S&P Global
Market Intelligence

The Hartford Financial Services Group, Inc.

NYSE:HIG

Company Conference Presentation

Monday, February 26, 2024 5:10 PM GMT

COPYRIGHT © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Table of Contents

Call Participants 3

Presentation 4

Question and Answer 5

COPYRIGHT © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Call Participants

EXECUTIVES

Beth A. Costello
Executive VP & CFO

Christopher Jerome Swift
Chairman & CEO

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Brian Robert Meredith
UBS Investment Bank, Research Division

All right. Why don't we get started? Thanks, everybody, for joining us for this next presentation. I'm Brian Meredith. I am the insurance analyst here at UBS. And it gives me great pleasure to do a fireside chat here with The Hartford. With us is Chairman and CEO, Chris Swift; and CFO, Beth Costello.
I'm going to ask a series of questions to kind of flesh out what's going on with the story. But I'm sure, as you're all aware, on your table, there is a little bar code, I guess, that you can ask a question and I'll get it in this iPad. So any good zingers for them, please send them through. They can be anonymous also. And then also, a little bit later, there'll be a microphone we can pass around as well for questions.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Brian Robert Meredith
UBS Investment Bank, Research Division

The way I thought we kind of start off, Chris, is kind of a big picture one. Let's talk about Hartford's kind of key strategic priorities for 2024, and then maybe a little bit longer, but 2024 kind of key strategic priorities.

Christopher Jerome Swift
Chairman & CEO

Sure. Well, thank you for inviting Beth and I to be with you here at your conference. As I teased you before, it's a nice fireside, but we should have a beachside session next year. So anyways. So the strategic orientation of the firm, I would say, is generally going to remain the same. I think if you observed our actions over the last, say, 7 to 10 years, I mean, there's a lot of investing in capabilities to differentiate ourselves in a fairly competitive landscape.

Orientation tends to be more of the small to middle-sized enterprises, coupled with, I think, an outstanding Group Benefits business and investment in a mutual fund operation. So a lot of the investing that we've done over the years, Brian, I think, has helped us tremendously.

And if I take that to the next level of activities, really, what we're focused on is underwriting excellence. And that has an investing component, too, particularly with our data science, data and analytics. We have a customer orientation, customer experience that comes through our digital capabilities in all our channels. We have a talent component of retaining and attracting talent that, I think, we need for the future as we build out some of these additional capabilities.

And then, finally, I would say, what we choose to do with our excess capital, I think, has been really thoughtful and balanced over the last 7 or 8 years. So as we sit here today, you could say more of the same: underwriting excellence, maybe deeper product sets into parts of our economy, industry verticals. But I would just say more of the same, and using all our capabilities, our brand, our great distribution to better penetrate, particularly in the commercial insurance sector.

Brian Robert Meredith
UBS Investment Bank, Research Division

Let's stay on that for a little bit. So I remember a conversation maybe 6 months ago talking a little bit about how Hartford's kind of progressed here with products and acquisitions and stuff. Maybe talk about your competitive positioning today in the commercial insurance market versus, let's say, 10 years ago, right? And where can we expect Hartford to be in the next 5 to 10 years?

Christopher Jerome Swift
Chairman & CEO

Well, I think it's pretty simply just night and day compared to 10 years ago, coming out of still the financial crisis at that time, restructuring the firm, selling things and then eventually acquiring capabilities that I thought would benefit us. So really proud of where we're at today. It has been a complete team effort over that period of time to put us in the position these days.

But if you really look at it, we're diversifying away from our workers' comp product line, which is industry-leading, but it was a little more concentrated. You heard us talk about property. We've invested in property underwriting skills, risk management tools, other segmentation tools that allows us to take on more of that risk.

We have an E&S chassis coming with Navigators, primarily focused in the construction area. So we want to move into other aspects or other industry verticals, even in E&S. If you look at our ability to cross-sell more lines per account, it's getting deeper and deeper every year.

If you look at Small Commercial, what we've invested in over the last 10 years to have a digital platform that is just highly, highly automated, $5 billion of premium. And the next real growth journey there is E&S. E&S, through our binding division, or E&S through direct wholesale interaction with our Small Commercial chassis.

