S&P Global
Market Intelligence

The Hartford Insurance Group, Inc. NYSE:HIG

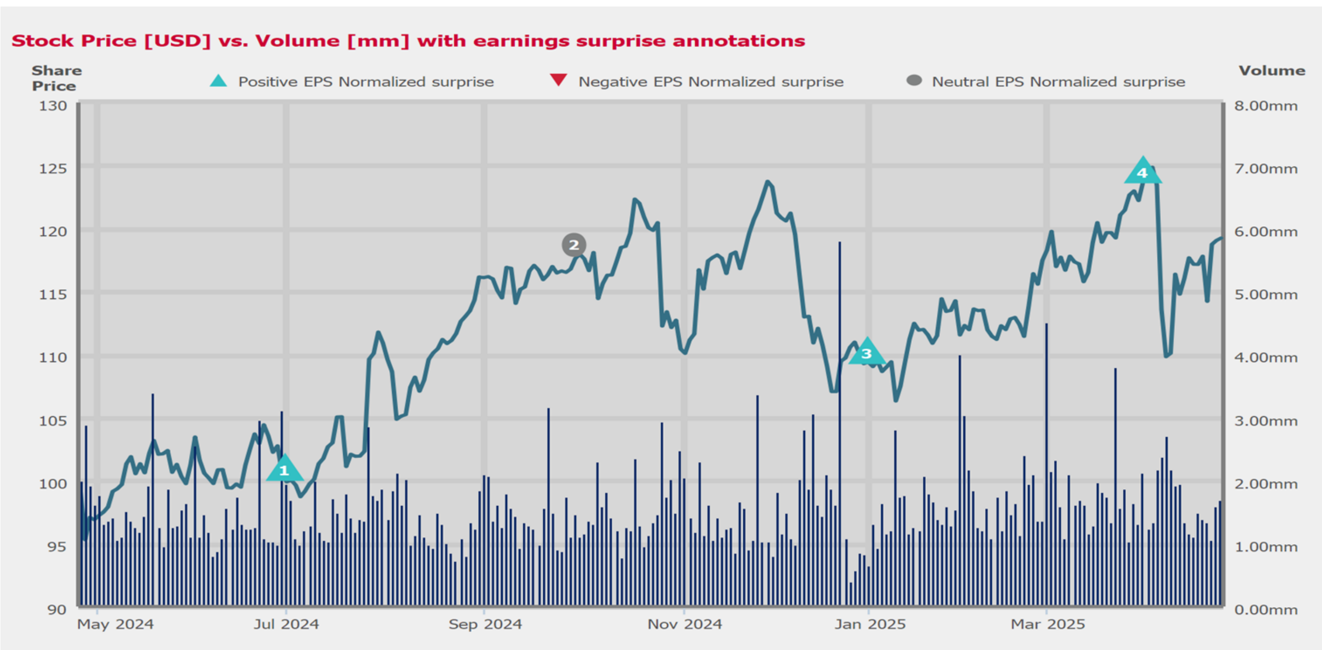
FQ1 2025 Earnings Call Transcripts

Friday, April 25, 2025 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.15	2.20	▲2.33	2.81	10.90	NA
Revenue (mm)	6965.85	6810.00	▼(2.24 %)	7052.23	28430.22	NA

Currency: USD
Consensus as of Apr-25-2025 7:55 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	2.25	2.50	▲1 11.11 %
FQ3 2024	2.53	2.53	● 2 0.00 %
FQ4 2024	2.64	2.94	▲3 11.36 %
FQ1 2025	2.15	2.20	▲4 2.33 %

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EXECUTIVES

Adin Morris Tooker
President

Beth A. Costello
Chief Financial Officer

Christopher Jerome Swift
Chairman & CEO

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Melinda Thompson
Head of Personal Lines

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

ANALYSTS

Andrew Scott Kligerman
TD Cowen, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

Charles Gregory Peters
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David Kenneth Motemaden
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Elyse Beth Greenspan
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Joshua David Shanker
BofA Securities, Research Division

Michael David Zaremski
BMO Capital Markets Equity Research

Robert Cox
Goldman Sachs Group, Inc., Research Division

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Unknown Analyst

Presentation

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Good morning, and thank you for joining us today for our first quarter 2025 earnings call and webcast.

Yesterday, we reported results and posted all earnings related materials on our website. Before we begin, please note that our presentation includes forward-looking statements, which are not guarantees of future performance and may differ materially from actual results. We do not assume any obligation to update these statements. Investors should consider the risks and uncertainties detailed in our recent SEC filings, news release and financial supplement, which are available on the Investor Relations section of thehartford.com. Our commentary includes non-GAAP financial measures with explanations and GAAP reconciliations available in our recent SEC filings, news release and financial supplements.

And now I'd like to introduce our speakers. Chris Swift, Chairman and Chief Executive Officer; and Beth Costello, Chief Financial Officer. After their remarks, we will take your questions assisted by several members of our management team.

And now I'll turn the call over to Chris.

Christopher Jerome Swift
Chairman & CEO

Good morning, and thank you for joining us today.

The Hartford is off to a strong start in 2025, sustaining the momentum we have built over the past few years. Before I get into the details, let me take a moment to comment upon the macroeconomic environment. We are operating in dynamic times. However, as an underwriting-centric organization specializing in managing risk, we are well equipped to navigate this evolving environment. Our teams are closely monitoring trends and are already taking action to address the impacts of this complex and dynamic policy landscape with solid fundamentals, a durable investment portfolio, and a balance sheet that is stronger than ever, we remain steadfast in our commitment to delivering strong returns for our shareholders.

