

The Hartford Insurance Group, Inc. NYSE:HIG

FQ2 2025 Earnings Call Transcripts

Tuesday, July 29, 2025 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.83	3.41	20.49	2.94	11.33	NA
Revenue (mm)	7028.96	6987.00	(0.60 %)	7164.84	28233.17	NA

Currency: USD
Consensus as of Jul-29-2025 11:21 AM GMT

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- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ3 2024	2.53	2.53	1 0.00 %
FQ4 2024	2.64	2.94	2 11.36 %
FQ1 2025	2.15	2.20	3 2.33 %
FQ2 2025	2.83	3.41	4 20.49 %

Table of Contents

Call Participants		3
Presentation		4
Question and Answer		8

Call Participants

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President

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Chief Financial Officer

Christopher Jerome Swift
Chairman & CEO

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Presentation

Operator

Hello, and thank you for standing by. My name is Lacy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Second Quarter 2025, The Hartford Insurance Group Financial Results Webcast. [Operator Instructions] Thank you.

I would now like to turn the call over to Kate Jorens, Senior Vice President, Treasurer and Head of Investor Relations. You may go ahead.

Kate Jorens

SVP, Treasurer & Head of Investor Relations

Good morning, and thank you for joining us today for our second 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 supplement.

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 second quarter results were outstanding, with core earnings reaching nearly \$1 billion. This performance reflects the effectiveness of our strategy and consistency of execution that drives our momentum. We are expanding our market presence and growing with purpose. Our strategic investments are advancing innovation across the organization to benefit customers and distribution partners. We are pleased with our year-to-date performance as we have successfully capitalized on market opportunities while maintaining strong margins.

With that, let's take a closer look at second quarter performance. Highlights include top line growth in Business Insurance of 8%, with an outstanding underlying combined ratio of 88. In Personal Insurance, an underlying combined ratio of 88, with 8.7 points of improvement over prior year, an exceptional core earnings margin of 9.2% in Employee Benefits and continued solid performance in our investment portfolio. All these items contributed to an outstanding trailing 12-month core earnings ROE of 17%.

Turning to Business Insurance. Results were excellent, driven by industry-leading underwriting tools, pricing expertise and data science advancements. Small Business delivered an excellent underlying combined ratio with record-breaking quarterly net new business premium. Strong written premium growth was fueled in part by double-digit increases in auto and in our industry-leading package product as well as a 35% increase in E&S binding premium. We are on a clear trajectory to exceed \$6 billion in annual written premium in 2025.

Growth in small is fueled by technology and data science advancements, which provides significant and unrivaled competitive advantages. For example, our best-in-class quoting platform is powered by intelligent automation, real-time decisioning and proprietary pricing models, differentiated by our rich historical data. Over the years, we have streamlined the submission process with intuitive workflows and advanced prefill of customer data. Our AI-driven underwriting logic suggests coverages based on business type and reflects the judgment of our most experienced underwriters.

All of this delivers a seamless and efficient experience, allowing 75% of all quotes across all admitted lines of business to be bound within minutes. This provides a durable competitive advantage for us with our distribution partners. As we continue to invest in AI, we expect bindability to increase further, driving enhanced efficiency, greater scalability and sustained profitable growth.

Turning to Middle & Large Business. Underlying results were excellent with solid growth. We are focused on maintaining margins and making appropriate risk decisions using enhanced underwriting tools. Middle & Large continues to advance the vision of an automated AI-driven underwriting process to enhance productivity and accelerate speed to market. Our strategic investments leverage strength in Small Business and extend those advantages to Middle Market. Over time, we believe this positions us well to capture additional market share in this space.

Shifting to Global Specialty. Results were outstanding with sustained underlying margins in the mid-80s and record quarterly gross written premium of \$1.3 billion. Our strong competitive position, broad product portfolio and disciplined renewal pricing drove this performance. Gross written premium in the wholesale business grew 8%, supported by growth in casualty, auto and inland marine. Global Reinsurance gross written premium grew 15%, driven by strong growth in both U.S. property and specialty casualty lines. With a diverse product portfolio and a constructive pricing environment, we remain confident in the growth potential of Global Specialty.

As for pricing, Business Insurance renewal pricing, excluding workers' compensation, is strong at 8.1% and is still comfortably above the overall loss trend. Pricing execution remains highly disciplined with low double-digit increases in auto and general liability, including mid-teens increases in umbrella and excess lines. In workers' compensation, although pricing is modestly down from the first quarter, it remains within expectations.

Across Business Insurance, focused expansion in property has driven 12% growth with written premium of \$1 billion in the quarter. In Small Business, property pricing within our package product remained strong as we achieved 15% renewal written price increases. In general industries property, pricing is solid and above loss trends. Large property and wholesale pricing declined from the first quarter by 4 and 8 points, respectively. However, both of these lines have adequate margins and account for less than 10% of total Business Insurance property. As we continue to grow the property book, we are maintaining a consistent catastrophe risk appetite and in another active CAT quarter, our CAT losses remain below our market share.

Turning to Personal Insurance. Results improved significantly over prior year. Homeowners had an outstanding quarter, highlighted by 17% written premium growth and low 70s underlying combined ratio. Renewal written pricing of 12.7%, driven by net rate and insured value increases continue to support healthy margins and reinforces a strong position in the market. Auto underlying results improved by 9.7 points to a mid-90s underlying combined ratio.