And then you put in Group Benefits. When we did the Aetna acquisition, we created the second largest benefits player at that time. We continue to grow our voluntary product set to augment and supplement our core Life and Disability.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

But I would say that the real strategic orientation in Group these days is more about leave management and the administration of all the leaves that are available to an organization. Plus the second main strategy is [500 lives and less], we need to be more competitive. There are some good firms out there that are just better at that [500 and lives less], and we have some strategies that we'll begin to deploy this year into next to try to capture more market share there.

Brian Robert Meredith
UBS Investment Bank, Research Division

That's helpful. What about...

Beth A. Costello
Executive VP & CFO

I'll just add. I just want to make the point. As Chris said, we've been doing all of that as we look at how we're positioned. And we're also delivering, I would say, industry-leading returns. You've seen our ROE progression over that same period and where we are today. So when you put all of that together, all the things that Chris just said, and delivering the returns that we are delivering, we're just very proud of everything that we're doing.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. Maybe another thing, too, I'm just curious about and been asking companies about is use of generative AI. Obviously, everybody wants to know about it, with NVIDIA and everything going on. Where are you at The Hartford? I know you're spending a lot of money on technology and stuff and using it. And what are the kind of good applications for that, for the insurance business?

Christopher Jerome Swift
Chairman & CEO

Yes. I would just take a moment to just remind people in context, right? AI, there's a lot of different definitions of AI. You can argue, over the last 4 or 5 years, we were doing a lot in the AI area with basic data science models, basic models that were helping us price risk segment the market a little bit better, basically deliver quotes in Small Commercial with 2 or 3 questions. I mean, that was all powered by data science, which is a form of AI.

I think now what you're talking about is more the generative language models that are existing today. And I would say, we've done experimentation in a safe and prudent way internally, not externally, like our secret sauce being spread all over the world. So that's one thing. We probably had maybe 3 areas of focus that we're moving more into, I would say, a production orientation and trying to get tools developed and embedded in our workflows and processes to augment our human talent.

And those 3 areas would be underwriting, not surprising. Claims management. Think in terms of claims, what is the next best decision in a workers' comp area that involves a lot of medical area? What we have deployed right now is a medical record summarization.

So we're able to ingest medical records, and then using ChatGPT to summarize those medical records for at least the claimant -- or excuse me, the adjuster to see that. Nothing is embedded in the workflows yet as far as the next recommended decision. But that will be an evolution over the next couple of years to really start to augment human decision-making.

And then finally, and I know you love this area, in the software area and coding. We are finding meaningful opportunities to again contribute to our developer-coders productivity in the range of 15% to 25% with using some of the generative tools out there in coding.

Brian Robert Meredith
UBS Investment Bank, Research Division

Excellent. I guess I code in BASIC. So let's flip on to kind of a hot topic right now in the commercial lines insurance industry, and we're all taking a look at these triangles as we're coming out in the 10-Ks, right? And you all have your 10-K that came out, and I had my chance to kind of review it and look at it. And I'll be honest with you, it looked pretty good relative to everybody else.

Christopher Jerome Swift
Chairman & CEO

I didn't hear you. Say that again?

Brian Robert Meredith

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

UBS Investment Bank, Research Division

Pretty good. Looked pretty good. So a little adverse development on '16 through '19, right, just a little bit. So maybe talk a little bit about the triangles, what's going on there in the '16 to '19 years? Are we kind of getting closer to the end of kind of the potential development here just because of the life of the reserve and where are we on pay trends? So maybe talk a little bit about kind of where we are, and then any impact it will have on 2021, '22?

Christopher Jerome Swift
Chairman & CEO

Yes. How about if we -- you want to tag team? Yes, I would just start out by saying, yes, I mean, the data, particularly in the auto liability and general liability space, was erratic at best during that period of time. I think if you look at over the last 8 to 12 quarters, we've had to make adjustments, true-ups. I wouldn't say anything sort of outsized, but just true-ups for some of the trends that we were seeing.

