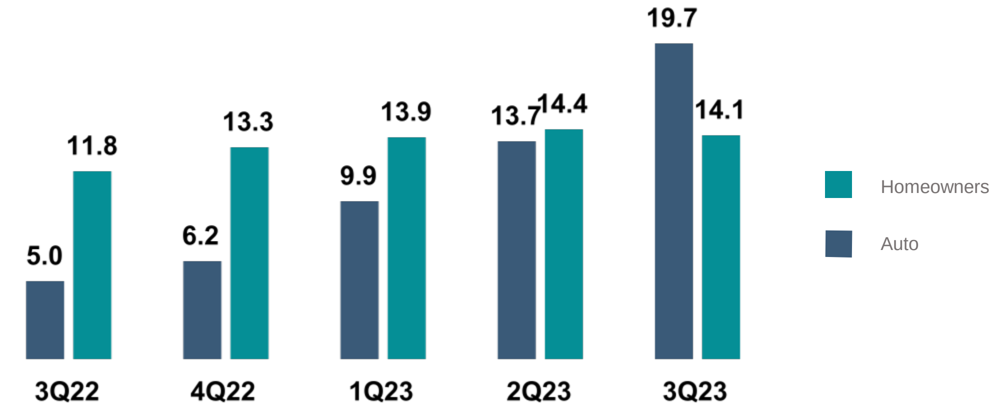
[5] Commercial Lines written premiums include immaterial amounts from Other Commercial

# PERSONAL LINES

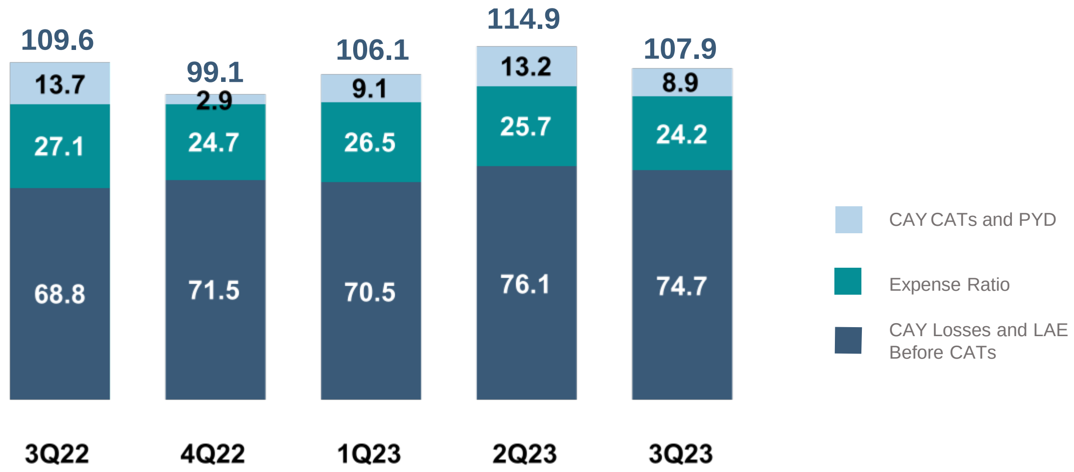
Double-digit rate actions being taken to address higher auto claim loss costs

- Written premiums of $869 million increased by 8% compared to 3Q22
- Renewal written price increase in auto of 19.7% in 3Q23 compared to 5.0% in 3Q22 and 13.7% in 2Q23, and in home, 14.1% in 3Q23 compared to 11.8% in 3Q22 and 14.4% in 2Q23
- Combined ratio of 107.9 in 3Q23 compared to 109.6 in 3Q22, primarily driven by a decrease in CAY CATs of 6.4 points, partially offset by a 5.9 point increase in the underlying loss and loss adjustment expense ratio and a change from favorable PYD in 3Q22 to unfavorable in 3Q23
- Underlying combined ratio[1] of 99.0 compared to 95.9 in 3Q22 primarily due to the increase in auto losses, partially offset by a 2.9 point improvement in the expense ratio primarily driven by lower marketing spend