We are now well positioned to profitably grow in both auto and home. This month, we introduced our Prevail offering, inclusive of auto, home and umbrella to the agency channel, unlocking additional opportunities with preferred market customers. We expect to be in 6 states by the end of the year and an additional 15 to 20 states next year.

Agents are energized by the enhanced efficiency of Prevail, and have expressed strong commitment to promoting these improved offerings as new states come online. More broadly, agents and brokers at our annual summit in May conveyed a clear eagerness to deepen their partnership with us across the enterprise. They continue to recognize our ability to deliver fast, accurate solutions as a key differentiator in the market. With our ongoing investments in AI, digital tools, in overall ease of doing business, we are well positioned to grow alongside our distribution partners and strengthen our collaborative success.

Moving on to Employee Benefits. Core earnings margin of 9.2% was exceptional, driven by excellent life and disability results. Persistency remained strong in the low 90s, while fully insured premium growth was flat, reflecting a competitive market.

Looking ahead, we are particularly excited about our recent partnership with Nayya, which brings AI-powered personalization through benefits enrollment. This collaboration enhances digital capabilities and simplifies the benefits experience for employees through seamless integration with leading HR platforms. Improving benefit utilization enhances employee satisfaction and in turn, helps employers retain their workers. This is another example of how we are advancing our innovation strategy and delivering meaningful value to both employers and their employees.

In summary, second quarter results reflect the strength of our businesses and the impact of ongoing strategic investments. It is an exciting time at The Hartford as we advance our innovation agenda. We are prioritizing practical, high-impact AI applications that augment human talent and drive productivity to better serve customers and distribution partners. Looking ahead, we are confident in our ability to capture additional market share, deliver profitable growth and capitalize on 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 \$981 million or \$3.41 per diluted share with a trailing 12-month core earnings ROE of 17%. In Business Insurance, core earnings were \$697 million with written premium growth of 8% and an underlying combined ratio of 88. Small Business continues to deliver industry-leading results with written premium growth of 9% and an underlying combined ratio of 89. Middle & Large Business had another quarter of strong profitability with an underlying combined ratio of 89.1 and written premium growth of 5%.

Global Specialty second quarter was outstanding with an underlying combined ratio of 84.8 and written premium growth of 9%.

The Business Insurance expense ratio of 30.6 improved 0.5 points from second quarter 2024, primarily driven by the impact of higher earned premium.

In Personal Insurance, core earnings for the quarter were \$94 million with an underlying combined ratio of 88. The auto underlying combined ratio of 95.2 improved 9.7 points from the 2024 period, and homeowners produced an excellent underlying combined ratio of 72.7, which improved 5.1 points. Written premium in Personal Insurance increased 7% in the second quarter, in part driven by steady and successful rate actions. We achieved written pricing increases of 14% in auto and 12.7% in homeowners. Additionally, new business growth continues to be robust in homeowners at 47% over the prior year. Homeowners policy count continued to grow, while auto decreased as expected. We continue to expect that auto policy count will pivot to growth in 2026.

The Personal Insurance second quarter expense ratio of 25.1 improved from the prior year by 1.3 points, primarily driven by the impact of higher earned premium, partially offset by a higher commission ratio due to business mix.

With respect to catastrophes, P&C current accident year losses were \$212 million before tax or 4.9 combined ratio points, primarily related to tornado, wind and hail events largely concentrated in the South and Midwest regions. As a reminder, we have a \$200 million aggregate catastrophe cover, which attaches when the subject losses and expenses exceed \$750 million. Through June 30, losses subject to the treaty were approximately \$690 million, leaving \$60 million before we reach the attachment point. The aggregate cover does not include losses from the Global Reinsurance business, which purchases its own retrocessional coverage.

Total P&C net favorable prior accident year development within core earnings was \$163 million before tax, primarily due to reserve reductions in workers' compensation, catastrophes, bond, commercial property and across Personal Insurance. We recorded \$24 million before tax of deferred gain amortization related to the Navigator's ADC, which positively impacted net income with no impact on core earnings. We expect the remaining balance of \$8 million to be amortized in the third quarter.

Moving to Employee Benefits. We achieved core earnings of \$163 million for the quarter. The core earnings margin of 9.2% reflects excellent group life and disability performance. The group disability loss ratio of 68.5 increased 1.4 points from the prior year, driven by short-term disability and a slight increase in long-term disability incidents partially offset by strong claim recoveries. However, long-term disability incidence rates continue to remain favorable to historical averages and to our expectations.

The group life loss ratio of 74.3 for the quarter improved 0.6 points, reflecting lower mortality, primarily driven by the accidental death product. The Employee Benefits expense ratio of 25.7 increased 1.3 points compared with 24.4 in second quarter 2024, primarily due to higher technology costs and higher staffing costs. Fully insured ongoing sales in the quarter of \$107 million increased from \$101 million in second quarter 2024, reflecting higher group disability sales.

Turning to investments. Net investment income of \$664 million increased from second quarter 2024, primarily driven by a higher level of invested assets and reinvesting at higher interest rates, partially offset by a lower yield on variable rate securities. The total annualized portfolio yield, excluding limited partnerships, was 4.6% before tax, 20 basis points above first quarter 2025. We continue to strategically manage the portfolio, balancing risk while pursuing accretive trading opportunities, and in the quarter, reinvested at 130 basis points above the sales and maturity yield.