I think the good thing, though, again, mechanically, as you know, Brian, when you make those true-ups, that then rips forward in all your, call it, subsequent quarters from a loss cost trend. And that's why we've been so disciplined over the last 8 quarters on getting rate into the book, particularly in those 2 lines of business, commercial auto and general liability. And you could say general liability property, general liability umbrella and general liability access. All those, we need to continue to be very disciplined about keeping up with loss cost trends.

And that's why, again, when we talked about '24 from a high-level financial performance side, we commented upon that we are going to continue to get that high single to low double-digit rate in most of our liability lines because of the trends that we're observing. We're going to continue to push for double digits in property because, reality is, loss cost trends are still elevated, and we're going to remain disciplined.

Beth A. Costello
Executive VP & CFO

Yes. I think Chris covered off on it well. I think as you continue to look at our triangles, I don't think you're going to see anything in there that's inconsistent with what we've been saying all year. We're pretty transparent throughout the year about when we take actions and what lines we're strengthening and what lines we're releasing in. And as Chris alluded to, we did take some modest increases in some of the liability lines, but again, not outsized.

And then as you mentioned, commercial auto has also been an area of focus, some a little bit more in the more recent years. As you know, we did increase our calls on commercial auto for this year and a little bit from last year. And as Chris commented, our focus on that is really then getting rate and, again, looking for double-digit rates. So I think we have a good process of evaluating things each quarter, making adjustments as we see the need, and as Chris commented, making sure then that we're incorporating that into our most recent years, whatever we're seeing on those loss trends, and build that in.

Christopher Jerome Swift
Chairman & CEO

And the simple fact is, I came from Naples where our industry trade group, APCIA, is having its annual meeting. And we probably have, I don't know, 30% of the agenda tied towards tort reform, legal system abuse, trying to get some relief into our liability system these days. It's broken. Whether it'd be lack of disclosures, whether it'd be third-party capital coming into finance litigation, that is having a compounding effect on jury awards, whether they'd be outsized, whether they'd be nuclear or just a halo effect of pushing up average awards. So there's a lot that needed to be done.

I mean it's a ground game. I think you've heard me say that. There's no silver bullet. But state by state, at least, through our trade group, and I know many of my industry competitors are willing to invest time and energy and lobby appropriately for the needed adjustments so that we can avoid or limit that tort tax that everyone's paying for.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. So I mean that was the topic I wanted to talk a little about is inflation, and you addressed a lot of it. And I think I remember Swiss Re was talking about 16% social inflation per annum over the last 5 years. That's huge, right? And I guess, as you pointed out, with litigation financing, there's other things going on. What can be done about it? I remember back in the early 2000s, the Chamber of Commerce basically went around and trying to kind of win elections in individual state supreme courts and all those types of things.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Christopher Jerome Swift
Chairman & CEO

Well, I think what could be done, again, it's just a concentrated effort over a longer period of time to get the needed legislative reforms in state by state. That doesn't happen overnight. Again, through our trade group, I think we've targeted the top 10 states that really do need some real reform, led by Florida here, in certain examples. But there's other parts of the country, too, that have judicial systems that are challenged and require reform.

I think the best and simplest thing to do is just understanding who's behind all this litigation financing. I mean it's a simple disclosure. And more and more judges, at least from my perspective, are willing to push plaintiffs' bar of asking who's financing and not just in general terms, but names. And more of that, I think, that gets done. I think you'll begin to see a picture of some strategies that maybe there's other ways then to fight also.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. The 1 line of business you talked about that's actually been quite favorable for a long time was workers' comp, right? And it's been a nice tailwind for the industry. You've talked about maybe some pressure here on underlying margins purely because of what's going on with price reductions, but it sounds like loss trends is still kind of pretty good. I was looking back, I think the last time The Hartford actually had adverse development [indiscernible] 2011 through '13.

Maybe, I guess, talk a little bit about why things are so good in comp, why trends are going the right way. And actually, what happened in '11 through '13 that caused that adverse development? And is that something we should be thinking about?

Christopher Jerome Swift
Chairman & CEO

You really want to go back that far?

Brian Robert Meredith
UBS Investment Bank, Research Division

Come on, Chris.

Christopher Jerome Swift
Chairman & CEO

Do you want to take it?

