

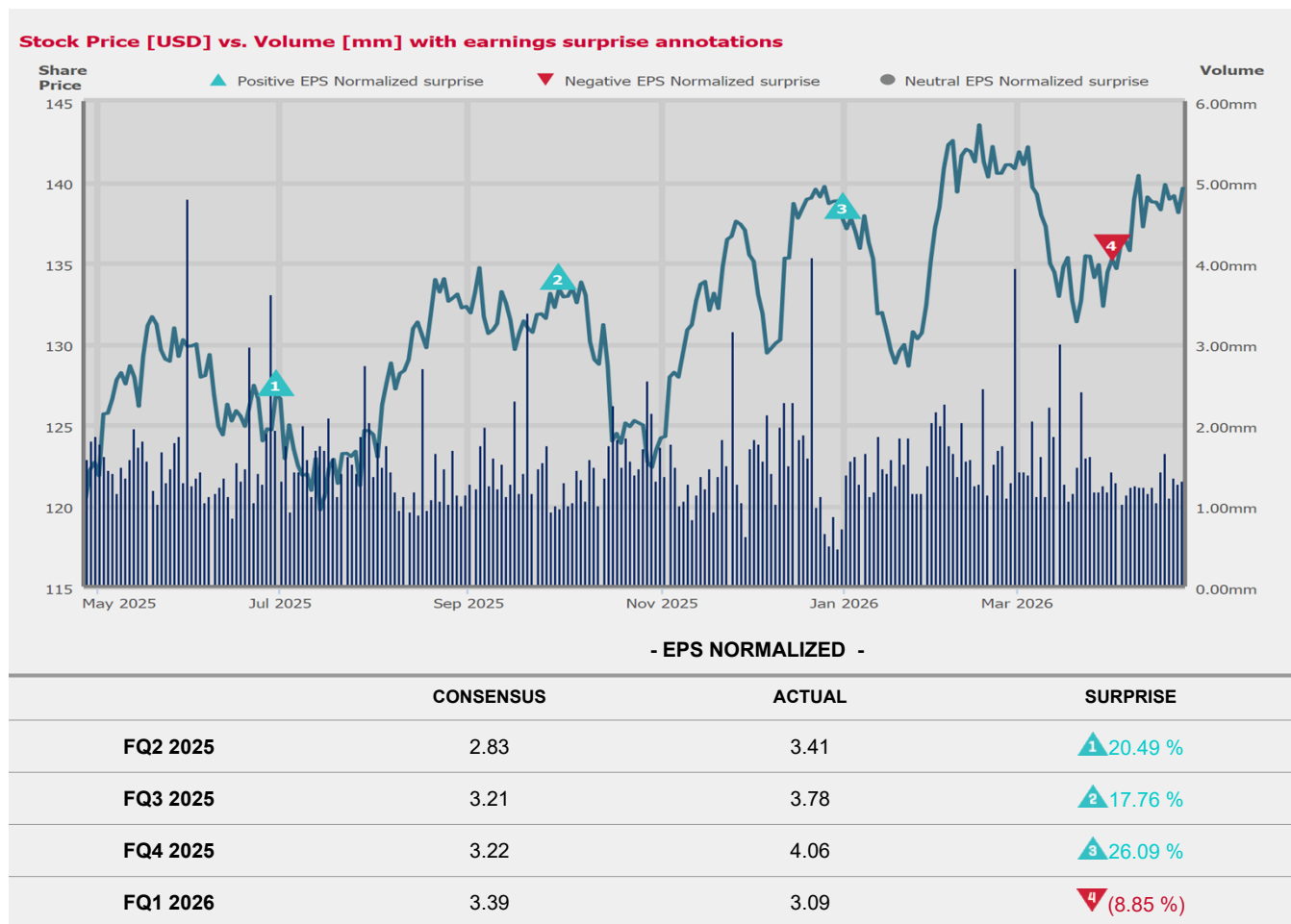
# The Hartford Insurance Group, Inc. NYSE:HIG

## FQ1 2026 Earnings Call Transcripts

**Friday, April 24, 2026 1:00 PM GMT**  
S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
<b>EPS Normalized</b>	3.39	3.09	▼ (8.85 %)	3.27	12.93	NA
<b>Revenue (mm)</b>	7340.57	7226.00	▼ (1.56 %)	7390.17	29731.88	NA

Currency: USD  
Consensus as of Apr-24-2026 5:07 AM GMT



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# Call Participants

## EXECUTIVES

**Adin Morris Tooker**  
*President*

**Beth A. Costello**  
*Executive VP & CFO*

**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*

**Michael David Zaremski**  
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**Charles Gregory Peters**  
*Raymond James & Associates, Inc., Research Division*

**David Kenneth Motemaden**  
*Evercore ISI Institutional Equities, Research Division*

**Elyse Beth Greenspan**  
*Wells Fargo Securities, LLC, Research Division*

**Katie Sakys**  
*Autonomous Research US LP*

# Presentation

## Operator

Good morning, and welcome to The Hartford's First Quarter 2026 Earnings Call and Webcast. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the call over to Kate Jorens, Senior Vice President, Treasurer, and Head of Investor Relations. Thank you. Please go ahead.