Our second quarter annualized LP returns of 1% before tax were down from first quarter. Returns have been muted due to market uncertainty stemming from a combination of interest rates and tariff policy, which has limited valuation and sale activity in our private equity and real estate portfolios. However, with stronger public equity performance in the second quarter, we expect limited partnership returns to improve in the second half of the year, with full year 2025 returns modestly exceeding 2024.

Turning to capital management. Holding company resources totaled \$1.3 billion at quarter end. During the quarter, we repurchased 3.2 million shares under our share repurchase program for \$400 million, and we expect to remain at that level of repurchases in the third quarter. As of June 30, we had \$2.35 billion remaining on our share repurchase authorization through December 31, 2026.

In summary, we are very pleased with our outstanding performance for the second quarter and believe we are well positioned to continue to enhance value for our stakeholders.

I will now turn the call back to Kate.

Kate Jorens

SVP, Treasurer & Head of Investor Relations

Thank you, Beth. We will now take your questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Andrew Kligerman with TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

I saw another impressive quarter with Global Specialty premium grew 9%, combined was again, under 90. Could you remind me of the mix of in-force business in Global Specialty? And coupled with that, where are you seeing the growth? Is it small, mid, large? And what product areas?

Christopher Jerome Swift
Chairman & CEO

Andrew, thanks for joining us. I'll give you a high level and then Mo can maybe give you a little more details. But yes, it's a broad-based U.S. and international organization, right? The international organization is our syndicate in Lloyd's that is focused primarily on casualty lines, energy, marine, and you get into the U.S., the major product lines are E&O, D&O, bond. There's some specialty lines in there like cyber and EPLI. So it's quite diverse. And yes, thanks for noticing how well it's been performing over the last couple of years. But Mo, would you add anything?

Adin Morris Tooker
President

Also in that line, Andrew, is just short of \$1 billion in our Global Reinsurance business, which is a good mixture of property and casualty globally. But the opportunity set in Global Specialty, broadly, I think we're excited about the Global Re opportunity. We continue to be rather opportunistic in that space, trying to grow when the market is there, and we feel the market in the reinsurance space is fairly supportive.

The wholesale space in there, again, we feel it's very supportive. I think we've talked about in the past, we have a predominantly construction casualty book, and we look to grow the other lines, including property in the marine. So we feel good growth there. And then you push into markets like Lloyd's, and there's good opportunity for there as we double down on the specialty areas we're in.

And I think the last thing, which I think is fairly unique to our specialty business is the idea that we are driving specialty products into our small and middle customer base, and that's a large part of the effort of that entire team is to make sure that we are selling every specialty product that we have to as many small and middle customers as we can.

Andrew Scott Kligerman
TD Cowen, Research Division

That was very helpful. And maybe just shifting over to Personal Lines. I mean it was pretty much strong everywhere, but in Personal Lines, it sounds like you've kind of gotten to the profitability levels that you need. But I want to get a little clarity on when you want to grow. I think, Chris, maybe in the opening remarks, it seemed like you're ready now, but then Beth kind of mentioned 2026. So when do you think you can really start growing in a meaningful way? And during this year, do you expect, in both auto and home, to see double-digit rate continue in the coming 2 quarters?

Christopher Jerome Swift
Chairman & CEO

Yes, Andrew, I would say both Beth and I and Melinda and working with Mo, now is the time to grow in Personal Lines. We worked hard to sort of get back to target margins that we wanted in this book. Everyone else in the marketplace is pivoting to growth also. So there will be competitive dynamics. But I think we have some differentiated capabilities, both in auto and home, both in our direct channel, which is our primary business, but also as we roll out our new Prevail offering and package and technology to independent agents.

So I think we're feeling good. You could see we're growing our home PIF count responsibly with good discipline and not taking on too much CAT risk. And I expect, from a pure number side, to be able to begin to add PIF count in 2026, just given sort of the competitive dynamics in the rest of this year.

And if I forgot part of your question, Andrew, ask it again.

Andrew Scott Kligerman
TD Cowen, Research Division

Yes. Just the rate. Do you think for the balance of the year, you'll still need double-digit rate in auto and home?

Christopher Jerome Swift
Chairman & CEO

Yes, I think what I would foreshadow is, yes, double-digit rates in the third quarter in auto. We'll probably get to maybe high singles in the fourth quarter. And then home, just given sort of the inflationary pressures and ensure value increases that we need to keep up with, yes, I would expect sort of low double-digit rates in home going forward.

Operator

Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is on Business Insurance. Chris, at the start of the year, you laid out guidance for consistent margins for the year. Halfway through, we're looking right 30 basis points deceleration. We can perhaps call that consistent. So I guess I just want to get a sense of where we sit halfway through the year and just, if there's any changes to your full year guidance for the underlying combined ratio within Business Insurance?

Christopher Jerome Swift
Chairman & CEO

Yes. Thank you, Elyse. I would say 6 months into this year, I'm pretty satisfied. The team is executing, I think, exceptionally well. We made a point of emphasis on trying to hold on to margins and keeping up with trend. I think we've done that wonderfully. And I appreciate you of all people. Let's not quibble over 30 basis points. And I think we're pretty consistent with what are expected. And we still got 6 months to go to continue to perform strongly and maybe even outperform. So that's what I would share with you.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question, within Employee Benefits, but just on the life business. Can you just expand on what drove the strong results in the quarter? And I'm particularly interested just in more color on what you're seeing with mortality.