Brian Robert Meredith
UBS Investment Bank, Research Division

I can go back to 1990s.

Christopher Jerome Swift
Chairman & CEO

I know you can. Those were some scars early on, '11 and '12. So what I would say on comp, it still remains a highly profitable line. You've heard us say that repeatedly. I don't see that changing in '24. I think it's going to contribute meaningfully to our overall profitability and ROE.

I would say, on the components of loss trend, frequencies are behaving, and I expect them to continue to behave into '24. Wage indemnity probably is coming down a little bit. So the indemnity payments based on just replacing salaries, it's just there's less pressure from an inflation side. Still will be elevated, but less so. It's not increasing. And then on the medical severity side, that's where a lot of the discussion is occurring.

And I would say, again, generally going back years, it's behaved and actually outperformed our expectations. You've heard us say consistently, we price for and reserve for 5% medical inflation. So that's what we charge. That's what we put on the balance sheet. And as those reserves season and we outperform that, that would provide an opportunity for positive prior year development. I would say medical severity is a significant watch area as we sit here today, still contained within that 5% area, but I think you've heard our tone for the last couple quarters, it's ticking up just a little bit.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Beth A. Costello
Executive VP & CFO

Yes, still below 3%, but kind of have seen some increases. But again, nothing that gives us concern because, again, we're pricing, we're reserving for a much higher trend. There's a little bit of trend on trend built into that. So we feel good about that, and I would also say, a focus that we have on looking really hard at medical costs and how we adjudicate claims. I mean part of what Chris was talking about on the investments we've made in medical record ingestion, that's a big deal for us because we got a lot of medical records.

And being able to make sure that we're being charged the right prices based on what the fee schedules are in various states as well as the networks that we contract with, as well as making sure that we're paying for the workers' comp injury and not other injuries. I mean all of that goes into making sure we're paying the right claim and a focus on our costs.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And those fee schedules are also interesting. I want to get your comment on that. They're like 3 years -- every 3 years, they kind of roll, right? So that's something we got to keep an eye on, right, the fee schedules?

Christopher Jerome Swift
Chairman & CEO

I mean, they do have a term to them. I can't tell you as I sit here today exactly where we're at in that cycle. But generally, it's a multiyear-type commitment. So going -- if you really want to go back to 2010 and '11?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes.

Christopher Jerome Swift
Chairman & CEO

Yes. All I would say those were dark years, primarily because of the lag effect out of the Great Financial Crisis. I think 2010 and '11 were comp years that we missed the call on, particularly from a frequency side. And obviously, we made our adjustments and have never looked back and never want to go there again.

Beth A. Costello
Executive VP & CFO

Well, I will say, we have looked back to make sure that wouldn't happen again. And a couple of things going on there. So to Chris's point on frequency, if you go back to those years, we did see an uptick in frequency, which, sometimes, you can see when you're kind of coming out of a recessionary environment. You have a lot of new workers, and we also grew in some lines that attracted a lot of new workers. And we didn't have the same level of diagnostics and reviews that we have today to really be able to see those things happening. So we learned from that. So I think, today, The Hartford is a much different company than it was back then.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. So let's pivot over to the premium side, revenue side of things a little bit. So you commented that renewal written pricing in Commercial Lines ex comp should be pretty consistent with 2023. I thought maybe we could unpack it a little bit here. And how do you think about that kind of rate versus exposure; property versus casualty; large middle market versus small? Kind of how are you kind of thinking of that? What's kind of the components of it here?

Christopher Jerome Swift
Chairman & CEO

Yes. I think -- well, I know in our fourth quarter call, we tried to qualitatively describe some of those things. So I'll try to be as consistent as possible, where when we talk about exposure and pricing, renewal pricing, we had ex comp about 8.5 points of pricing increase. And generally, we're in the 2.5% range for exposures that contribute to that. So exposures that act as rate was about 2.5 points of that 8.5, so that's 1 point.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I think on the sort of casualty-property split, we talked about property being in the high single to low double digits. I still feel good about that. We also talked about property. We closed out written premiums of about $2.5 billion in 2023. We expect to generate $3 billion in written premium in property across our Commercial Lines, and that property is ex homeowners, ex our homeowners book.