## Kate Jorens

*SVP, Treasurer & Head of Investor Relations*

Good morning, and thank you for joining us today for The Hartford's First Quarter 2026 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. Hartford's first quarter 2026 results were strong, building on continued momentum from the past few years. Our broad portfolio of complementary market-leading businesses continues to generate superior returns for shareholders. The strength of our businesses, the breadth and depth of distribution relationships and our customer-centric focus position us to navigate a dynamic environment.

Against the backdrop of geopolitical and economic uncertainty and rapid technological change, we continue to execute with discipline and advance our strategic priorities. Looking forward, our foundation is strong and our strategy is clear, reflecting who we are at the core, an underwriting company that consistently delivers with discipline and innovates with purpose. Among the quarter's highlights, Business Insurance delivered strong written premium growth of 6% with an underlying combined ratio of 89.2%.

In Personal Insurance, the underlying combined ratio improved 4.7 points year-over-year with growth impacted by a competitive market. Employee Benefits core earnings margin was 6.9%, driven by outstanding life and strong disability performance, along with excellent new business sales growth. And the investment portfolio continued to generate strong net investment income. All these factors contributed to core earnings of \$866 million and an outstanding core earnings ROE of 20.3% over the trailing 12 months.

Let's take a closer look at the first quarter performance. Business Insurance delivered another strong quarter, reflecting excellent execution across all lines. The current market reinforces the importance of underwriting discipline, pricing rigor and risk selection, areas where we continue to differentiate ourselves.

Increasingly, our underwriting decisions benefit from real-time insights embedded directly into workflows, supporting smarter risk selection and more accurate pricing. Leveraging deep agent relationships, we are growing where price, terms and conditions appropriately compensate for risk. This is clearly reflected in our quarterly results as we continued to outpace the market in small business and remained selective in certain middle market and specialty lines.

Focusing on Small Business, results again demonstrated the strength of our industry-leading franchise. Written premium growth of 8% and an underlying combined ratio of 89.4% were driven by excellent execution across our core offerings with double-digit growth in package and commercial auto. Our small business strategy is supported by a flexible multichannel go-to-market model. Customers have multiple ways to engage, whether it's through agents directly or via embedded capabilities such as payroll providers. All channels provide consistent service capabilities, underwriting and pricing. An important component of our strategy is the expansion of our market-leading small business ecosystem across multiple dimensions, including size, risk, product and segment.

By size, we are increasingly working across Business Insurance to target the small end of middle market and growing with customers as their businesses scale, leveraging the breadth of our underwriting expertise and product offerings. By risk profile, we move seamlessly from admitted into E&S where appropriate, allowing us to support customers as exposures become more complex.

By product, we are combining our specialty products with our unmatched small business distribution to deliver more tailored and complete solutions. And by business segment, we are launching efforts in the small and mid-sized market within employee benefits, leveraging our small business expertise. Moving to Middle & Large. Written premium growth was solid at 5% with an underlying combined ratio of 91.3%.

The team remains focused on disciplined underwriting and selecting opportunities that deliver attractive risk-adjusted returns in an increasingly competitive market. We are continuing to transform underwriting workflows, including through an AI assistant that augments key components of the underwriting process. Turning to Global Specialty. Results remain solid with another quarter of underlying margins in the mid-80s. Written premium growth of 3% reflected economic conditions, including fewer construction projects within our core area of focus.

Global Re delivered premium growth of 11%, driven by growth in lines with strong risk-adjusted returns. Across Global Specialty, we are continuing to invest in the automation of lower complexity risk and enhancing underwriting workflows in more complex areas. Turning to pricing. Business Insurance renewal written pricing, excluding workers' compensation, remained relatively consistent at 6% in the quarter.

Pricing in commercial auto and liability, including umbrella and excess remained strong and above loss trend. Property continues to remain highly profitable and an attractive area for growth, though pricing moderated in the quarter. Pricing within small business package and middle market general industries was fairly steady in the mid-single digits and represents 60% of our property book.

Shifting to Personal Insurance. First quarter results reflected solid execution amid a competitive market backdrop. In auto, where annual policies are over 70% of the book, renewal pricing reflects actions taken to date and are expected to moderate further in 2026. The market remains dynamic with competitors aggressively positioning renewal rate decreases, increasing marketing spend and introducing new business discounts.

We remain disciplined and expect direct auto growth to remain challenged in the near term. In Home, results were outstanding, supported by consistent underwriting with low double-digit pricing. Within the agency channel, new product rollout continues to progress as planned with very positive agent feedback. Our agency offering is now live in 15 states with 30 states planned by early 2027.

We are committed to our long-term objective in personal insurance to expand market share thoughtfully and deliberately with sustained profitability at target levels in our direct and agency channels.

Moving on to Employee Benefits. Our earnings margin of 6.9% was driven by outstanding life and strong disability results. Persistency remained strong in the low 90s and fully insured premium increased 3% year-over-year. We were pleased with the excellent sales this quarter, supported by disciplined pricing and underwriting execution. Results were driven by a double-digit increase in quote activity, strong sales management and continued investments in technology that are translating into stronger value propositions for customers and brokers.