**Personal Lines Written Price Increases %**

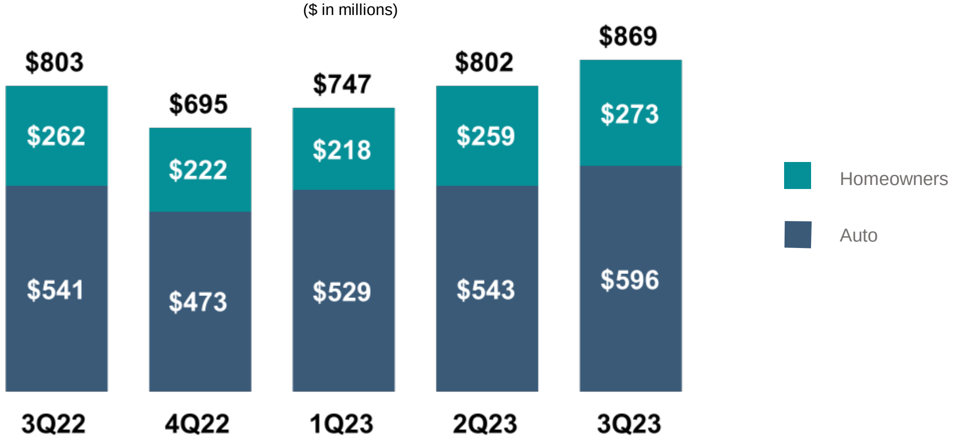



**Personal Lines Combined Ratio**




**Written Premiums**

($ in millions)




[1] Denotes financial measure not calculated based on GAAP

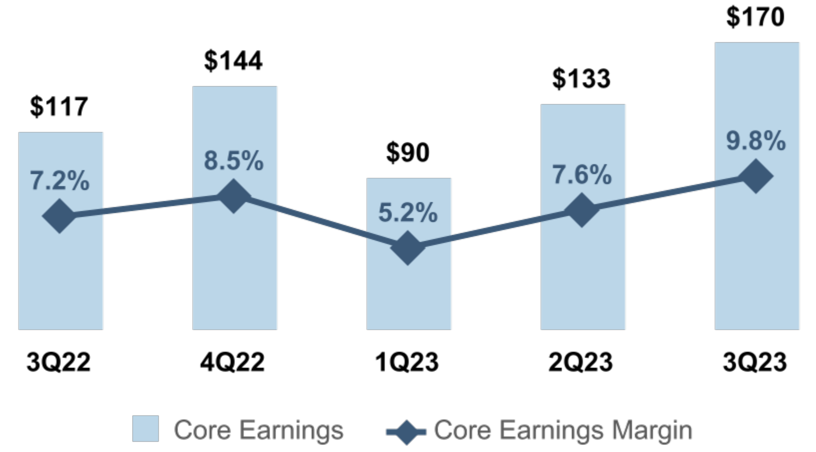
# GROUP BENEFITS

## Top line growth and strong margins in 3Q23

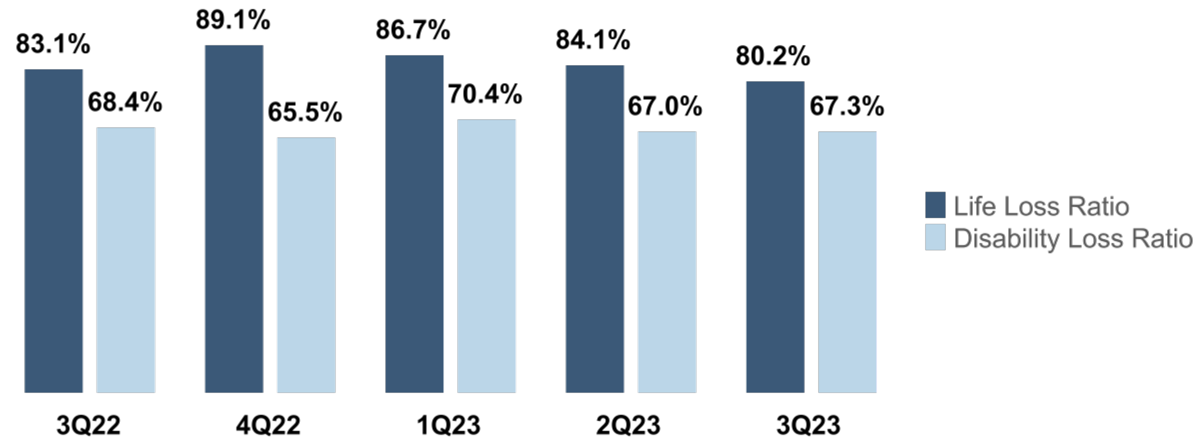
- Core earnings margin[1] of 9.8% compared with 7.2% in 3Q22, reflecting earnings generated from growth in fully insured premiums, strong disability results, and improved mortality experience
- The loss ratio of 70.2% improved 2.6 points from 3Q22 driven by a strong disability loss ratio reflecting favorable long-term disability claim recoveries and a lower level of mortality in group life
- 3Q23 fully insured ongoing premiums increased 8% from 3Q22 driven by strong persistency, new business sales, and an increase in exposure on existing accounts
- Expense ratio of 24.0% improved 1.4 points from 3Q22 primarily due to the effect of higher earned premiums, incremental expense savings from Hartford Next and lower incentive compensation