We talked about the liability lines, particularly GL, umbrella and excess needing, again, high singles to low doubles, more in the low double-digit rate that we're expecting our underwriters to get. And you put all that together and we really believe we're going to stay on top of loss trends with a margin and that we can, again, produce similar results to last year, in '23, this year even with some pressures in workers' comp that we talked about.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great, that's helpful. Just to remind everybody, if you want to ask a question, feel free to do it. And I'll give a couple of more questions, and then we'll get the mic out here in a second. Actually, a quick one here for you, Beth. Investment income. You gave your guidance. I think a lot of people I've talked to are like, are you sandbagging it? Maybe talk a little bit about what went into your NII guidance.

Beth A. Costello
Executive VP & CFO

Yes. So as I said, when I commented on our thoughts on NII for 2024, it was based on where the yield curve was then. Yield curve has come up a bit since then. So we weren't trying to make a prediction on what was going to happen with the yield curve. So yes, sitting here today, there's probably a little bit more tailwind there. Probably -- rates are probably up 25, 30 basis points, so that could be another 5 to 10 basis points for us. It all depends.

So I wasn't trying to sandbag anyone. I was being very clear that it was based on just where things were. A lot of -- there's been obviously a lot of movement in rates and spreads. But yes, things today are a little bit better than where we were about a month ago.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. Okay, helpful. Sticking on the reserve topic. Another thing that has been talked about, again, some questions on is A&E, right? You did a nice job many [tiers] ago, buying a nice cover from Berkshire Hathaway. What are your kind of thoughts here going forward? It looks like it's getting close to being exhausted as we look into next year. Is that something you anticipate, getting another one? Do you need it?

Christopher Jerome Swift
Chairman & CEO

Do you want to tag team?

Beth A. Costello
Executive VP & CFO

Yes.

Christopher Jerome Swift
Chairman & CEO

I would say, first, who knows really what's going to happen in the future? But based on past trends, we could exhaust that next year. I'll let Beth talk about the accounting, what that means. Second...

Beth A. Costello
Executive VP & CFO

Next year being this year, right?

Christopher Jerome Swift
Chairman & CEO

This year being '24, excuse me. Second is when we did that deal at the end of '16, I think, December of '16, sort of the effective date, we were just in a different point in our development as an organization. We were still restructuring. We were still improving. We were

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

still fixing a lot. And as we sit here today, it's even totally different, right, generating [15.8] ROE for the year, impressive, at least in our humble judgment.

And A&E covers aren't cheap. They're expensive. They come with a cost. They come with trade-offs, right? So you got to give up cash, which means then you have less NII.

So Beth, I always challenge ourselves just to think in terms of what's the best economics for us at this point in time. And to date, we haven't done anything, which you conclude that the economics still favor holding that and retaining that for the foreseeable future. But you should know we're always pushing ourselves to think in terms of what our risk mitigation strategies, strategies to put some of this behind us, if that's feasible. And barring that, we're comfortable just running it off over a longer period of time.

Beth A. Costello
Executive VP & CFO

Yes, I'd agree. And as you pointed out, we have $62 million left on the cover. I always like to make the point, though, not to forget that the way that the accounting works with those retroactive coverage is we have a pretty big deferred gain sitting on our balance sheet. So when you put the A&E deferred gain with our Navigators deferred gain, it's a little under $1 billion pretax, that, as we get recoveries on those treaties, that will bleed into book value over time. So just to lose sight of that's a pretty sizable deferred gain we have in both those.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay, helpful. On the product side, Prevail. Hearing a lot about it, I thought maybe it would be helpful to kind of explain to people what are the kind of advantages of Prevail, what it does? And I know it's focused on Personal Lines. You're with 39 states right now. Probably got delayed a little bit just because of the profitability issues in Personal Lines, right, but still rolling it out. Maybe talk a little bit about the Prevail product. And then also, is it something that can be translated into the Small Commercial business as well?