Sales also benefited from 2 states with Paid Family and Medical Leave coming online in the quarter. Additionally, we continue to enhance our digital capabilities and deepen API connectivity with HR and benefits administration platforms, driving greater ease of doing business and a more seamless customer experience. These benefits are most pronounced in the large account segment, where our leadership is anchored by differentiated absence and leave solutions that tightly integrate disability, paid family and medical leave and supplemental products. At the same time, expanding our presence in the under 500 lives segment remains a key strategic priority, including broadening product offerings such as dental and vision for small and mid-sized employers.

In closing, first quarter results demonstrate continued momentum and execution of our strategy. In Business Insurance, a diversified portfolio, strong distribution relationships, disciplined underwriting and technology-enabled execution continue to drive profitable growth at attractive returns. In Personal Insurance, our focus remains on thoughtful market share expansion, supported by continued progress in the agency channel.

Employee Benefits remains a high-quality accretive business where our leadership in absence and leave positions us well at the large end of the market and ongoing investments will enable us to extend those capabilities to small and mid-sized customers. Investment income remains strong, supported by a diversified and durable portfolio. Taken together, I am confident in the Hartford's ability to continue delivering strong financial results and superior risk-adjusted returns for shareholders.

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

**Beth A. Costello**  
*Executive VP & CFO*

Thank you, Chris. Core earnings for the quarter were \$866 million or \$3.09 per diluted share with a trailing 12-month core earnings ROE of 20.3%. In Business Insurance, core earnings were \$551 million with written premium growth of 6% and an underlying combined ratio of 89.2%. Small Business continues to deliver excellent results with written premium growth of 8% and an underlying combined ratio of 89.4%. Middle & Large Business had another strong quarter with written premium growth of 5% and an underlying combined ratio of 91.3%.

Global Specialty's first quarter was solid with written premium growth of 3% and an underlying combined ratio of 86.1%. The Business Insurance expense ratio of 31.6% is generally consistent with the prior year with staffing costs and investments in our business being partially offset by the impact of earned premium growth. In Personal Insurance, core earnings were \$141 million with an underlying combined ratio of 85%. The underlying combined ratio improved 4.7 points in the quarter with improvements in both auto and home.

The Personal Insurance expense ratio of 27% remained flat to the prior year. Written premium in Personal Insurance declined 6% with a 10% decrease in auto, partially offset by 4% growth in home. Agency growth remained strong at 9% over the prior year. Renewal written pricing increases were 6.8% in auto and 11.8% in home and effective policy count retention was relatively stable. We expect retention to improve as pricing continues to moderate.

Turning to reserves. Favorable prior year development was driven by reserve reductions in workers' compensation, homeowners and personal auto. General liability reserves related to sexual abuse and molestation exposures from the 1970s and 1980s were increased by \$70 million, which included a provision for a settlement in principle in one bankruptcy proceeding involving a religious institution.

Excluding the impact of the increases in general liability reserves, total net favorable PYD impacting core earnings was \$75 million. With respect to catastrophes, P&C current accident year losses were \$230 million before tax or 5.1 combined ratio points. Business Insurance catastrophe losses of \$171 million were primarily driven by winter storms. In small business, losses from winter storms were \$73 million this quarter compared with \$8 million in the prior year quarter.

Historically, freeze-driven winter storms like Storm Fern tend to impact small business customers to a greater degree. Personal Insurance catastrophe losses of \$59 million were primarily from tornado, wind and hail events across the Midwest. Moving to Employee Benefits. Core earnings of \$127 million and a core earnings margin of 6.9% reflect outstanding group life and strong disability performance. The group life loss ratio of 73.2% improved 6.7 points, reflecting lower mortality in term life and accidental death products.

The group disability loss ratio of 72.7% increased by 3.7 points, driven by less favorable long-term disability loss trends as well as higher short-term disability claim incidents, including in paid family and medical leave where we continue to take pricing actions to reflect the increased utilization of these products. The employee benefits expense ratio of 26.7% increased 1.3 points compared with 25.4% in first quarter 2025, driven by higher staffing costs and higher technology costs.

Turning to investments. Our diversified portfolio continues to produce strong results. For the quarter, net investment income was \$739 million, an increase of \$83 million from the first quarter of 2025, driven by higher income from limited partnerships and other alternative investments, a higher level of invested assets and reinvesting at higher rates.

The quality of the Hartford's portfolio remains strong across public and private credit and equity. Private credit covers a range of subsectors, including traditional private placements, commercial mortgage loans, private asset-backed credit and direct lending to corporate issuers and business development companies. Investments related to direct lending and business development companies have been topical of late. The Hartford's investments in this sector represent approximately 2% of our invested assets.

Investments are largely focused on well-capitalized companies with sound business models and platforms with multiple sources of liquidity. These investments have attractive yields and are expected to continue to contribute positively to our portfolio's performance. The total annualized portfolio yield, excluding limited partnerships, was 4.5% before tax, up 10 basis points year-over-year and down 10 basis points from the fourth quarter.

The decline from the fourth quarter was primarily due to lower returns on public equity-related fund investments, reflecting broader market declines and a modestly lower yield on variable rate securities. First quarter annualized limited partnership returns were 5.1%

before tax materially higher year-over-year, but lower than the fourth quarter, reflecting reduced returns in the private equity and real estate portfolios.