Now let's transition to first quarter results. As I mentioned, the Hartford had a strong start to the year even in the face of the most destructive wildfires in U.S. history. Disciplined underwriting and pricing execution, exceptional talent, and innovative customer-centric technology continue to drive our performance. Highlights from the first quarter include topline growth in Business Insurance of 10% with a very strong underlying combined ratio of 88.4%. An underlying combined ratio of 89.7% in Personal Insurance representing a 6.4 point improvement over prior year, including over 8 points in auto, a core earnings margin of 7.6% in employee benefits which continue to outperform in a competitive environment and continued solid performance in our investment portfolio. All these items contributed to a trailing 12-month core earnings ROE of 16.2%.

As I dive into the details, let me start with P&C current accident year catastrophe losses which totaled $467 million before tax, including $325 million related to the January California wildfires. Catastrophe risk management strategies and reinsurance structure effectively contained exposure, keeping it well within our market share. While we are pleased with the performance of our overall book of business and risk management program, the losses were significant to first quarter results. In times like these, I am especially proud of the Hartford's claim handlers, adjusters and leaders. Excluding catastrophe losses, our businesses sustained strong performance in line with or exceeding expectations.

Turning to Business Insurance. Results were excellent driven by our industry-leading underwriting tools, pricing expertise and data science advancements. New business growth remained strong within small and middle market where the environment continues to be conducive for growth. As the leading small business carrier, our digital capabilities offer exceptional functionality and ease of use, providing us with a significant competitive advantage in the market. We have successfully leveraged these strengths to enhance the middle market and global specialty businesses.

We are going to market as one unified organization to serve diverse needs of customers and partners with a consistent and top-tier experience. In small business, first quarter financial performance was excellent with record-breaking quarterly written premium and double-digit new business growth while extending a 19-quarter trend of sub-90 underlying combined ratios. New business growth was driven in part by strong quote flow and modestly higher average premium as well as a 29% increase in E&S binding premium, a business where we continue to see tremendous opportunity. In short, small business continues to deliver excellent results with industry-leading products and digital capabilities. We are on track to surpass $6 billion in annual written premium in 2025.

Moving to middle and large, we are pleased with first quarter performance, including excellent topline growth, paired with a strong underlying margin in line with our expectations. New business growth remained strong with contributions from multiple lines and market sectors. We continue to take advantage of healthy submissions driven in part by investments made to expand product capabilities and the efficiency of the broker and agent experience. Written premium growth reflects strong renewal rate execution across most lines, including double-digit increases in liability and auto.

Shifting to Global Specialty, results were outstanding with sustained underlying margins in the mid-80s and over $1 billion in quarterly written premium. This impressive topline performance reflects our strong competitive position, diverse product offerings and solid renewal written pricing including double-digit pricing in wholesale casualty.

Our wholesale business saw an 11% increase in gross written premium with significant contributions from U.S. inland marine, auto and casualty lines and the global reinsurance business also grew at a double-digit clip. With a diverse product set in a generally healthy pricing environment, we remain excited about the growth prospects in Global Specialty.

Across business insurance, combined emphasis on property expansion has resulted in written premium growth of approximately 15% this quarter. We are capitalizing on the favorable market conditions in the SME space with a disciplined approach and no change in our catastrophe risk appetite. As for pricing, business insurance renewal written pricing, excluding workers' compensation of 9.9%, increased 20 basis points from the fourth quarter. Our pricing execution remained strong, including low double-digit increases in general liability and auto with liability pricing continuing to rise. The team hit the ground running on 1/1 renewals, exceeding liability pricing targets, which are comfortably above loss cost trends.

In business insurance property, pricing remains healthy in the low double digits, driven by 18% pricing increases within our small business package product. In Personal Insurance, margins continue to improve, achieving an underlying combined ratio in the 80s for the first time in 3 years. We expect target profitability in auto by mid-2025, consistent with our expectations. Having navigated a challenging loss cost environment, Personal Insurance is now focused on balancing profitability and a pivot to growth in a competitive environment.

Our homeowners business had a strong underlying quarter, highlighted by a mid-70s underlying combined ratio. Renewal written pricing of 12.3% driven by net rate and insured value increases continues to support healthy margins while reinforcing our strong position in the market.

Moving on to employee benefits. Core earnings margin of 7.6% exceeded prior year by 1.5 points, surpassing our long-term target of 6% to 7%. Group life and disability, both delivered excellent results. The disability loss ratio reflected nearly 20 points of improvement in paid family and medical leave products and the life loss ratio continued to improve. Modest fully insured ongoing premium growth reflects the competitive environment and strong book persistency which is above 90%. Sales were largely in line with expectations for the quarter.

I want to take a moment to highlight ongoing technology investments in employee benefits focused on superior customer experience and enabling growth. In absence and disability, we recently launched our patented Leave Lens platform empowering employees to confidently plan for their leave of absence through a comprehensive view of their benefits, available time and prospective pay while away from work. We also recently delivered a new absence dashboard tool which gives employers dynamic reporting capabilities regarding their employees' leaves of absence. These market differentiating tools in conjunction with recent investments in life claim digital intake provide a holistic suite of new digital capabilities for customers.