Christopher Jerome Swift
Chairman & CEO

Great. Thank you for the question. I'd describe Prevail, to anyone that will listen, is it's both a product and a sort of a chassis. And why I say that, the product orientation comes in from when we renegotiated our AARP contract that we extended for 10 years, I think, through the end of '23. We negotiated based...

Beth A. Costello
Executive VP & CFO

2032.

Christopher Jerome Swift
Chairman & CEO

'32, excuse me. We negotiated a 6-month policy with no lifetime continuity agreement, which means guaranteed renewable, which was a big product feature in the old product. So the new product doesn't have those features in it. I would say then also from just the technology side, we just have better segmentation. We have better data. Our data is more timely as far as keeping up with trend.

And all that technology is hosted at Duck Creek, which is a third party SaaS platform, where they host it. It's our instance. It's our version of how we've customized things. So it's both a technology, a digital capability and a product capability, again, all targeted at AARP members on a direct response basis.

So again, I think it will allow us, again, to be more timely, particularly with 6-month policies in auto. The question, though, of can you apply that approach mentality in Small Commercial auto? Simple answer is no. We have class plans that both small and middle sort of share. Obviously, it's geared towards a business as opposed to a mature market in AARP.

But I think your mindset, I give you A for creativity. But it's the sort of same type of things that we're trying to do, and Prevail, that we are doing successfully in commercial auto, better segmentation, looking at data more timely, being as aggressive as possible with rate filings, using all the modern technologies that exist today to target customers and keep up with trend.

Brian Robert Meredith
UBS Investment Bank, Research Division

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Great. That's helpful. Something I've been asked about -- haven't asked for a while, but I'm going to bring it up. Agency personal lines. So I guess my question in your agency personal line business is how is the profitability of this business relative to your direct AARP business work clearly as your crown jewel? And then I always wonder why you're still involved in the non-AARP agency business, right? Personal Lines strikes me as a business you've got to have scale, right? You just don't have scale there. So maybe talk a little bit about that.

Christopher Jerome Swift
Chairman & CEO

Yes. I would say non-agency AARP, you should think of that as about a $300 million premium business for us. So I take your point. It's small, doesn't move the needle but it's profitable. I mean, we're making money on that, primarily because retention is decent and we're able to get rate. I think the larger question you're saying is, beyond AARP, in a direct response mature market segment, what are you going to do? What are you going to do with Personal Lines?

And the simple response I would say for you is the Prevail chassis gives us optionality to think of attacking the marketplace with different distribution and a different segmentation. We're not ready to announce anything yet, but you should think in terms of us studying and thinking of how to use that more modern tool set, probably still in a preferred market segment. But are there other distribution channels, other means to grow and get a little bit more scale? Because I would admit, at $3.5 billion of premium, we are substandard from a scale side.

And I think, again, with better tools, better technology, better risk management capabilities, we can make a goal of it once we decide when and if we want to think differently about Personal Lines. I think that is all organic. That's an organic orientation. That is not an M&A orientation to deploy capital into the Personal Lines space on an M&A basis.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. Anybody got any questions in the audience? [indiscernible] Okay. I'll keep going. What about capital management priorities going forward? How are you thinking about balancing kind of growth in the business, both organic and inorganic, versus returning capital to shareholders?

Christopher Jerome Swift
Chairman & CEO

Do you want to take it?

Beth A. Costello
Executive VP & CFO

Yes. I'd say pretty consistent with how we've been doing it. I think we have a really good balance of being able to make sure that we're providing our businesses with the capital that they need to grow. We've had a lot of growth, and we've been able to fund that. And as we said in the past, excess capital that we have, we then think about dividends.

We've maintained, I think, a very competitive dividend with 10 years in a row of increases. And then obviously, right now, we're continuing to execute on our share repurchase plans. We see it still as a good use of excess capital. We've said in the past that M&A, we see as a low priority. It's not to say that things that maybe would fit nicely within the company.

That sort of bolt-on could be attractive if it brings us scale, but it's going to come with very high financial returns and financial hurdles to make that something that we would do. But again, as Chris commented on earlier, when we think about the product suite that we have and the ability for our businesses to compete in their markets, we have everything we need in-house.

Brian Robert Meredith
UBS Investment Bank, Research Division

Good. That's helpful.