Christopher Jerome Swift
Chairman & CEO

Yes. I think Mike Fish and I will tag team here. Yes, I thought it was a strong quarter, 9.2% that's strong margins. Obviously, it's above our long-term guidance, principally driven by continued strong recoveries in LTD. We put a little bit more rate into our leave book and some of our short-term products that's contributing. And life mortality is behaving very, very nicely for us. So putting it all together, yes, really, really pleased.

I think the only thing we're focused on, and it's self-evident, so we may as well talk about it, is our top line is a little flat. And I'll give you a perspective that I ultimately made the decision on was, if you look back sort of 2 years ago, really, when we were pricing 1/1/25 business, which is the big national account season, we probably, in hindsight, took a more conservative view on mortality trends. I thought we were still going to be in an endemic state, and we were pretty disciplined in trying to get additional rate into the book. I think that had the consequences of suppressing our life sales, particularly 1/1.

Disability sales, I think, are holding up well. We're always going to be disciplined there, just given how quickly morbidity trends could change on you in the multiyear guarantees. But as I look at the second half of this year and into '26, I'm exceedingly optimistic about returning to a growth orientation, Mike, and I don't know if you would add anything to that color, but I'm pretty optimistic that I think we got our pricing where it needs to be, particularly post pandemic.

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

Right, Chris. I think you covered that really well. I would just add maybe a couple of things. In the quarter, for life, in particular for the loss ratio, right? And we called out AD&D was -- we just saw some unusually favorable experience in the quarter, so that ended up being a nice contribution to the loss ratio for the quarter.

And then as Chris noted, going forward, I think we're competing hard for the next 6 months, certainly of this year to finish strong for '25. And then as we turn the corner for the 1/1/26 selling cycle, I feel really optimistic. We've got a great set of capabilities. We've invested quite a bit from a technology perspective on our offering, whether it's on the absence and leave side or even digital capabilities for our life book. So again, feel good about what we're seeing in market right now and optimistic -- cautiously optimistic as I look forward over the next 6 to 9 months.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

So Chris and Mo, I'm just curious, I wanted to talk a little bit about the commercial property markets. You all are seeing some good strong growth in that market. There's been a lot of discussion on calls already this quarter about big price decreases, 10%, 15%. It doesn't necessarily mean it's unprofitable down 10%, 15%. But maybe you can talk a little bit about what you're seeing in that marketplace? Are you in different areas where maybe you're not seeing the level of competition and kind of the growth you're putting on there?

Christopher Jerome Swift
Chairman & CEO

Yes. Brian, it's Chris. I'll start, and then I'll ask Mo to add his insights. We're overall pleased where we are with our property book, both from a growth side. I think you've seen we put up about 15% growth. Pricing, I think in the aggregate, I'll give you some numbers that might satisfy you. I think ex Global Re, for second quarter, pricing was 6.8% compared to -- excuse me, 7.9% compared to 11.8% last quarter. And as you would expect, the large property market and the wholesale property market are primarily driving those decreases.

If I look at Spectrum, our BOP product, the property component in there, that's up 14.7%, and our general industry properties is at 6.1%, which we think is keeping pace with loss cost trends.

So I think the team is executing well. Not all properties created equal. Our sort of small to midsize orientation, I think, is holding up well, and I think we're executing very strongly. Mo?

Adin Morris Tooker
President

Yes, Brian, I'd just say the rates are generally holding up well. Yes, it's trending down, but still strong, as Chris talked about. I think, in our core small and middle, I think we still see opportunity. We still see a solid starting point. And as we talked about in the opening script, there is a bit of pressure -- a bit of a larger pressure in larger property in the wholesale lines, where, again, the starting point is good, but we're watching those spaces closely.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then a follow-up question. I'm just curious, obviously, a big admitted market, but you also have some E&S type businesses. Maybe talk a little bit about the dynamics between those 2. Are you seeing a little more appetite admitted versus E&S? And then also on that topic, we've been hearing some complaints about some MGAs out there and kind of what's your perspective on that and using MGAs?

Adin Morris Tooker
President

Yes. Brian, I wouldn't say that there's incredible flow back into the admitted space. We see it, but I think broadly, our flow into our E&S offerings is strong. And as a reminder, we have the offering in Small Business, which is our binding space. And then obviously, we have the wholesale brokerage in our Global Specialty segment. And the flows continue to be really strong, I wouldn't

say dramatically different than the past couple of quarters. So -- and that's property and liability coming into the E&S space, just in terms of submission volume. So we haven't seen a huge pivot back or that flow has changed.

And then the opportunity set, I think we still feel really good about. And our -- again, in both Small Business and the Global Specialty space, our ability to grow into those, we feel good about and a pretty broad based.

I may have missed the second part of your question, Brian...

Brian Robert Meredith
UBS Investment Bank, Research Division

MGAs, right? We've heard some complaints about MGAs.