Additionally, we continue to focus on enhancing data exchanges and integration connections with benefit administration and human resource platforms to drive future growth. We now have over 160 integrations with HR technology partners servicing over 2/3 of our book, and we continue to build our leadership position in this space. For example, we have deepened our partnership with Workday to codesign their new Workday wellness platform, which will deliver faster integration, comprehensive implementation support and real-time data exchange. With these capabilities and continued investment in the benefits business, we expect to retain our #1 disability position and our top 5 life position while delivering an outstanding user experience for customers and their employees.

Moving to investments. The portfolio continues to support the Hartford's financial and strategic goals performing well across a range of asset classes and market conditions. Beth will provide more details on the performance in the quarter. Alongside strong financial results, the first quarter also marked the launch of our new brand as we further establish ourselves as an innovative and growth-orientated industry leader, our strategy is intentionally centered on customers and their evolving needs. The new brand celebrates the Hartford strengths built on centuries of trust from businesses, workers and individuals we support every day. As CEO, I remain honored to lead a company with such a rich legacy and bright future, driven by exceptional employees and their unwavering commitment to our customers.

Looking ahead, we are expanding digital capabilities, leveraging AI, enhancing our product offering and entering new markets to better serve customers. All these factors contribute to my excitement and confidence about the future of The Hartford as we continue delivering industry-leading financial performance. It is an exciting time at The Hartford for our employees, customers, distribution partners and all stakeholders. Together, we will navigate this dynamic environment and seize the opportunities ahead.

Now I'll turn the call over to Beth to provide more detailed commentary on the quarter.

Beth A. Costello
Chief Financial Officer

Thank you, Chris.

Core earnings for the quarter were $639 million or $2.20 per diluted share with a trailing 12-month core earnings ROE of 16.2%. Although results were impacted by elevated catastrophe activity, including the January California wildfire event, underlying P&C results and employee benefits results were excellent.

In Business Insurance, core earnings were $471 million with written premium growth of 10% and an underlying combined ratio of 88.4%. Small business continues to deliver industry-leading results with written premium growth of 9%, double-digit new business growth and an underlying combined ratio of 89.4%. Middle and large business had another quarter of solid profitability with an underlying combined ratio of 90.6% and written premium growth of 9% including record quarterly new business of $188 million.

Global Specialty's first quarter was outstanding with an underlying combined ratio of 84% and a record first quarter written premium of $1 billion. Written premium growth of 11% in the quarter reflects strong growth across much of the book and solid renewal execution, including written pricing increases of 6.2%.

In Personal Insurance, core earnings for the quarter were $6 million, with an underlying combined ratio of 89.7% driven by an improvement of 8.1 points in the underlying loss and loss adjustment expense ratio over the prior year. The first quarter auto underlying combined ratio of 96.1 improved 8.3 points from the 2024 period and homeowners produced a strong underlying combined ratio of 75.1%. Written premium in Personal Insurance increased 8% in the first quarter, in part driven by steady and successful rate actions.

In Auto, we achieved written pricing increases of 15.8% and earned pricing increases of 20%. In homeowners, written pricing increases were 12.3% and 14.4% on an earned basis. Additionally, new business growth continues to be robust in both Homeowners and Auto. Homeowners' policy count continued to grow, while Auto decreased as expected. Effective policy count retention for both Homeowners and Auto remained flat due to strong but moderating renewal written pricing increases. The Personal Insurance first quarter expense ratio of 27 increased from the prior year by 1.7 points, primarily driven by higher direct marketing costs and to a lesser extent, a higher commission ratio, partially offset by the impact of higher earned premiums.

With respect to catastrophes, P&C current accident year losses were $467 million before tax or 11.1% combined ratio points including $325 million net of reinsurance related to the January California wildfire event as well as tornado, wind and hail events primarily in the Midwest and South regions in the month of March. We are pleased with our robust and comprehensive reinsurance program on both a per occurrence and aggregate basis. As a reminder, the aggregate treaty provides $200 million of coverage when subject losses and expenses exceed $750 million. Total P&C net favorable prior accident year development within core earnings was $90 million before tax, primarily due to reserve reductions in workers' compensation, homeowners and personal auto. There were no increases in prior year reserves for general liability and commercial auto.

The actions we took in the fourth quarter of 2024 positioned us well for 2025 both in terms of the overall adequacy of our general liability and commercial auto reserves and, equally important, incorporating these trends into our pricing models. We recorded $32 million before tax of deferred gain amortization related to the Navigators ADC, which positively impacted net income with no impact on core earnings. Based on our estimate of payment patterns, we expect the remaining balance of $32 million to be amortized in the second quarter.

Moving to Employee Benefits. We achieved core earnings of $136 million for the quarter. The core earnings margin of 7.6% reflects excellent group life and disability performance. The group disability loss ratio of 69% improved from 70.1% in the first quarter of 2024 driven by improvement in the paid family and medical leave product loss ratio and continued strong claim recoveries. The improvement was partially offset by a slight increase in long-term disability incidents compared to the prior year. However, incidence rates remain favorable to long-term historical averages and to our expectations. The group life loss ratio of 79.9% for the quarter improved 2.7 points reflecting lower mortality.

Fully insured ongoing sales in the quarter of $381 million, combined with increased exposure on existing accounts and excellent persistency above 90% resulted in a 2% growth in fully insured ongoing premiums. For the quarter, net investment income was $656 million. The total annualized portfolio yield excluding limited partnerships was 4.4% before tax, 10 basis points above the year ago period and 20 basis points below the fourth quarter. The decline from the fourth quarter was primarily due to lower equity dividends, lower returns on public equity related fund investments and a modestly lower yield on variable rate securities. Our first quarter annualized LP return of 3.1% before tax were higher than the year ago period, although returns were lower than the fourth quarter including lower returns in our real estate portfolio and other funds.