Geopolitical volatility and economic uncertainty may lead to this trend continuing in the near term. For full year 2026, with the current backdrop, we expect net investment income to increase, supported by continued growth in invested assets with overall portfolio yields expected to be generally in line with 2025.

Turning to capital management. Holding company resources totaled \$1.8 billion at quarter end. During the quarter, we repurchased 3.3 million shares under our share repurchase program for \$450 million, and we expect to remain at that level of repurchases in the second quarter. As of March 31, we had \$1.1 billion remaining on our share repurchase authorization through December 31, 2026. In summary, we are very pleased with our strong 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 Kate.

**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.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from Andrew Kligerman from TD Cowen.

**Andrew Scott Kligerman**  
*TD Cowen, Research Division*

My first question is around pricing. And I thought it was great to see that in Business Insurance, you really ex workers' comp didn't have much deceleration in renewal written pricing. And one of your competitors, I'd say, was closer to 100 basis points of deceleration. So my question is, particularly in the small business area, could you talk a little bit about the resilience of pricing there? Is this a line of business that could hold rate increases, maybe a little bit of deceleration, but maybe it holds in for the long haul? Or do you see this coming under a lot of pressure as we've seen large accounts and upper middle in particular?

**Christopher Jerome Swift**  
*Chairman & CEO*

Andrew, thank you for the question and joining us. Let me -- just make some overall commentary and maybe give you a little bit of data. And then between Mo and myself, we could share our views on small commercial and how resilient it most likely can be. So in my prepared remarks, I think we talked quite a bit about commercial auto and liability, including umbrella and excess and that overall property continues to be a growth area for us.

And our property book is 60% concentrated in small business package and middle market general industries. As you noted, the quarter, we were basically ex comp at 6%, down 10 basis points from fourth quarter of 2025. So we feel really good about the team's ability to execute and keep margins, and that's no small feat. So really, really, really proud of the team. I would -- as I normally do, Andrew, I'll give you some GL pricing because we talk internally. Anything liability, we just really need to be disciplined.

So for the quarter, GL pricing was up to 9.7%, 50 basis points up from the fourth quarter at 9.2%. And I would say with the primary lines in the high single digits and then anything sort of excess umbrella in the low double digits that have been generally consistent with the fourth quarter or up a little slightly. Within small, I would give you an ex comp number of 7.2%, which was down 50 basis points from 7.7% in the fourth quarter, mostly due to auto.

But again, still an overall strong component, particularly whether it be the property component or the E&S binding component. Middle market, I would just share was down 53% ex comp or down to 5.3% from 6.2%. And then in Global Specialty, actually, Global Specialty executed very well and increased pricing up to 4.8% from 4.1%. So I think all that indicates, again, a real discipline by the team, a real focus. And when you really talk about small business, I think our ability to be very consistent and steady with price increases, both on the auto side, both on the property side or the GL side has been a key component of just reliability that our agents look for.

So we try to be thoughtful. We try to take little bites at the apple on a state-by-state basis. And I think there is a level of durability that if you don't shock and surprise customers and agents with modest increases, your retention will hold and you can maintain your margins. But Mo, what would you add?

**Adin Morris Tooker**  
*President*

I like your response. I think the only thing I'd add, Andrew, is that in the small business space, I would ask you just to think about our maneuvers quarter-to-quarter really about execution and rate adequacy as a starting point. We're really not responding to competitive pressures. What you see is trying to make sure we maintain margins and find the growth that we think is there. And that's in comp, especially in our BOP package spectrum, auto, even in the E&S side.

So really, I think it's really about execution from a great, great starting point on our small business side. And then the only other thing I would add is on the small -- excuse me, on the middle and global side, as we talked about in previous quarters, it really depends on how the market holds up. So we're really proud of how well the team executed maintaining margins in what is a moderating market. And the market will really determine the growth rates for us in Middle and Global going forward.

**Andrew Scott Kligerman**  
*TD Cowen, Research Division*

Yes. I think that just spoke volumes that you could do that with 6% written premium growth and maintain some rate. So the follow-up is related. Chris, I appreciated your prepared remarks about how -- particularly in small, you're able to go to many places, specialty, direct, et cetera. And when I think about the Hartford, I think about the best-in-class in small mid. And lately, I've been hearing a lot of companies are making a big push to small mid. They feel that AI is enabling them. So maybe a little more elaboration on The Hartford's competitive moat amidst this AI expansion among a lot of your players. Will it be easier for them to look like Hartford and do things that Hartford does? Or why is that moat so strong even amidst AI?

**Christopher Jerome Swift**  
*Chairman & CEO*

Yes. Well, thank you for noticing. Yes, we're really proud of our capabilities in the SME space broadly defined. That doesn't mean we can't play in the larger end of the market, but we're thoughtful about competing there. But in sort of SME land, I think we have some strong capabilities. We've been at it for a long time. We've had a technology orientation going back decades. We've had a partnership with agents and brokers, but primarily agents that really care about the SME space. We know what's important to them from a service side.

And we're one of the digital leaders in small business and increasingly in middle, particularly the small end of middle. So we're going to continue investing in those capabilities, I think, to differentiate ourselves and make us an easier company to do business with and know our customers. So when you put it all together, I do believe that there is a moat that we got to constantly defend because there is a lot of good competition out there and a lot of good brands that agents and people recognize.