Beth A. Costello
Executive VP & CFO

Do you want to add anything? You usually ask me that. I'll ask you that. Do you want to add anything?

Christopher Jerome Swift

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Chairman & CEO

No, it's perfect.

Brian Robert Meredith
UBS Investment Bank, Research Division

So another bigger picture I've been trying to ask people. So UBS economists basically looking for a 3.6% nominal GDP 2024, end of 2024. I guess my question is, what are the implications to, call it, that slowing nominal GDP on your business? And do you agree, you might not agree, given, I mean, a lot of corporations think things are better.

Christopher Jerome Swift
Chairman & CEO

Yes, I think we're in that camp. I think we talked at year-end, we're still quite constructive and bullish on the outlook going forward. I think the context, though, of GDP coming down from 6%, which is hot, to 3.6%, which is probably still above long-term trend, pretty decent. So I still think we can grow our business both through exposure growth and through taking market share in a healthy constructive way where we're not diluting margins.

There's always going to be some micro dynamics in various parts of the business. Like we see construction slowing down a little bit, particularly coming out of our surety business. Real estate construction, whether it be multifamily or single housing, seems to have different arrows at different points in time. But I think that's, at the margin, more than any major cyclical trend that we'd face over the next 12 to 18 months. So we're still constructive and, again, a 3.6% GDP growth, I'd take that any day of the week.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. Perfect. You talked briefly earlier, we mentioned the mutual fund business. I'm always kind of curious what's the strategic benefit of that mutual fund business for The Hartford?

Christopher Jerome Swift
Chairman & CEO

Makes money. It's an investment.

Beth A. Costello
Executive VP & CFO

Yes, it's an investment.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you.

Beth A. Costello
Executive VP & CFO

So it's -- as we've talked about before, it operates by itself. It's not integrated with our other businesses. We really do see it as an investment. It provides nice cash flow to the holding company, low capital, high ROE business.

Brian Robert Meredith
UBS Investment Bank, Research Division

Let's take it to Group Benefits. Can you talk a little bit about the competitive environment right now in the Group Benefits business? We've seen some really, really profitable margins in that business. And maybe what we can kind of expect here going forward?

Christopher Jerome Swift
Chairman & CEO

Yes, you're right. I think it's a great time to be in the benefits business. Mortality is coming back to more normal levels. Although it's still elevated from pre-pandemic levels that we talked about, and we're addressing with rate, I'm pleased with the rate we're getting into the life book to keep up with a slightly elevated mortality trend. Disability business has been fantastic, both from a lower

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

incidence perspective than we initially thought and getting people back to work in sort of a robust economy. We're getting people back to work quicker.

All those trends, I think, I see continuing into 2024. Remember, the guidance that we provide there is long term, particularly given the multiyear guarantees that we provide on some contracts. But I think the near-term momentum will continue for that business in 2024. The 1 area we'd like to be bigger in, as I mentioned, our supplemental critical illness, hospital indemnity. We're probably up to $250 million, $300 million of premium, and I'd like to double that as quick as we can.

It's -- I think it's products that actually fit nicely into core medical products, I think they are higher-margin products. And again, we have the capabilities in distribution. And you'll see us try to be more thoughtful marketers in sort of penetrating that market.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. All right, so we've got about a minute left, so 1 last question. Could you give me your elevator pitch for why somebody should invest in The Hartford over the next 12 months?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say you should invest in The Hartford for the next 12 months because, one, we're going to generate industry-leading ROEs. We're grabbing market share at highly profitable levels, and we're committed to continuous improvement and getting better in differentiating ourselves primarily with technology.

Brian Robert Meredith
UBS Investment Bank, Research Division

That's helpful. Great. Thank you. I really appreciate you all this time.

Christopher Jerome Swift
Chairman & CEO

You could use that in your write-up.

Brian Robert Meredith
UBS Investment Bank, Research Division

I will. That's -- I've got an associate back taking notes. Thank you.

Christopher Jerome Swift
Chairman & CEO

Thank you for having us.

Beth A. Costello
Executive VP & CFO
Thank you.

Copyright © 2024 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2024 S&P Global Market Intelligence.