Adin Morris Tooker
President

Yes. There are some pockets of our business. It's not a major -- we don't feel the MGAs in the core admitted retail, small and middle space, which is obviously where we're at. We don't feel strongly there. But we do feel pockets in financial lines and some of the other specialty lines that are -- I would agree with some of the other commentary that's out there, where there is an overcapacity, and there is some disruption that those MGAs are creating, but it's not a huge impact for us in the core space.

Operator

Your next question comes from the line of Mike Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

Back to the comments and disclosures on the investment portfolio, the annualized investment yield ex LPs, the spread there versus the reinvestment yield, obviously, a very bullish kind of spread there. So I'm just curious, that annualized investment yield ex LPs has kind of drifted in the mid-4s for over a year now despite the reinvestment yields being meaningfully higher. So I just want to make sure I'm not missing something. Over time, if the yield curve stays the same, would the annualized investment yield ex LPs kind of glide path up to that 5.9% range that's in the slide deck? Or am I missing something because it's just a very healthy spread, much more so than your peers kind of for the investment yield to glide path up over time.

Christopher Jerome Swift
Chairman & CEO

Mike, I'll let Beth add her commentary. I think what's important to know is we haven't changed philosophically our asset allocation models, our model portfolio. You've seen duration being pretty consistent at 4 within the P&C business, 5 in Group Benefits.

So I'll let Beth get into maybe any special securities that we're adding into the portfolio. But generally, it's steady as she goes and no major changes to our balance sheet philosophy.

Beth A. Costello
Chief Financial Officer

Yes. The only thing I'll add, Mike, as you think about the overall yield and comparing that is, as I referenced in my prepared remarks, we obviously have felt the impact of lower yields on variable rate securities. So that obviously puts a little bit of pressure on that overall yield, we need to take that into consideration.

And then we also sometimes have other investments, not LP investments, that also can have a little bit of volatility that you can see quarter-to-quarter. But as Chris said, nothing significant that I would point to as a change in our philosophy. Our yield this quarter on our purchases being above the sales and maturity yield. Some of that is also just the average life of the securities we purchased were a bit longer than the ones that we sold. So that impacted a little bit as well. But again, as Chris said, I wouldn't point to anything significant change overall.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Got it. Good point maybe on the floating rate, but I need to think through more. My follow-up, just pivoting to Business Insurance. In terms of policy count retention levels in Small Business and Middle Market, I just want to -- maybe don't think about it

this way, but is it fair to say that over long periods of time, you're kind of trying to hit kind of a mid-80s versus the lower 80s today? Or is that just not -- it just depends on the environment and there's lots -- you obviously give us new business sales and everything else. But is there anything we should be thinking about there in terms of their retention levels currently and how those could trend?

Adin Morris Tooker
President

Mike, it's Mo. I would say it's a little bit different between small and middle. In small, you can see our numbers historically in the mid-80s. We do have a dynamic of which is different than the middle space where we have small businesses just going out of business, that's a higher impact in the small space, but -- and we do feel a little bit more churn in the middle space. So we do expect an incrementally lower retention in the middle space. But I would say what you see in the IFS is pretty much on plan with where we want to be, and I wouldn't expect anything dramatically different in the future.

Operator

Your next question comes from the line of Gregory Peters with Raymond James.

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

First, in your opening comments, you talked about data science advancements. I think with the Small Business, you referred to the usage of AI leading to a 75% buying ratio within minutes. So I guess just when you talk about these things, would I -- does the 75% represent the final destination? Or is this some sort of -- is there some sort of aspirational target in the background you're thinking about? Or maybe perhaps you're thinking about using this technology and spilling it over into your Middle Market business? Just some more color on the technology comments, please?

Christopher Jerome Swift
Chairman & CEO

Yes. I think the last point you made is the key point, I would share is that small has led the way in a lot of innovation, whether it be -- you want to call it AI, automation, speed, accuracy, using our rich data sets. And we are working on emulating that in Middle Market and certain aspects of Global Specialty. So that is the playbook.

I would say beyond 75%, look, I could be flippant and just put out 100% would be a good number, too. But I think it's realistic that there always will be some deviation that will require human intervention, particularly as maybe you go up from a larger scale and a larger account side in small. But again, very pleased where we're at. Obviously, it's a key differentiator. And just now, we're committed to leading the way in AI, particularly as we think about underwriting, claims and overall operations.

But Mo, what would you add?

Adin Morris Tooker
President

Greg, I'd just add from an underwriting perspective. In the space that we compete in the small and middle space, speed really, really matters to get an efficient answer back to our agents. So we are finding that the speed that we've accomplished in small, that's 75% of everything we quote, and getting that closer to 90% over time is a hugely competitive space to be in, just because that time is real money because people are just trying to get through submissions and maintain the margins that are hard to get in the small space. And again, we think that speed is equally as important into the middle space. So we think this is a competitive advantage in both segments today that we'll look to grow in the future.

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

Okay. Thanks for the clarification there. I know the adverse cover, you used all of it as it relates to the annual reserve review and the asbestos. And I tried to shy away from modeling questions, but it seems appropriate given that you're going to have a year-end review. And maybe it might be appropriate for you to revisit how you want us to -- or how you would like to frame up the reserve review as we go into the second half of the year and what we should be thinking about in our models?