We continue to strategically manage the portfolio, balancing risk while pursuing accretive trading opportunities and in the quarter, we invested at 70 basis points above the sales and maturity yield. Full year 2025 net investment income, excluding LPs, is expected to be higher in 2024, driven by invested asset growth. We expect the 2025 yield ex LPs to be generally in line with the yield earned in 2024 as lower yields on variable rate securities are expected to offset increases from reinvesting at higher rates.

Turning to capital management. Holding company resources totaled $1.3 billion at quarter end. During the quarter, we repurchased 3.5 million shares under our share repurchase program for $400 million, and we expect to remain at that level of repurchases in the second quarter. As of March 31, we had $2.75 billion remaining on our share repurchase authorization through December 31, 2026.
In summary, we are very pleased with our strong financial performance for the first quarter and believe we are well positioned to continue to enhance value for our stakeholders. I will now turn the call back to Spivak.

Question and Answer

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Thank you, Beth. We will now take your questions. Operator, please repeat the instructions for asking a question.

Operator

[Operator Instructions] Our first question will come from Gregory Peters from Raymond James.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Great. So the first question I'm going to ask, just as competitive market conditions in the Business Insurance segment. Looking at your statistical supplement, it looks like new business both in small and middle market was up nicely in the quarter. Retention dropped a little bit. So just curious how you are looking at your position in the marketplace and your outlook for growth?

Christopher Jerome Swift
Chairman & CEO

Greg, thanks for joining us today. You are right. We're proud of all our business segments, whether it be Small, Middle, Global Specialty and they're all performing, I think, exceptionally well. I'm just going to ask Mo to just comment specifically on retention.

Adin Morris Tooker
President

Yes, Greg, what you're seeing in the IFS is really just a reminder, it's for our guaranteed cost lines in Middle & Large. And what we were feeling in the quarter, and we've talked about it in prior quarters, was some pressure on the workers' compensation specifically. I'm really proud of how the team has navigated. They're just making choices on renewals. But overall, we just feel like this is a competitive market in Middle & Large. And also what you saw in the quarter was really nice growth overall with 9% in Middle & Large. I think what you're feeling is we have the diversification that we've built over in the past decade in Middle & Large, so that when retention is down in workers' comp and workers' comp is really competitive. We have the ability to grow in other areas and still maintain the topline that we're chasing.

Charles Gregory Peters
Raymond James & Associates, Inc., Research Division

Good. Thanks for the detail. I guess in part of your opening comments, you talked about technology. You talked about the digital integration -- or data integration with Workday. You talked about digital. One of your peers came out with a pretty robust technology presentation as part of their Investor Day several weeks ago. And so I'm just curious about how you're looking at your technology progress and help us on the outside sort of reconcile what's legacy maintenance stuff versus new initiatives that are game changing.

Christopher Jerome Swift
Chairman & CEO

Yes, happy to try. I mean that's probably like a 4-hour discussion, Greg. But what I would just share with you, and I think we've said it consistently before, is we've been on a journey over the last 10, 15 years of just making basic improvements to our core platforms and our core platforms in all businesses. And those platforms would be defined as claim systems, administrative systems, billing and remittance type systems. And then recently, we've launched a multiyear project, a 7-year project to take all our data and applications to the cloud.

So I think personally, we have the best platform in all our businesses. For personal lines, we have a modern SaaS-based platform, group benefits. We've modernized all our platforms there and taking that to the cloud. And Guidewire continues to be our preferred vendor, both for administration in commercial insurance as well as claims. So -- and we spent a lot of money doing that thoughtfully, but we knew we needed to do it to really have the flexibility in our products and to ultimately drive down our cost.

I think what we've been doing of late and of latest, let's say, over more of the last 5, 6 years is really organizing our data more effectively. We've had more consumer, customer-centric digital capabilities. I mentioned all the things that we were doing in group benefits because sometimes there's a little bit of misinformation out there that I felt needed to be corrected.

And so,, again, we're investing in our customer experience. We've invested in core capabilities and benefits. And then of late, everyone's been talking about AI, and I'm not going to talk about it in any great detail, but we've got 3 main areas we're focused on: claims, underwriting and operations. And we will -- we will lead the AI implementation for the industry. And all I'd ask you to do is just stay tuned.

Operator

Our next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple here for you. First, Chris and Mo, could you talk a little bit about what tariffs could potentially mean for loss costs as you think about it in auto insurance and any area in commercial insurance you're thinking about?

Christopher Jerome Swift
Chairman & CEO

I'd be happy to try, Brian. But as you know, I mean, this is -- as I said in my prepared remarks, a fairly dynamic environment, and there's a lot of unknowns and uncertainty. So if you take that as sort of the foundation to my comments, I think what our views right now are is that the tariffs probably will affect the price of automobiles, parts, building materials and supplies. And if you think about it and others have commented upon it, that should be a onetime event that's sort of step change and then a normal trend would hopefully continue from there.

I think in personal -- in commercial auto, I believe our loss picks for 2025 were prudent, which meant we have a level of conservatism in there that will hopefully allow us the opportunity to minimize any tariff-related increases most likely in the second half of the year. As it relates to home and commercial property, all I would say is I think our reaction function there is tight and we can react timely and obviously make any adjustments in our pricing, particularly in those products.