But we are in a good position. We will continue to defend and invest to differentiate ourselves over a longer period of time. What happens with AI and agents and distribution in general, I think, is still a play that's going to evolve over time. But we have deep partnerships with all our distribution partners. We have capabilities that if markets move on a direct or a more embedded basis, as I said, we'll be ready. But we have partners that we do a lot of good servicing for and taking care of sort of our joint customers in a true partnership mindset. So we feel good about that. But Mo, what would you add?

**Adin Morris Tooker**  
*President*

No, you mentioned it quickly, but I think what we're finding, Andrew, is that all of the capabilities we've built over 30 years in small really matter a lot in middle. And those same capabilities, we believe, can help us grow profitably in the middle space because the agents, there's a margin pressure they're feeling as well and as much help as we can give them helps grow their margins in the middle market space as well.

**Operator**

Our next question comes from Elyse Greenspan from Wells Fargo.

**Elyse Beth Greenspan**  
*Wells Fargo Securities, LLC, Research Division*

My first question was on Business Insurance and specifically on the expense ratio. If you could just help us think about the seasonality and just trajectory from here. I know last quarter, you guys laid out a target below 30%. And I know that's for the end of '27. But given, right, that the expense ratio was higher this Q1, just trying to get a sense of like the trajectory from here.

**Christopher Jerome Swift**  
*Chairman & CEO*

Elyse, thanks for joining us. So I would say with expenses overall, -- there is a little bit of seasonality in the first quarter, just coming off year-end and all the first quarter activities that happened primarily from a compensation and benefit side. So not surprising. Our expense targets by business are right on plan for the first quarter. So there's no new news there.

I would say I reaffirm everything that we've talked about last call and the targets that we're aiming for at the end of '27. So nothing's changed, absolutely nothing in our ability, I believe, to deliver on expense improvements over the next 7 quarters. I would say incrementally, we do expect improvement in '26. So I think you will see a decline in all the major businesses segments of an expense ratio decline in '26 with continued improvement in '27.

**Elyse Beth Greenspan**  
*Wells Fargo Securities, LLC, Research Division*

And then my second question, also sticking within Business Insurance, right? I think in your prepared remarks and in response to the first question, right, you guys were pointing to more of a stable pricing environment away from comp. And obviously, pretty good premium growth within BI in the quarter, Business Insurance driven by small. And so when you guys think about the current market, does it feel like you can maintain premium growth within small commercial kind of in this 8-ish percent range just based on forward views on pricing, et cetera?

**Christopher Jerome Swift**  
*Chairman & CEO*

Yes. It's hard to forecast. I can tell you, the team has, I think, distinctive capabilities, offerings. We talked about it from a technology side, relationships. But we've got to compete. Market will tell us if we can remain competitive and thoughtful, particularly from a pricing side. So I think the overarching point I would just say, Elyse, is, yes, we'd like to grow. We plan to grow. But we got to maintain margins and be thoughtful about sort of the trade-off between profitability and growth. I think we are well positioned to do that to make those trades. So we'll just have to see how the market plays out over a longer period of time. And Mo, what would you add?

**Adin Morris Tooker**  
*President*

Maybe just one point. Elyse, the additional piece I would give you is the flows continue to be really strong, i.e., submissions into both the retail, i.e., the admitted part of our small business franchise and the non-admitted. And that flow and our hit rates are relatively flat. So we feel really good about this -- the continued flow that we're getting from our agents, which demonstrates to us the strength and position we have with them.

**Operator**

Our next question comes from Brian Meredith from UBS.

**Brian Robert Meredith**  
*UBS Investment Bank, Research Division*

First one, Chris, you've got some good E&S capabilities. Maybe you can talk a little bit about what you're seeing in the market as far as, is business kind of flowing back to the standard markets from the E&S markets at this point in the cycle? Are we kind of heading in that position? And then maybe also talk a little bit about what you're seeing about with the MGA's competitive competition out there.

**Christopher Jerome Swift**  
*Chairman & CEO*

Brian, I'm going to let Mo answer that just because he's the principal architect of a lot of our growth strategies in the marketplace. But I would just say, I feel a level of stability. And I don't sense a lot of movement one way or the other. But Mo, what would you really say?

**Adin Morris Tooker**  
*President*

Yes, Brian, maybe I'll tell it in 2 different ways. One, in our binding business, which sits in small commercial, as I said, the flow continues to be really strong. We don't feel the admitted market taking much back in that space, as we talked about, pricing is down a little bit, but our starting point is really good. So we're excited about the binding opportunities. We don't feel MGA impact in the binding space. If I shift into our Global Specialty space, where it's more of a brokerage model, again, flow continues to be really strong there in just about every single product for us.

We do feel a little bit more flow back to the admitted in the larger risk space. There is a little bit of a competitive nature there. But as Chris talked about, our pricing improved in that book. We continue to -- the casualty lines, we're getting the pricing we need. And broadly in our specialty book, and that's admitted and non-admitted, we do feel the MGA is having an impact. In any place, we're really trying to build capacity or our brokers are trying to build capacity. We do feel that impact. And I don't feel that changed in the quarter, but it's been pretty persistent over the past several quarters.