Christopher Jerome Swift
Chairman & CEO

I'm going to refrain from exact guidance, but I would say a couple of points. Obviously, you know the bookkeeping that we do on any ADC that we begin to get recoveries from, which goes through net income as opposed to core. So the toggle between core and net income on some of these runoff blocks, I think, will be important. We're not projecting -- we have not given you a time frame when we expect any recoveries on the A&E ADC, but they will come at some point in the future.

And I would say, without knowing the data in this year's study, I suspect we're not going to see anything dramatically different than we've experienced in the past. There's still lawyers out there that are pressing for higher settlements. They're still environmental exposures. There's talc, there's mesothelioma, that's still happening in the marketplace. So I don't know what to say, Greg, other than I don't see a lot of change.

Operator

Your next question comes from the line of Alex Scott with Barclays.

Taylor Alexander Scott

Barclays Bank PLC, Research Division

One I had was on Small Business. I guess the underlying combined ratio, while still very good at 89, it went up 2.2 points. For the Middle & Large improved by 0.5 point. I guess that was just maybe directionally a little different than I would have guessed, given I think the Small Business pricing is more definitively in excess of loss cost trend versus Middle & Large at this point. Any help you can provide us in just thinking through like the year-over-year in those areas of Business Insurance?

Christopher Jerome Swift

Chairman & CEO

Yes, I'll start and Mo can add. I think it's pretty simple. Last year, I think in small, we experienced a real non-CAT weather benefit that didn't reoccur this year. And if I look at our sort of actual results to assumptions on property, we're right on expectations of where we are, maybe 2/10 ahead with non-weather CAT benefit. But I think it's just a compare in both middle and small, I think, are performing really well with our property books.

Adin Morris Tooker

President

Yes. We're right on expectations in terms of where we want to be.

Taylor Alexander Scott

Barclays Bank PLC, Research Division

Yes. Understood. It was more the comps. Second question I have on workers' comp. I just wanted to get a feel for how things are trending there? If there's any kind of impact embedded from California and hopefully, we get some relief from that as the pricing comes in next year. So I'm just trying to understand if that has been a headwind sort of embedded in Business Insurance that I should think through.

And just also, like if -- I think the comments on pricing ex workers' comp were that they were comfortably ahead of loss trend. But just wondering if you can say the same including workers' comp.

Christopher Jerome Swift

Chairman & CEO

Well, I think we always exclude workers' comp because it's sort of its own ecosystem and its own dynamics. I would just clarify, California is actually a very good state for us comp-wise. So you should not be thinking of California as a problem for our book in California. California, again, is unique in a lot of ways. But our book is performing exceedingly well there.

I think the trends that I spoke to first to second quarter is pricing only. And we have not changed our loss picks in any of our product lines compared to where we thought we would be. So as much as pricing deviates maybe a little bit in comp here, it hasn't affected our picks. So first quarter, we talked about all-in sort of pricing up 3/10 of 1 point, probably turned negative this quarter in about 0.5 point range. But again, unaffected any reported results because we have a -- we made prudent overall loss picks and assumptions that are still holding.

So that's the only additional data point I would give to you, but I'll look to Mo and say anything else you want to share with Alex?

Adin Morris Tooker

President

I would say, again, I think it's important to note that pricing in comp in both small and middle is right on expectations as well. So there's nothing going on in the quarter that's out of pattern for what we expected to have. And in terms of California, again, we are in great shape to Chris' point from a profitability in California. And we've been watching the cumulative trauma for some time. So I don't think anything is terribly surprising there either.

Operator

Your next question comes from the line of Wes Carmichael with Autonomous Research.

Wesley Collin Carmichael
Autonomous Research US LP

On Employee Benefits, Chris, I wanted to follow up on your comments to a prior question that I thought were interesting in terms of pivoting towards a focus for growth and maybe 2026 in the life product. I guess if I think about that in the context of your margins today being pretty well in excess of the targeted range, I'm just wondering if you're happy to sacrifice a bit of margin in order to get some growth in EB, and if you think that should come back to your 6% to 7% target range fairly quickly.

Christopher Jerome Swift
Chairman & CEO

Thanks for the question, Wes. It's hard for us to think like that. So I'll just be honest. I mean we're pricing products with the 6% to 7% view of, I'll call it, prudent assumptions that obviously has a range around it from an outcome perspective. And you would say, the last 3, 4 years, we've been on the benefit side of the range of outcome.

So remember, particularly in life products, I mean, we're making 4-, 5-, 6-year guarantees and that's a long-term commitment with potentially a lot of variability around mortality outcomes. So what I alluded to, though, is that when we looked hard at our endemic pricing coming out of COVID, we've stripped that out now, so I would say we're pretty clean from a historical trend side. And I think that will allow us to be equally competitive, maybe if not more, while not just sacrificing price and rate.

But Mike Fish, what would you add?

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

Yes, Wes, I would just add maybe just a couple of points there. I'd say when you look at our product set, we've also -- we don't talk about it a lot, but we've got some nice products in our supplemental health line, and we're seeing nice low double-digit growth in those lines, and we'll continue to work hard at growing that book of business. It is a smaller book of business for us. But again, we'll push hard into that market.

And then secondly, as Chris noted on the pricing front, have you think, too, about where our margins are coming in. When we look at our renewal business, in other words, in-force and what we're doing rate there versus new, right? So on renewal, we're really working hard to maintain those higher margins. So obviously, we're pleased with the results. We've got persistency that's in the low 90s. So when we're putting that together with the profitability of that in-force book very, very favorable. And then Chris noted going forward on new business, we're going to compete aggressively. We feel really good about where our picks are on both the life side as well as disability.