**Core Earnings[1] and Core Earnings Margin**

($ in millions)

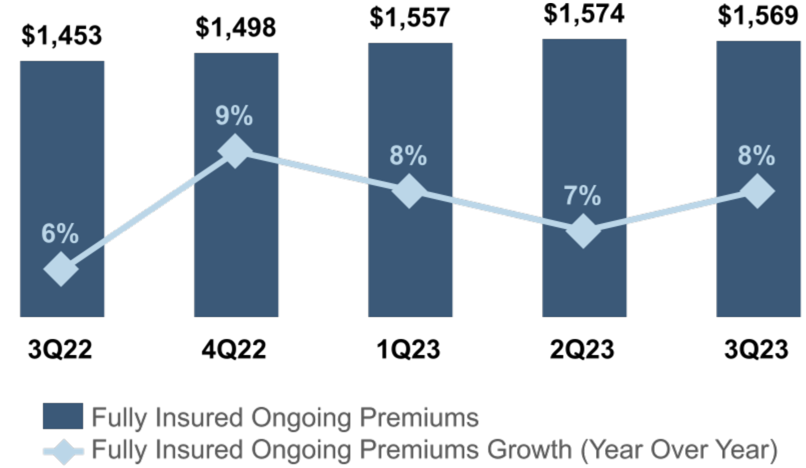



**Loss Ratio**




**Fully Insured Ongoing Premiums & Growth**

($ in millions)