**Brian Robert Meredith**  
*UBS Investment Bank, Research Division*

Great. And then second question, I was hoping to chat a little bit about workers' comp. Kind of where are we with respect to -- I mean, it's still a competitive market out there. I know you're kind of expecting some margin deterioration this year in comp. Where are we as far as profitability? Are we getting to the point where maybe we're going to see some leveling out in comp and maybe some improvement?

**Christopher Jerome Swift**  
*Chairman & CEO*

No, just bluntly. I think our pricing was relatively flat in the first quarter, Brian, to fourth quarter. If I look at activity broadly defined in the marketplace, there's people still putting through negative rates in various states. California is sort of the outlier. We always talk about comp ex California. I think we're proud though of being sort of the top carrier in that area. I think we've been disciplined and thoughtful. I think the underlying trends are still relatively stable. If I look at severity, particularly on the medical side, a level of stability, still well within our 5% pricing and reserving assumption. I think severity would say probably is running in the 3%, 3.5% range. So it's behaving. I feel good about the market. We still got to be disciplined, but I don't see a price increase coming anytime soon because, quite honestly, the book is behaving pretty well. But Mo, what would you say?

**Adin Morris Tooker**  
*President*

Brian, the only thing I would add is that it's basically right on expectations for us, both top line and bottom line. And I don't think you should expect us to see the book grow dramatically. There's parts of the book that are really competitive that we're pulling back on. For example, white collar in middle is really competitive, and we're just not able to grow that at the pace we'd like to. But broadly, think about top and bottom line on budget and basically we're -- relative to our expectations, exactly where we thought we'd be.

**Operator**

Our next question comes from Mike Zaremski from BMO Capital Markets.

**Michael David Zaremski**  
*BMO Capital Markets Equity Research*

I guess just kind of hammering in on kind of the market level of competition. I know you've -- I'm not trying to obsess about it, but Chris, you spoke to increasing competition a number of times in your prepared remarks. I don't think it's that surprising to folks given the excellent profitability levels you and many of your peers also throw off. I guess you guys have lived through many hard and soft cycles. Do you feel that HIG's operating strategy would kind of pivot or change materially to the extent the market continues to soften materially over the coming year or 2?

**Christopher Jerome Swift**  
*Chairman & CEO*

No, I think, again, I appreciate the question and acknowledge that the market is competitive. Markets are always competitive. So you got to know what you're good at and know what you could do well. I don't see our business model strategy changing dramatically for market cycles. I think it's a discipline that we have. So if there are conducive aspects of the market, as I said in my prepared remarks that we could get the price we need, the terms and conditions and generate good returns on our invested capital, we'll feel good about growing that or not growing if we can't. So I don't know if I'm really answering your question or getting what you're really asking for, but yes, we know how to run a business in various cycles.

**Michael David Zaremski**  
*BMO Capital Markets Equity Research*

No, you did. We just get a lot of questions from investors about that seem a bit worried about the pricing cycle. And I think we're trying to remind folks that the sky is not falling. So I'm just kind of pivoting just for specifically to Global Specialty since you called out pricing being up a bit. Just curious what caused that, if it's worth talking about.

**Christopher Jerome Swift**  
*Chairman & CEO*

Yes. I would say, Mo, and you can add your color. I would say wholesale, particularly on the primary liability side and a little excess casualty, where the team is really being disciplined and focused on getting rate as I said, with anything with liability in the product line, we are super focused on getting the needed rate. But Mo, any color?

**Adin Morris Tooker**

*President*

No, I think that's the key point. I think the rest of the book is fairly stable, Mike. If you think financial lines, it is where it's been. We didn't feel a dramatic change. Marine is the same. We have a lot of lines within that global specialty book, but I think the standout in the quarter was the rate coming back up in wholesale casualty lines.

**Operator**

Our next question comes from David Motemaden from Evercore ISI.

**David Kenneth Motemaden**

*Evercore ISI Institutional Equities, Research Division*

I was hoping you guys could unpack some of the movement in the underlying loss ratio in Business Insurance this quarter? And maybe just talk a little bit about how much of a headwind workers' comp is within there and some of the other moving pieces? And maybe just given the pricing environment, how you're thinking about that for the rest of the year?

**Christopher Jerome Swift**

*Chairman & CEO*

Yes. I'd first say, as I said earlier, it's -- there's no surprises. I think our picks, obviously, 1 quarter in are holding. I think we've used the phraseology that the setup for 2026 was similar to 2025 with some modest comp pressure. So I think that continues just based on math. I think property is moderating, but still highly profitable. And what I would say, David, is we closed 2025 with a little over \$3.3 billion in property premium. We think we could grow that 10% this year, again, with good margins, good returns.

Certain lines in the property world are still positive. As I said, the Spectrum component of BOP, the property component there is up, I think, 6.3% in the first quarter. I think GI property, general industries property is up 4%. So there's always going to be sort of puts and takes. But as we sort of look out, I still think '26 will play out largely like '25 with some very modest headwinds. But Beth, Mo, would you add anything?

**Beth A. Costello**

*Executive VP & CFO*

Yes. The only thing that I'll add to that is if you look at the underlying loss and loss adjustment expense ratio in Business Insurance, it moved very modestly from first quarter of last year to first quarter of this year. And when I look at sort of the underlying lines of business within there, there's no big moves one way or the other. It's really just very small moves kind of across the book. So it's not as if there was some amount of big favorability that was being offset by a large amount of deterioration, and that's in line with what we would have expected.