And then lastly, I would just add, we've talked a bit about the paid family medical leave product line and we've put a little over 20 points of rate into that product line in the first and second quarter, and we've maintained strong persistency there as well. So we'll keep a close watch on utilization rates. But when I put that all together, I feel really optimistic about our growth outlook for the next 12 months or so.

Wesley Collin Carmichael
Autonomous Research US LP

Great. No, that's really helpful color. I guess pivoting to personal auto. There's been a couple of headlines again over the past few days around tariffs. Just wondering if there's any updates on your thoughts on tariffs and I guess, relatedly, if the AARP relationship, does that have -- is that cohort or demographic influence how tariffs might impact The Hartford relative to peers in personal auto?

Christopher Jerome Swift

Chairman & CEO

What I would say, Wes, is actually, I'm feeling a little better about tariffs and particularly on auto parts and new cars, given what the administration was able to agree with Japan and Europe. So everything that we've talked about last time is sort of being a modest impact for 2025 and any tariff increases that can be absorbed in our loss picks there and are relatively minor, I think it's holding.

The obviously, watch area for the industry is just what happens in '26 and sort of beyond. But I'm feeling actually a little more optimistic about the impact on at least auto tariffs just given the recent agreements.

Operator

Your next question comes from the line of Rob Cox with Goldman Sachs.

Robert Cox

Goldman Sachs Group, Inc., Research Division

So the expense ratio improved meaningfully in the quarter across both Business Insurance and Personal Insurance. Is that just operating leverage? And how should we be thinking about the sustainability of that, noting that you guys might have some ramping of the Personal Lines marketing spend?

Christopher Jerome Swift

Chairman & CEO

Yes, I think you got it right. I mean it's good operating leverage with the earned premiums that's coming through, given all the rate that we put into the book. I would say just on Personal Lines, if there's a call out, we probably front-loaded advertising a little bit in the first half of the year, but we're still planning on a 10% increase in our overall marketing spend in Personal Lines this year. So there's nothing really dramatic that's changing there. And I think the continuous improvement mindset that the organization has that has been led by Beth is producing efficiency gains across the organization. So I feel pretty good about where we're at expense-wise.

Robert Cox

Goldman Sachs Group, Inc., Research Division

Got it. That makes sense. Just pivoting to the Small Commercial growth, the \$6 billion in premium for 2025. It looks like growth would need to accelerate just a little bit in the second half to get there. Are there certain product lines where you think there might be a stronger opportunity for growth in the second half?

Adin Morris Tooker

President

Rob, it's Mo. I would not say there's a different story for the second half of the year. I think we are still really favorable about the Small Business space in total. We continue to bite our time on comp. As you can feel, that's relatively flat for us. But outside of that, our package business owner product, the auto, E&S binding, we're still very favorable on the growth prospects across Small Business.

Operator

Your next question comes from the line of David Motemaden with Evercore.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

I just had a question on workers' comp and medical severity. I know you guys haven't changed the 5% severity assumption that you guys are embedding in the picks. But I think about a year ago, you had talked about observing an uptick from about 2% to 3%. So I'm wondering what you guys are observing now? Any sort of uptick or just an update there would be helpful.

Christopher Jerome Swift

Chairman & CEO

Yes. I think you got it right, David. It's in that 3% range. Still, again, well within our 5% picks. I don't -- I know there's always discussion on medical, broad-based medical inflation. But again, we continue to -- and you know the workers' comp industry is somewhat insulated from broad-based medical inflation. So feel comfortable. It's always a watch area. We got our listening post. We got our data analysis. We'll take corrective action if need be, but I think it's fairly well under control.

David Kenneth Motemaden

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Evercore ISI Institutional Equities, Research Division

Got it. Helpful. And then maybe just a follow-up just for Business Insurance as a whole. I know last year, you guys spoke about having, I think it was about 1.5 points of favorable non-CAT property experience versus plan. It sounds like that continues to come in maybe a touch better than your expectation. I guess, are you guys -- I guess, how do you think about that sort of non-CAT weather plan? And how do you consider changes that you guys have made in terms of terms and conditions and other factors that maybe means that, that could be a little bit more durable?

Christopher Jerome Swift
Chairman & CEO

Yes. Maybe we weren't clear before, or I wasn't clear. But I would say that there is no, through 6 months, major favorability in non-CAT weather, maybe a small amount, I think I mentioned 2/10. So I think we're right on our plans across, again, BI with our property underwriting results.

But Mo, would you add anything...

Adin Morris Tooker
President

Maybe a little bit of texture, David. I think middle is a little bit better than expectations and small is right on expectations. And I think what gives us hope is where you went. The terms and conditions broadly from our seat and our portfolio, the terms and conditions are really holding up well, deductibles across the space. So I think we feel -- again, I don't know if it's durable or not, but it bounces around a little bit and -- but the terms and conditions are what give me hope that, again, our expectations should be within reach.

Operator

Your next question comes from the line of Paul Newsome with Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Just maybe one additional question. If you have any thoughts broadly on the whole social inflation issue and litigation finance challenges. A lot of your peers talking about it this quarter. And I wondered if you had any thoughts yourself.