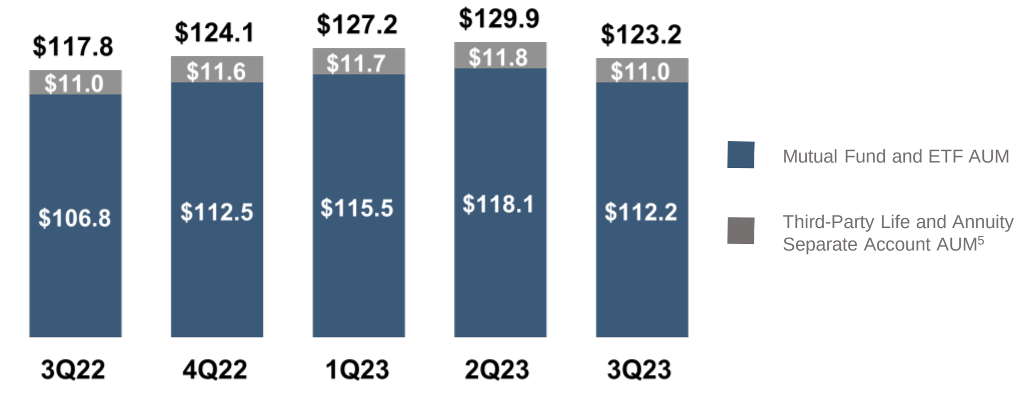

[1] Denotes financial measure not calculated based on GAAP

# HARTFORD FUNDS

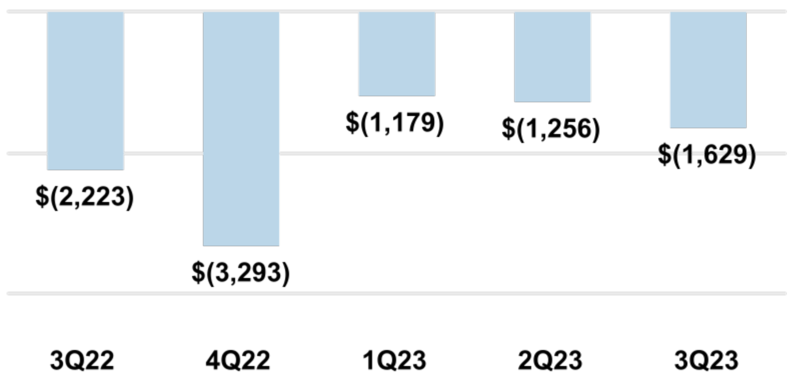
## High return, fee generating business

- Core earnings[1] of $45 million in 3Q23 compared to $47 million in 3Q22 due to:
  - Higher net investment income
  - Offset by lower fee income, net of lower variable expenses, resulting from a decrease in daily average AUM
- Mutual fund and Exchange-traded funds (ETF) net outflows of $1.6 billion in 3Q23, compared with net outflows of $1.3 billion in 2Q23
- 56% of overall funds are outperforming peers on a 1-year basis[3], 47% on a 3-year basis[3], 63% on a 5-year basis[3] and 71% on a 10-year basis[3]
- 53% of funds are rated 4 or 5 stars by Morningstar as of September 30, 2023
  - 81% are rated 3 stars or better

**Total AUM[4]**
($ in billions)




**Mutual Fund and ETF Net Flows[2]**
($ in millions)




[1] Denotes financial measure not calculated based on GAAP
[2] Includes Mutual fund AUM (mutual funds sold through retail, bank trust, registered investment advisor and 529 plan channels) and ETFs. Excludes third-party Life and Annuity Separate Account
[3] Hartford Funds (non HLS) and ETFs on Morningstar net of fees basis at September 30, 2023
[4] Includes Mutual Fund, ETF and third-party life and annuity separate account AUM as of end of period
[5] Represents AUM of the life and annuity business sold in May 2018 that are still managed by Hartford Funds

# CORPORATE

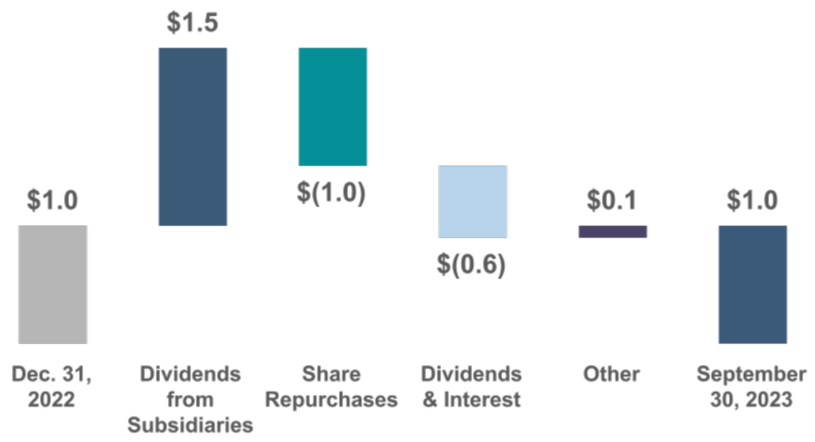
Core loss[1] of $52 million compared to a core loss of $37 million in 3Q22

### Components of Corporate Core Losses

| ($ in millions) | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 |
|---|---|---|---|---|---|
| Net investment income, after tax | $6 | $11 | $8 | $6 | $10 |
| Interest expense, after tax | (40) | (40) | (40) | (40) | (40) |
| Preferred stock dividends | (6) | (5) | (5) | (5) | (6) |
| All other[2,3], after tax | 3 | 1 | 2 | 4 | (16) |
| **Corporate core losses** | **$(37)** | **$(33)** | **$(35)** | **$(35)** | **$(52)** |

### Corporate Holding Company Resources

($ billion)