I think equally, in our personal auto liability, I think we've worked on our rate filings. We know how to file rates. But more importantly, we've worked on our reaction time there to sort of have a faster cycle time. And we've talked about it in the past. I think about 45% of our states that we operate in require prior approval but 55% don't. So we can react in due course once we know what's going to happen. And obviously, some of the data and the inflationary pressures, it starts to show up in our in our data that the regulators expect to see.

So I think overall, we're well positioned to navigate. This isn't anything terribly new as far as monitoring loss cost trends. But it is an emerging policy tariff environment. So it is somewhat unique in that respect. I think that's what I would say, Brian.

Brian Robert Meredith
UBS Investment Bank, Research Division

Terrific. That was great. And then just one really quick one here. Renewal written price increases in small business, they jump around a little bit, but we saw it go from 7.4 to 6.2. Is that a mix issue? Or is there something else going on there?

Christopher Jerome Swift
Chairman & CEO

Yes. I think I'm going to ask Mo to comment, but that's mostly comp, that's more heavily weighted in the first quarter. But ex comp, small business I think, was up -- pricing was up to 12.9%. So it's still very, very robust, Brian, but a little sequentially down due to comp, I think Mo.

Adin Morris Tooker
President

Yes. The only other impact in there, Brian, was our E&S binding was marginally down. So everything else is really strong. The BOP is really strong. Auto is really strong. So we're really optimistic about the pricing that we're feeling in small business in general. Managing comp tightly. And I think you'll see in our numbers, really strong growth in E&S binding. We feel like that's in a really healthy place, and we'll continue to push into that space.

Operator

Our next question comes from Andrew Kligerman from TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

Maybe just following up on Brian's question with respect to the pricing. As I looked at the underlying combined and business insurance at an outstanding 88.4% underlying combined. It looked like the mid-large kind of saw the combined go up by 1.4 points, and then it was helped by small and specialty. Maybe elaborate a little more on the pricing environment. Do you see more pressure in Mid & Large going forward? And given the resilience you just touched on with small, mid and specialty, that remains strong. And then net-net, are you confident in your underlying combined kind of holding in this vicinity going forward. So maybe a little more on pricing and how it's affecting both areas? And then secondly, how is it going to hold up over time with this underlying combined?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say, Andrew, first, thanks for joining us. Yes, what we talked about last quarter and what our objectives were for 2025, I remain highly confident in achieving the goals that we set out was basically sort of consistent underlying combined ratios and business insurance between years. Obviously, improvement in personal auto. And then in Group Benefits, we were really focused on getting additional rate into the paid family leave products that you could see the results this quarter.

So I'm going to give you just a couple of little high-level comments, and I'm just going to ask Mo to add anything on Business Insurance and then Mike Fish, anything on Group Benefits. But the SME space, which broadly defined, I think we're the industry leader, continues to hold up very well. If you look at our overall price increase ex comp because comps got its own dynamics, we increased to 20 basis points to 9.9%. And even if I look at property within the SME space, we're up 18% in property pricing. Our overall GL, including excess and umbrella lines or achieved a 10.5% increase this quarter. I gave you sort of an ex comp, small business pricing number that's up 12.9%, feel really good about Global Specialty, up 6.2% in pricing.

So giving you just some highlights to sort of demonstrate that we're executing well the SME market, even in the aspects of Global Specialty where we play is holding up better. It tends to be the more profitable segment that we are one of the leaders in. So Mo, what would you add? And then Mike Fish ask you to add something.

Adin Morris Tooker
President

No, that was a fulsome response. The only thing I would add, Andrew, is it's a competitive market and we talk about it from quarter-to-quarter, but we are asking the underwriters to really make the right choices. And I think we, again, felt the middle team being really, I think, really strong on the decisions they were making on workers' comp. I think we've pointed to our specialty team making the strong decisions on public D&O. That book is less than $100 million. So they have managed that down. So I think where the pricing is not holding up to what we do, our underwriters are making the right choices and I'm really proud of the way they're executing. I think what we're moving into is an underwriter's market, where as the market moves and maybe moves a little bit more dynamically, the best underwriters will win, and we hope to be in that population that will continue to outperform.

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

Andrew, this is Mike. I would just maybe add a couple of comments on the benefit side. So overall, we feel really good about where we're writing business, both on the new -- sort of new sales front and the renewal front in terms of the pricing. So again, holding on to margin, in particular, we've seen strong disability experience emerge. And so that's some favorable experience we have coming into our book. But again, on the other side, we've got some pressure on paid family leave that we've talked about 2 or 3 quarters in a row, and you saw in the quarter, really a nice improvement, a 20-point improvement on paid family leave really driven by rate that we put into the book. We put double-digit rate increases into that book of business, about $260 million. So not a large book, but we put some nice rate action in there and persistency held up strong in the high 80s. So very pleased with that outcome.

Andrew Scott Kligerman
TD Cowen, Research Division

And then just as a follow-up, and that was very helpful. Mo, you just mentioned underwriters market, and that kind of contrasts a little bit with net written premium being up an excellent 10% in the quarter for business insurance overall, and it looks like across all the different areas. Chris, does your high degree of confidence encompass a pretty robust net written premium growth trajectory? Or could that underwriters market that Mo was talking about start to...