Christopher Jerome Swift
Chairman & CEO

Yes, Paul, I think we spoke about it equally in the past. It's still a fact of life, still a tax. It's still a burden. It's not fair. It's not what our court system was intended to. But I'm also equally optimistic that more and more people across the industry and businesses are getting involved and trying to take a legislative corrective action.

We work through our trade group in a lot of those discussions, but then there's individual contributions and discussions. So it's still alive and well. And I think the overall trends of sort of the tactics involved are continuing. I don't see any real differences in our trends, whether it be time bar demands, whether it be earlier representation with lawyers on sort of simple claims.

So yes, but there has been progress in certain states, particularly in the Southeast that have enacted reforms that have been signed by their governors, and we'll continue to sort of fight the good fight and really highlight this.

I think it's getting a little bit more national attention, particularly in D.C. and I was really actually encouraged by former Attorney General Barr's comments on the need just to put some limits on these injury claims, including noneconomic limits. So it's getting the attention and hopefully, legislation will come because that's what's needed to enact it at a state and/or federal level.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Do you have any sense of any way that you or anybody else could measure the impact of litigation finance?

Christopher Jerome Swift
Chairman & CEO

Are you being serious? You measure. I mean, it's showing up in our loss trends. I mean, showing up in our allocated loss expenses. I mean we're spending more time and money on something that turned our judicial system into a gambling system. Are you serious?

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Jon Paul Newsome

Piper Sandler & Co., Research Division

No, I apologize. What I mean is this, there's obviously some underlying social inflation issues that come from court changes and other things. And then there's pieces that are coming from the litigation part in particular. And I was wondering if there's any ways to sort of bifurcate what's purely because of the litigation finance stuff or from other sources? That's the question.

Christopher Jerome Swift

Chairman & CEO

Okay. I hear you. Point taken. Yes, there's a lot of lawyers inflating sort of average cost and then there's sort of the nuclear verdicts change. I think we have -- and I know the industry has got measurements on both. I don't have them in front of me, but both are contributing to the problem, Paul.

Operator

Your final question comes from the line of Bob Huang with Morgan Stanley.

Jian Huang

Morgan Stanley, Research Division

All my questions on BI have asked, so I'm going to shift a little bit to the Personal Line a little bit. You talked about growth. You clearly have a very strong combined ratio in the mid-90s core combined ratio in the high 80s. Under any historical environment, you certainly are very well positioned to grow.

But I just want to understand -- get a better understanding of your competitive environment. It feels like multiple carriers in the Personal Line also have similar underwriting profile at this time. Can you maybe just help us think about, as you pivot into growth, what is the competitive dynamic looks like for homeowner and for auto? Is it easier for you to grow right now given your combined ratio? Or is it actually not that easy? Just curious your view on that.

Christopher Jerome Swift

Chairman & CEO

Yes. Thank you, Bob. I'm going to add my point of view, but I'd like Melinda Thompson to add hers, who runs Personal Lines. I think it's not that easy to grow, or else we would have been growing maybe at a faster historical rate because there is good competition.

Our primary channel right now is still the AARP endorsement with the direct response models, which we think does give us a competitive advantage to really help a mature customer with policy decisions, with limit discussions, with how claims would be handled. So that's important to that cohort.

But we're taking sort of the chassis that we rebuilt in that area and trying to apply it through independent agents, particularly with a similar sort of mature market approach. And we're quite confident with our independent agents, just given our historical relationship with distribution partners that sell both personal and commercial, particularly small insurance.

So again, we think from a relationship side there, we think our product is competitive and has the right features and benefits that customers would like over a longer period of term but it is still a competitive environment.

But Melinda, what would you add?

Melinda Thompson

Head of Personal Lines

Thank you, Chris. I would agree with you. The environment is healthy and a number of competitors are aggressively positioning for new business in the marketplace. And so certainly, as we think about our overall position, growth is going to require 2 things. One is retention improvement and then new business. And so as I think about moderating rate that is -- that we will experience throughout '25 and into '26, that pressure on retention will also moderate.

And then we have been implementing a number of initiatives to stimulate new business. Chris mentioned the agency and what we are doing there, the reengagement efforts have been meaningful in our new business. And on top of that, we've implemented some rate and non-rate levers, the marketing spend. So all of those things together are really about supporting growth.

Jian Huang

Morgan Stanley, Research Division

Got it. Really appreciate that. But maybe just a follow-up on that point. Would you say that maybe auto and like -- is there a significant difference between auto and home in terms of the competitive environment? Or would you say they're kind of similar in terms of being both a competitive environment today?

Melinda Thompson

Head of Personal Lines

I would acknowledge some differences there. Certainly, home comes with capacity constraints. And so there is, I would say, some dynamics that are a little bit different than auto that play out. We are growing home. We feel very good about how we underwrite that book, how we performed over a sustained period of time and how we are positioned. So we are growing that line. And the challenge certainly on auto, the amount of rate that has come through auto is what's pressuring the retention there a little bit differently.

Operator

That concludes our Q&A session. I will now turn the conference back over to Kate Jorens for closing remarks.

Kate Jorens

SVP, Treasurer & Head of Investor Relations

Thanks for joining us today. Please reach out with any additional questions, and have a nice day.

Operator

This concludes today's conference call. You may now disconnect.

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