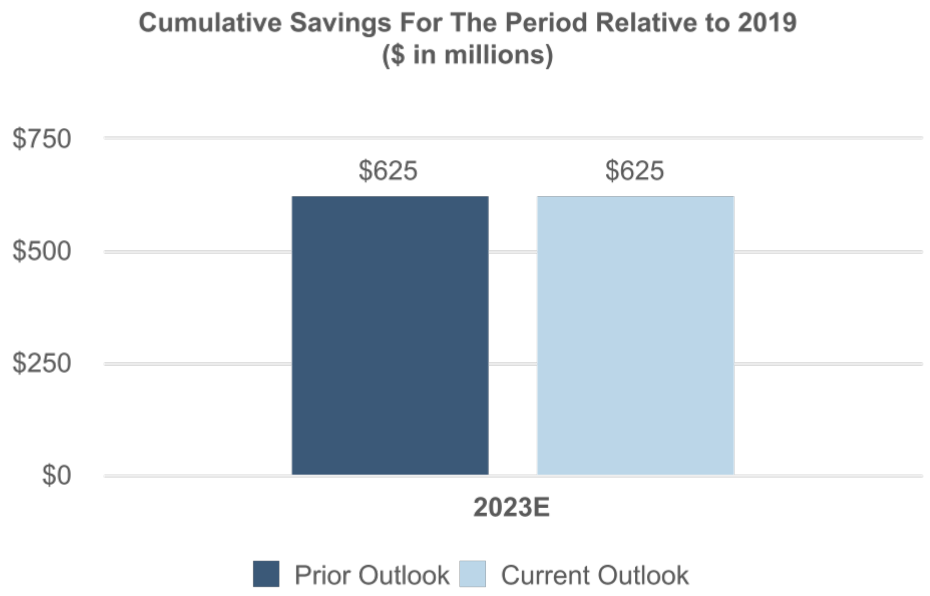



[1] Denotes financial measure not calculated based on GAAP
[2] Includes investment management fees and expenses related to managing third-party business, incurred losses related to run-off structured settlement and terminal funding agreement liabilities, stranded costs and other corporate expenses
[3] For the third quarter of 2023, includes an after tax $11 million capital-based state tax expense covering several years recorded in the 2023 period related to recently released guidance

## HARTFORD NEXT
Initiative is on track, with savings of $625M in 2023

### Updated Hartford Next Assumptions

- Hartford Next savings in line with previous estimates
- Current estimated expenses for the program are $390M, with impacts to core and non-core expenses, including ~$66M of amortization and other costs to be incurred after 2023




**Updated Estimated Core Earnings[1] Impact**

($ in millions)

| | YTD September 2023 | FY 2023E |
|---|---|---|
| Cumulative Savings Relative to 2019 | $473 | $625 |
| Core expenses | ($24) | ($30) |
| Core Earnings Improvement (p/t) | $449 | $596 |
| Core Earnings Improvement (a/t)[2] | $355 | $471 |

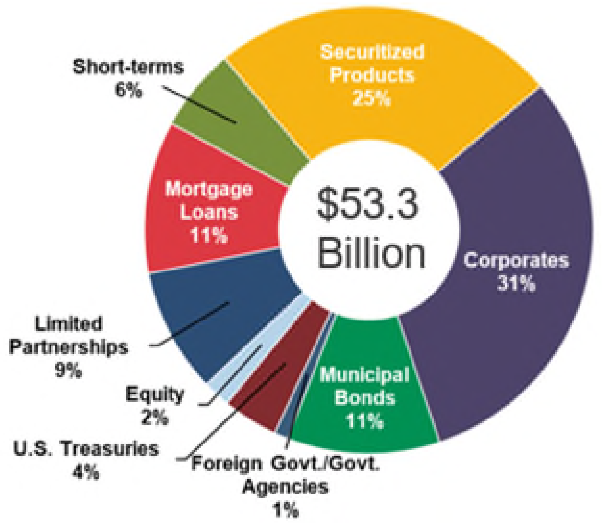
[1] Denotes financial measure not calculated in GAAP
[2] After tax impact, assuming corporate tax rate of 21%

# THE INVESTMENT PORTFOLIO
## High quality and diversified

- Net investment income of $597 million benefited from an increase in fixed maturities yield of 4.1%, before tax, a 10-basis point increase from 2Q23
- LP[1] annualized yield of 6.3%, or $72 million, before tax, driven by solid returns on private equity funds
- High quality portfolio, approximately 96% of the credit portfolio is investment grade, with over 70% of fixed maturities rated A or better, and an overall average credit rating of A+
- Investment portfolio designed to generate attractive risk adjusted returns to support our financial goals and objectives