Christopher Jerome Swift

Chairman & CEO

I feel positive about both, Andrew, not to cut you off, but I feel positive on both. I feel positive that we can continue to grow and capture market share with our product sets, with our distribution while being disciplined, as Mo said, from an underwriting side. And I think the strongest evidence of that is we're shrinking our comp book right now as we speak just because we're not getting the rate across the board that we want.

But, Mo, you don't view that as conflicting?

Adin Morris Tooker
President

No, not at all. I would say, Andrew, in this marketplace, with how much that we have built and in some places, we are, I think, subscale to what we want to be. We certainly -- the flow continues to be strong. We continue to enjoy really strong partnerships with our distribution. We have, I think, a very rare network of distribution partners that few can match. And we feel those partners wanting to consolidate to fewer markets. So we are enjoying that as well. So the growth opportunities that are out there, again, subject to the market holding up, we will take advantage of the flow that we see coming through. And where the rates aren't where they need to be, as I said a minute ago, we'll pull back. And I think that's really what I'm asking you to think about is we can and do believe we can do both, manage the market and grow. And I think that's what the best underwriters in the market will do over time.

Operator

Our next question comes from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question on the commercial line side. Can you just provide some color just on where loss trend is across your book? And I'm particularly interested if you saw -- if you made any changes to your loss trend assumptions in the first quarter?

Christopher Jerome Swift
Chairman & CEO

Elyse, I would say we made no changes. Obviously, we discussed the changes we made in '24 and how that affected the '25 pricing. You could see what we talked about from an achieved rate, and I think across the board, we're achieving pricing ahead of loss cost trends and feel good where we're at right now, excluding workers' compensation, which has its own ecosystem. I think in personal lines, if you -- well, you asked the BI question, but Personal lines has its own strong dynamics of getting that book back to profitability.

So yes, I feel really good quarter in of how we're executing and feel very confident as I think about the next 3 quarters.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up is on Personal Lines. Chris, in response to an earlier question, right, you were talking about the makeup of your book for states that were file and use versus prior approval, which to me indicated when we start to see an impact of the tariffs that you guys would go the route of looking to take price to offset that. Is that a decision that you've made that you will try to take price? Or any color that you could provide there as you think about the potential tariff impacts need for price, right, and you guys just about getting back to target margins in the book?

Christopher Jerome Swift
Chairman & CEO

Yes. It's a good question. Obviously, facts and circumstances will present themselves more clearly as far as options, opportunities. I think the nuance I want you to make sure you hear is that we set loss cost trends and picks at the beginning of the year that we thought were very prudent, thoughtful and provided a range of outcomes. And we have obviously the ability then to absorb some level of inflationary tariff type pressure. But beyond that, yes, I mean, our goal is to keep up with loss cost trends and earn a risk-adjusted -- an adequate risk-adjusted return on our capital to deploy it. So by definition, if we exhaust all other options, we're going to have to go back in and tweak rates.

Operator

Our next question comes from Meyer Shields from KBW.

Unknown Analyst

It's [indiscernible] on for Meyer. I guess just a quick follow-up on the macroeconomic environment that you kind of mentioned in your prepared remarks that you're already taking action to address the impact. I know you mentioned some like quick reaction time and things like that and faster cycle time. Anything you want to add there besides that, that you've already been taking action?

Christopher Jerome Swift
Chairman & CEO

Yes, I would say it's targeted action in certain lines, primarily the commercial auto and commercial property lines. So that's all I'll say.

Unknown Analyst

Okay. Got it. And then another follow-up question is on Small Commercial. Small Commercial growth is very strong at 9%, double-digit new business increase. Just curious with the rate decelerating, how sustainable do you believe this level of new business will be if we enter a more like competitive pricing environment?

Adin Morris Tooker
President

Yes. I would say -- this is Mo. I would say that the small business market is holding up really well. We don't see any signs of -- outside of workers' compensation in the admitted space that the pricing environment is changing dramatically. We still see combined ratios for the industry that need improvement. So broadly, in the small business space, we're really optimistic about the way the pricing will hold up and our ability to grow market share.

Christopher Jerome Swift
Chairman & CEO

Ex workers' comp.

Adin Morris Tooker
President

Ex workers' comp, yes.

Operator

Our next question comes from David Motemaden from Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I had a question just following up on workers' comp. I'm just wondering, so you spoke about just the pricing pressure on comp across the customer sizes and how you're shrinking that book now. Could you just elaborate on how much worse the pricing is coming in versus your original expectations for the year? And what was built into your loss picks?

Christopher Jerome Swift
Chairman & CEO

David, what I would say is it actually might be slightly favorable to what we thought, but still slightly favorable is negative compared to what we planned for in the first quarter and we've talked about it before. You know our severity picks. We talk about generically frequency, which generally continues to be positive. But I would say from our expectations, maybe just slightly more positive from a pricing side.

Mo, what would you add?

Adin Morris Tooker
President

No, I don't think there's anything going on in the marketplace that's surprising us on comp right now. Our retentions are basically on plan across BI. Our rates, as Chris said, are slightly better than expectations. Our trends are holding up well. The profitability is holding up well. I just think it's a competitive market. I wouldn't say that anything you're seeing coming through our numbers is unexpected and surprising us.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Okay. Great. And then just a follow-up just on Business Insurance. I was a little surprised we didn't get more expense ratio improvement. Just given how the growth has been coming in better. I know it takes a little bit for that to earn in. But is that something you think we can see pick up from here just sort of expense ratio improvement just given the growth that you guys have been seeing?