**David Kenneth Motemaden**

*Evercore ISI Institutional Equities, Research Division*

Got it. That's helpful color. And then maybe just pivoting to group benefits and specifically group disability, that's been deteriorating a bit over the last several quarters. I know some of that is just the long-term disability sort of normalizing. But could you just talk about maybe some of the short-term disability trends and how you're thinking about the disability loss ratio throughout the rest of the year as some of the pricing actions you guys have been taking maybe starts to show up?

**Christopher Jerome Swift**

*Chairman & CEO*

Yes. Again, I appreciate the comment because you've done your homework, right? I mean the disability line has long-term STD and now increasingly a larger percentage of our paid family and paid medical books. The latter 2, STD and paid family, paid medical, obviously, are short-cycling businesses, I'd like to say, generally with 1- to 2-year rate guarantees. I would say that the incident rate in particularly paid family and medical is higher than we anticipated, but we're taking, again, the appropriate pricing actions in the marketplace because it's a benefit people are actually really, really using, and we can adjust rates appropriately. I think we've -- I said in my prepared remarks, we got 3 states coming online, 2 came online first quarter in Paid Family and Medical.

And I think Maine comes online May 1 of this year. So I would say that those are the components. LTD is up a little bit. And I would characterize that as just a little bit of a reversion to the mean. LTD has been performing so exceptionally well over really the last 2, 3 years. Our pricing assumptions and our reserving assumptions are a little bit back to the mean, both on incidences primarily. And

terminations have always been strong, and we've got a great claims department that will get people back to health and work. So I would say those are the components. But Mike Fish, what would you add any additional color on?

**Michael Jeffrey Fish**

*Executive VP & Head of Employee Benefits*

Yes. I would just add, in the quarter for Paid Family Leave, the new states that Chris referenced, generally, when we see new state programs come online, there is a pent-up demand element, meaning we see high utilization in that first 1 or 2 months of the year that those programs go live. So we expect to see that moderate through the year. And again, second, just adding on the rate increases we've been putting in place in Paid Family Leave, double-digit again this year, and we're maintaining persistency in the upper 80% range. So very pleased with our ability to place rate, and we'll continue to do that as utilization moderates through the year.

**Operator**

Our next question comes from Katie Sakys from Autonomous Research.

**Katie Sakys**

*Autonomous Research US LP*

I want to shift back to the BI reserve for a moment. I think excluding the legacy charge this quarter, the core general liability book still looks quite strong with no net adverse development for several quarters now. How is loss emergence in GL tracking versus your original expectations? And does what you're seeing today reinforce your confidence in current casualty loss picks going forward?

**Beth A. Costello**

*Executive VP & CFO*

Yes, I'll start with that. Yes. I mean, we feel very good about our loss picks in the GL book, both from the standpoint of prior year reserves and the loss trend that we've embedded in our 2026 picks. We look at the reserves every quarter. We look at them by accident year, by product line. There are obviously, quarter-to-quarter can be small movements kind of within that. But overall, no change in our net GL reserves, excluding the legacy item that we discussed. And we feel good about what we're seeing and what that means relative to our loss position.

**Katie Sakys**

*Autonomous Research US LP*

Okay. And then, Beth, you mentioned in prepared remarks that direct lending and BDC exposure is about 2% of invested assets. Can you help us understand how much of that exposure is to software or adjacent borrowers?

**Beth A. Costello**

*Executive VP & CFO*

Yes. So as I said, our investments in sort of direct lending and BDCs is about 2%. If we look at just the BDC portion, it's less than 1%. And I'd have you think about our investments in those groups of assets as being very diversified. So there obviously is a software component. But as we look through the underlying exposure and the underlying loans, we feel very good about the exposure there. And as I said, we continue to see these investments performing well for us.

**Operator**

Our next question comes from Gregory Peters from Raymond James.

**Charles Gregory Peters**

*Raymond James & Associates, Inc., Research Division*

So I'm going to go back to the benefits business on the sales side for my first question. And Chris, you mentioned numerous times through your prepared remarks and the Q&A, how disciplined you are regarding growth and maintaining price discipline. And it looks like you had a really strong first quarter in sales. And I generally view that market as being pretty competitive. So maybe you could unpack -- and maybe it was embedded in that answer about pricing, but maybe you could unpack the results you reported for the first quarter in terms of sales.

**Christopher Jerome Swift**

*Chairman & CEO*

Yes. I'll remind you of the numbers and then ask Mike Fish to add his commentary. So yes, I think -- the 53% increase in sales growth is a meaningful number. I would say if you exclude the 3 states that paid family and paid medical leave are coming online, which are new, that increase drops to about 40%, but still meaningful. But I would say that the market conditions, I think, were primed for us to take advantage of opportunities. And I think more quotes were out, Mike. I think we improved our sales management and sort of bidding concepts of where we wanted to start where we came out with initial quotes.

I think our capabilities, particularly at the national account level are being recognized more and more by our agents and brokers. So it was almost like the perfect combination of a lot of things that we've been working on to have these results. Obviously, we look at pricing very closely from a management side. And I would tell you, in aggregate, the cohort that we put on will generate returns in line with our targets. So I put all that together and say, yes, it feels good, feels disciplined, and we're going to try to keep it going. But Mike, what would you add?