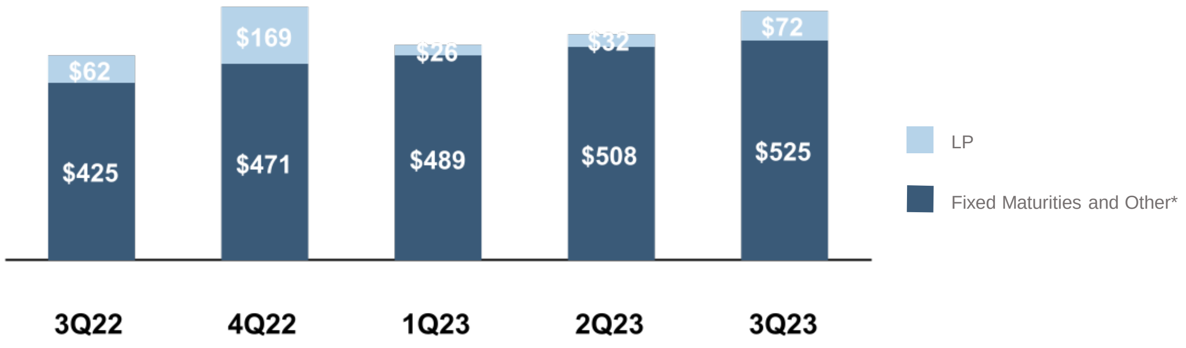
**Invested Assets[3,4] by Sector**

$53.3B as of September 30, 2023

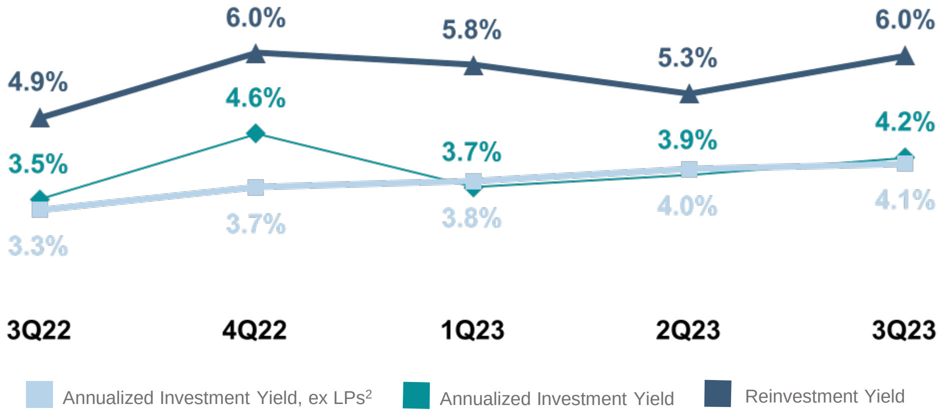



**Net Investment Income**

($ in millions)




**Annualized Investment Yield, Before Tax**




* Includes investment expenses of $18 million, $21 million, $24 million, $23 million and $22 million in 3Q22, 4Q22, 1Q23, 2Q23, and 3Q23 respectively

[1] Limited partnerships and other alternative investments

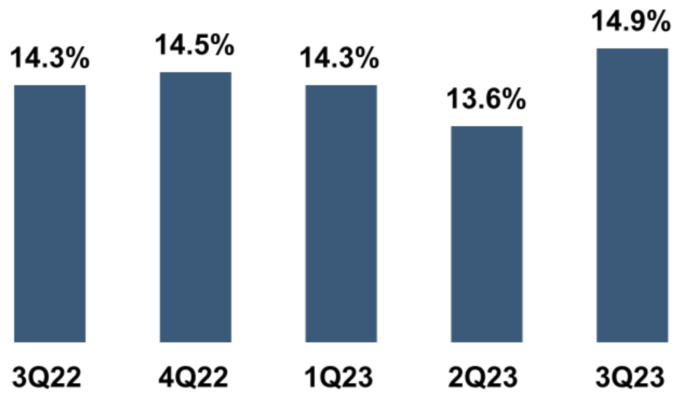
[2] Denotes financial measure not calculated based on GAAP

[3] Invested assets represents fixed and equity securities at fair value, mortgage loans at amortized cost and LPs based on underlying capital statements