Beth A. Costello
Chief Financial Officer

David, it's Beth. I think we've answered this question before on the expense ratio that over time, we would expect to see some improvement come through from an operating leverage perspective, but not expecting some dramatic or significant step change, I think it will be gradual.

And also, as we've also talked about in the past, we also look very closely at the things that we want to invest in in our businesses and using those expense dollars appropriately. And that investment is going to help drive our topline, help drive our loss costs and then ultimately help drive efficiency. So again, I think it's a longer-term journey relative to the expense ratio. And overall, I feel very good about where we are today.

Operator

Our next question comes from Mike Zaremski from BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Maybe just focusing specifically on the lawsuit, kind of social inflation lines of business. I know in the -- since the press release, you talked about liability pricing continuing to rise, which we can kind of tease out with the data you gave us. I also know that Hartford is probably in the minority of picking some of its embedding some loss picks in there that assume kind of low double-digit inflation as well. Do you feel that we're going to continue to see pricing kind of move north on that line of business, which could offer some potential growth opportunities for Hartford? Or kind of how are you thinking about the dynamics on the social inflation lines?

Christopher Jerome Swift
Chairman & CEO

Yes. I think you're referring to just broad-based casualty lines, which I would tell you from a trend side, obviously, we made our adjustments last year, but there's nothing fundamentally changing right now from an overall trend side that would change our view that social inflation is going to continue to be a problem for society. It's going to continue to tax and constrain innovation in my judgment. And we need, as an industry, to continue to fight and get the necessary reforms in place at a state level. And we had a good win. The industry had a good win in Georgia with some of its reforms that the governor put into place. So we feel good about that. But overall, Mike, I don't see any changing trends. Do you, Mo?

Adin Morris Tooker
President

No. Just to build on Chris' point in terms of what we're seeing from a rate perspective and what we're driving from a rate perspective, GL accelerated in the quarter. So that's the primary GL. Umbrella was strong and roughly flat. And then our excess lines and again, admitted and non-admitted continue to be really strong. And the teams are making sure that on all the GL lines and the auto lines that we are getting rate in excess of trend, and that's a key goal for the year.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. That's helpful. Maybe switching gears a bit to E&S. I feel like you all have been taking a lot of share in E&S for a while. I know it's still a smaller line of business, but you mentioned 29% growth and a tremendous opportunity, I think, was the exact wording used in the prepared remarks. Are you able to unpack how -- what's -- is it -- are you kind of using relationships like programmized relationships with some of the big E&S carriers? Or is this kind of -- is there any kind of secret sauce or underlying kind of drivers that's causing the market share taking?

Christopher Jerome Swift
Chairman & CEO

Yes, we do have secret sauce, but I'm not going to talk about it. So Mo, what would you say?

Adin Morris Tooker
President

No. And I would break it into 2 pieces, Mike. One, in the small business E&S binding space, I think really the secret sauce is us taking all of the technology and tools that have made us so successful in the retail market into the wholesale market. So that is what we continue to do and we continue to open up locations with the wholesale partners. So we are not open -- we basically do it by location by location, by partner. And I think the growth that you're seeing is not only the flow is strong, but we are continuing to open up locations with new wholesale locations. And so again, I think the summary in the binding E&S space is we continue to be really optimistic about our growth there. And again, predicated on just -- we're making it easier for our partners to do business with us relative to peers.

In the Global Specialty space where we think it's just a brokerage play, again, the flow continues to be strong. We grew 12% in the quarter in that space, as Chris referenced in his opening remarks. There too, we are a very, very strong construction market and a key partner to the wholesalers in construction liability primarily. What we are doing in that space is more about building out the other lines, inland marine, the nonconstruction casualty lines, property and just because of the partnership we've established on the construction side, I think we can continue to grow share in the brokerage space as well. So we're really optimistic about E&S overall and the continued growth in that space.

Operator

Our next question comes from Alex Scott from Barclays.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

First one I have for you is on the personal lines business. I mean it sounded like a bit more focused on growth moving forward. And just wanted to hear about some of the things you're doing, if there's anything specific that you're targeting for us to think about?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say, Alex, I mean, the first priority remains the same, getting the overall book back to targeted margins, which we think we're well on track of achieving by midyear, particularly in personal auto. Homeowners, I think, has actually performed very well consistently for a number of quarters now as the team keeps pace with the loss cost trends there and elevated frequency. I think our underlying was sort of in the mid 75-ish, which is very, very strong. But as we sort of alluded to, we are trying to pivot to growth, particularly as profitability is improved. We do want to grow our home and auto business. I think we have the platform to do it, which we talked about was Prevail. Prevail is in 44 states right now. Prevail makes up 75% of our new business, primarily in the direct channel. And our overall -- from an overall in-force book Prevail is now is up to 25%.

And the other statistic maybe that we don't talk about that frequently is about 75% of our homeowners book is bundled with auto, which I think is a high percentage, and we're proud of it. And our sales team, our sales agents, I think, are doing a good job.

So I'll look to Melinda to add any other color at this point in time.

Melinda Thompson
Head of Personal Lines

Yes. Thank you. The only thing I would add is that as rate moderates, we certainly expect the pressure on retention to moderate as well, which would lift both premium and policy count growth. And then we've also implemented a number of new business initiatives to stimulate growth as well. So increased marketing spend, both rate and non-rate levers to support that. And then as Chris mentioned, the Prevail platform to enable it.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

That's all really helpful. Second question I had is on workers' comp reserves. And so one of the things I've noticed is just your post-COVID accident year workers' comp reserves generally just stayed in place while some of the peers have maybe recognized some of the frequency benefits. And so I get the severity takes longer and maybe there's some conservatism there. But I just wanted to understand, I guess, like what's your approach to those reserves? And I get the question sometimes as to whether maybe there's something more problematic there or something like that. And I don't get the feeling that's the case, but I just wanted to sort of dig into that a little and understand the way you all have approached this post COVID workers' comp reserves?

Christopher Jerome Swift
Chairman & CEO

Yes. Alex, I'll let Beth add her color, but let me just state emphatically, there's no problems. There's nothing problematic. There's nothing you should worry about. And we feel good about the balance sheet because it's -- we've worked hard to put the balance sheet in the position that it is today.

Beth A. Costello
Chief Financial Officer

Yes. I would echo what Chris just said. We are -- given just the nature of that line of business, we are cautious just to see those reserves season and take the appropriate action when we feel comfortable. So the releases that we did this quarter were 2020 and prior. We look at our reserves every quarter and evaluate anything that we might need to adjust. But again, as you know, those reserves stay on the balance sheet for a long period of time, and we just want to be cautious as we think about the more recent years.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Yes, we get it.

Operator

Our next question comes from Rob Cox from Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Just thinking about the investment portfolio, I appreciate the commentary for variable rate decreases to offset higher investment yields. Could you give us a sense of the fixed versus floating breakdown in your investment portfolio?

Beth A. Costello
Chief Financial Officer

Sure. So our variable -- our securities that will be exposed to variable rates are about $6 billion. So think about that as roughly 10%. I would say that if we looked at that over the last couple of years, that's come down a bit, but that's the relative magnitude.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Okay. Awesome. That's very helpful. And then I just wanted to ask a follow-up on competition in small commercial. Clearly, you all have some competitive advantages in that space. But I just wonder if there's any noticeable difference with some of your larger peers getting more interested in the market and just the competitive dynamics?

Christopher Jerome Swift
Chairman & CEO

Yes. I think a lot of people are interested in it, but interest doesn't translate to execution, doesn't translate to history and experience and know-how. So -- but yes, it's still a competitive market, but there's a lot of good competitors, Mo, but we've been able to be distinctive for many, many years.

Adin Morris Tooker
President

Yes. And I just -- the only thing I would say, Rob, to build on Chris' comment is the level of investment that we continue to put in every year into the technology, the tools, the agent, the customer experience, it's really hard to replicate. And so once you get that advantage and you keep investing, we expect that advantage to continue for a very long time.

Operator

Our last question today will come from Josh Shanker from Bank of America.

Joshua David Shanker
BofA Securities, Research Division

A couple of questions about agent receptivity on the homeowners product or the home and auto product for that matter, given your great relationships on the commercial side. Is the pickup swift? Or is there -- is it a work in progress?

Christopher Jerome Swift
Chairman & CEO

Josh, I'm not even going to respond to that baiting.

Joshua David Shanker
BofA Securities, Research Division

It was unintentional.

Christopher Jerome Swift
Chairman & CEO

Okay. Very good. I would say, yes, we're pleased with the agent channel as it exists today. We've seen nice growth on a bundled basis, primarily. And we are turning back on broad-based relationships that might have been a little dormant, a little -- just dormant. So yes, I'm encouraged about that. And I'm just going to ask Melinda to add her own color because she's the principal architect of getting back into the agency side of the business in a more meaningful way.

Melinda Thompson
Head of Personal Lines

Yes. A couple of things I would offer. Certainly, we have had an opportunity as profitability has come back online to reengage agents, and there's been a fair amount of marketplace disruption. And so those 2 things in combination with The Hartford's retail brand are certainly an opportunity and a strategic advantage for The Hartford. So we're excited about what we've been able to do and the growth that we're posting on a relatively small base today.

And then as we think about a broader pivot, there is an opportunity to capitalize on our new platform. We look at Prevail, and it brings with it an exceptional product, a platform and customer experiences that we do believe can be leveraged more broadly. So if you think about the segmentation and the transferable capabilities coming to the agency channel over time, we think that that is an opportunity, and we've earned the right to compete more meaningfully in personal lines in the channel.

Christopher Jerome Swift
Chairman & CEO

So really that means, Josh, is we have some pilots that began in 2 states really in the second half of the year, and we'll see how all that goes and keep you posted.

Joshua David Shanker
BofA Securities, Research Division

And given that policy count in home is growing as auto continues to decline, but that hopefully will stop. Is there any risk in writing monoline home? Is that an attractive product?

Christopher Jerome Swift
Chairman & CEO

It's not our preferred approach. It happens, but it doesn't happen very frequently.

Melinda Thompson

Head of Personal Lines

Yes. Again, as Chris shared, the vast majority of our business is written on a bundled basis in the home -- in the direct space and at a growing percentage of our agency business as well. I would say that our homeowners business has performed very well. We're very thoughtful about our growth and how we think about it on a state basis. So we look at how we want to grow home when we do so. And our track record is very strong. We generated a combined ratio in the low 90s over a long period of time, say the last decade or so, and that compares very favorable to the industry.

Operator

We have no further questions in queue. I'll turn the call back over to Kate Jorens for closing remarks.

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Thank you all so much for joining us today. Please feel free to reach out with any additional questions, and have a nice day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.