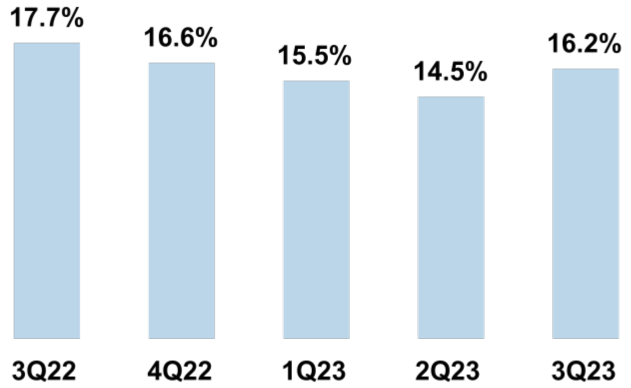
[4] Securitized Products include Fixed Maturities, FVO

# CORE EARNINGS ROE[1] OF 14.9% IN 3Q23

Consolidated Core Earnings ROE




P&C Core Earnings ROE




**Net income ROE of 17.7% versus 12.8% in 3Q22**

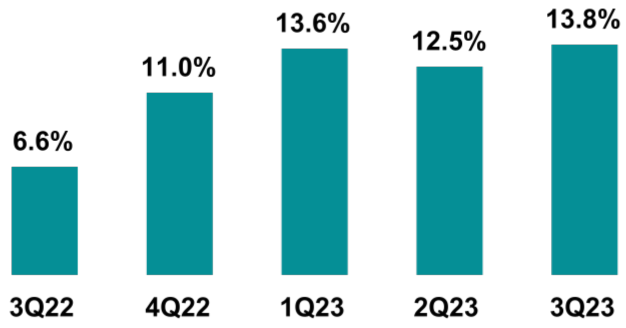
**Core earnings ROE of 14.9% versus 14.3% in 3Q22**

- 3Q23 trailing 12-month core earnings[1] increased 6% to $2.58 billion from $2.44 billion in 3Q22

**Core earnings ROE remained strong**

- Group Benefits: 13.8% in 3Q23 versus 6.6% in 3Q22
- P&C: 16.2% in 3Q23 versus 17.7% in 3Q22
- Hartford Funds: 40.5% in 3Q23 versus 52.8% in 3Q22

Group Benefits Core Earnings ROE

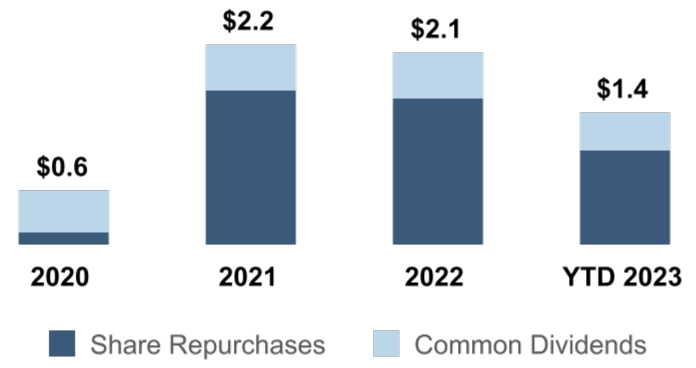



[1] Denotes financial measure not calculated in GAAP

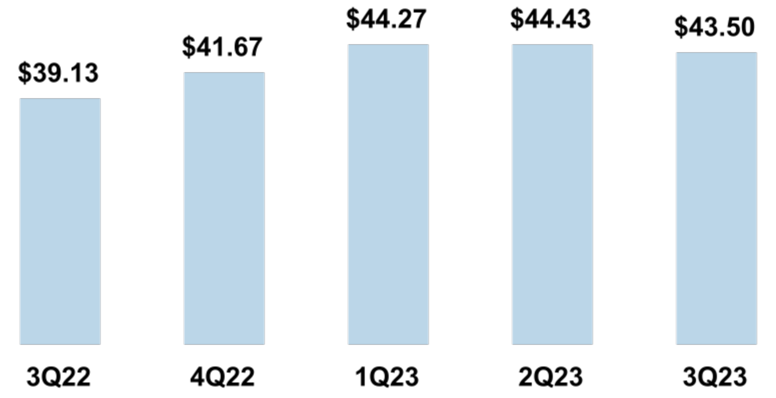
# BVPS (EX. AOCI)[1] OF $57.12 AT SEPTEMBER 30, 2023

- Book value per diluted share of $43.50 increased from $41.67 at December 31, 2022, principally due to net income in excess of stockholder dividends through September 30, 2023
- In 3Q23, the company returned $481 million to stockholders including $350 million in share repurchases and $131 million in common stockholder dividends paid
- Year to date, the company has returned $1.45 billion to stockholders including $1.05 billion in share repurchases and $0.4 billion in common stockholder dividends paid
- Including common stockholder dividends paid, SVC[2] was 12% over last 12 months

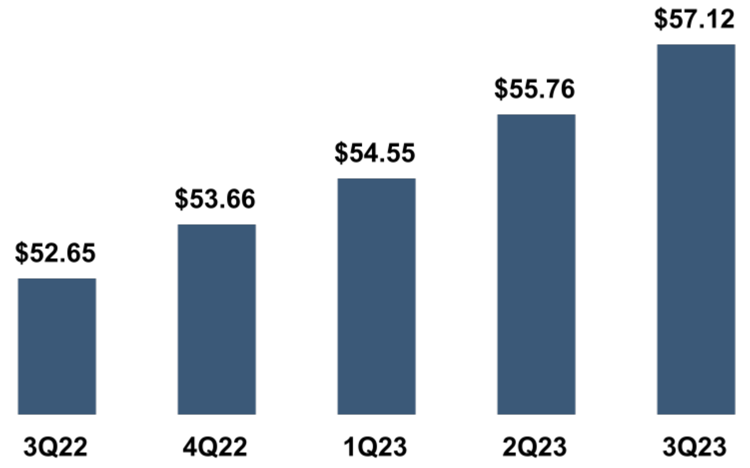
**Capital Returned to Stockholders**
($ in billions)




**Book Value Per Diluted Share (BVPS)**




**Book Value Per Diluted Share (ex. AOCI)**




[1] Denotes financial measure not calculated in GAAP
[2] Stockholder value creation (SVC) in a period is defined as the change in BVPS (ex. AOCI) plus common stockholder dividends paid during the period, divided by BVPS (ex. AOCI) at beginning of period

# THE HARTFORD'S PRIORITIES

## Our focused strategies to produce desired outcomes

- Advance leading **underwriting capabilities** across our portfolio to offer expanded products and services
- Emphasize **digital, data and analytics, and data science** that enhance the customer experience and improve underwriting and claims decision making
- Maximize **distribution channels and product breadth** to increase market share
- Optimize **organizational efficiency** with a focus on continuous improvement
- **Balance of excess capital** for organic growth, investments in the business, and return to stockholders through dividends and share repurchases
- Continue to advance **ESG leadership** in order to attract and retain top talent and enhance value to stakeholders

# STOCKHOLDER VALUE CREATION

## A clear roadmap to generate superior risk-adjusted returns

| Accelerated Growth | Leading Risk-Adjusted Returns | Compelling Total Stockholder Return | Value Enhancement |
|---|---|---|---|
| Accelerate **profitable organic growth** across all businesses | Unwavering focus on **ROE performance**, driven by underwriting excellence | Consistent generator of **excess capital**, optimizing superior returns | Ethical culture supported by **industry-leading ESG** practices |
| • Advancement of underwriting capabilities<br>• Maximization of multi-channel distribution relationships<br>• Leverage product breadth | • Balanced risk profile and underwriting discipline<br>• Advanced analytics and data science<br>• Continuous improvement and operating efficiency | • Investments in organic growth<br>• Dividends<br>• Share repurchases | • Ethics at the core of the business<br>• Maintain outstanding ESG track record<br>• Specific steps to strengthen ESG leadership |

**Maximize Value Creation for All Stakeholders**

# DISCUSSION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

# DISCUSSION AND RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The Hartford uses non-GAAP financial measures in this presentation to assist investors in analyzing The Hartford's operating performance for the periods presented herein. Because The Hartford's calculation of these measures may differ from similar measures used by other companies, investors should be careful when comparing The Hartford's non-GAAP financial measures to those of other companies. Definitions and calculations of non-GAAP and other financial measures used in this presentation can be found in The Hartford’s news release issued on October 26, 2023, The Hartford’s Investor Financial Supplement for third quarter 2023 and The Hartford’s first quarter 2023 Financial Results Presentation which are available at the Investor Relations section of The Hartford’s website at https://ir.thehartford.com.