**Michael Jeffrey Fish**  
*Executive VP & Head of Employee Benefits*

Yes. Just a couple of items. First of all, on that pipeline development. So we started early last year, really working hard within our sales and across our sales team, essentially investing in our sales footprint as well as market analytics to do a much better job engaging at the local level. So we saw that, as Chris noted, coming through in higher activity, quote activity. So a good component of what we saw in the sales in the quarter was really just driven off of, I'd say, sales execution at the local level.

So very, very pleased with that. And then second, we've been very clear in talking about our investments, our technology investments in the benefits business. And that's across absence, across our HR technology integrations that we have. And those are really paying off. So when our sales team is out engaging with brokers and ultimately, when we're getting to that moment in front of a customer in a finalist meeting, and that would be on the larger end of the market, we just have a phenomenal story to tell. So I think all those items came together to produce a really nice sales result in the quarter. And again, just reinforcing, we're maintaining our underwriting discipline. We haven't changed that, and we will not do that.

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

Fair enough. I'll pivot over to the Personal Lines business since it hasn't really been asked of yet. You talked about 70%, I think, was the comment about 70% of your business being annual policies. I know you're in process of rolling out Prevail, which I presume is 6-month policies. But maybe you could spend a minute and give us some more detail about how you expect the Hartford to perform beyond just a couple of quarters with the rollout of Prevail and how the -- considering how competitive the marketplace is. Just curious what your view on the outlook there is.

**Christopher Jerome Swift**  
*Chairman & CEO*

Yes. I would summarize, Greg, what I tried to say in our comments is I think we have our strategy and objectives very clear. I think we've invested heavily in, as you said, our new product and platform, particularly in the direct channel. We're rolling out the same product and platform in essence, in the agency channel, which, again, the independent agent channel is a great strength of ours. And I think getting back into that in a more meaningful way with a more modern product is being well received and will continue to drive incremental growth.

I think the balancing act in all this is we worked so hard to get back to target margins. And we're really loath to give back any pricing or cut rates just to grow. So we're going to continue to find our niches, our pockets, whether it be through AARP or through agents. And as we roll out more states for agents, I think we'll obviously have a higher growth rate. But yes, it's a balancing act. But we don't want to give up everything we work so hard on. But I'll ask Mo or Melinda if they'd like to add any color.

**Melinda Thompson**  
*Head of Personal Lines*

Yes. Thank you. What I would just add is that agency is growing today, a function of the investments we've made there, smaller base, direct will take certainly more time. But the investments that we've made in product, technology, customer experiences, things that we are doing with AI, they're all aimed at customer experiences that are about supporting the long-term growth. So we'll navigate the current market cycle and play for the long term.

**Operator**

Our next question comes from Rob Cox from Goldman Sachs.

**Robert Cox**

*Goldman Sachs Group, Inc., Research Division*

Just a question just to go back to the CATs, just a little higher than we thought this quarter, but it sounds like it was driven by your exposure to small business and freeze-related losses. Just curious how the CATs in the quarter compare to your own internal expectations. Any updated thoughts on how you're thinking about diversification into property from a broader perspective and if you're now lined up to see any recoveries on your aggregate reinsurance treaty.

**Beth A. Costello**

*Executive VP & CFO*

Yes, I'll take that, Rob. So I would say, overall, when we look at our CAT losses for the quarter compared to what our original expectations would be, it's probably about \$30 million higher. So it's not a significant change from what we would have expected. And as I said, it really was focused in the small business area where we just tend to see with freeze activity, higher losses there.

So that is definitely what drove that. And then as far as the aggregate treaty, what I'll just say to that is, as you know, our aggregate treaty kicks in when subject losses reached \$750 million. Again, it doesn't include our Global Re CAT. And so through first quarter, we're at \$204 million. And so we'll have to see how the rest of the year progresses as to whether or not we would hit that aggregate.

**Robert Cox**

*Goldman Sachs Group, Inc., Research Division*

Okay. That's helpful. And I just want to follow up on the distribution discussion here. I think, Chris, you mentioned strong [indiscernible] distribution relationships, which is clearly part of the firm's competitive advantage. There's some industry discussion on whether or not distribution costs are too high and will come down over time. So just curious on your views in that debate. And in particular, any thoughts on magnitude or time frame?

**Christopher Jerome Swift**

*Chairman & CEO*

Yes. That's like being a Red Sox fan or a Yankees fan. So there's always going to be discussion and debate who's got the better club. So yes, what I would say is speaking for us and our ability to sort of manage costs really proud of what the team has been able to do to sort of keep our overall cost to acquire new business relatively flat over the last 3 or 4 years. And Mo's led that effort with the team. I mean it's still a significant amount of money on a percentage basis or dollar level.

But I think we've been able to complement our distribution partners with technology, with service, with making their life easier. And we try to impress upon them, the more that we could do business together, I think the more money they would make in our relationship compared to everyone else. That's not unusual to sort of say, but it's really actually true with our capabilities.

But I think you're really alluding to the future, and I tried to allude it to a little bit in a response. I'm not sure what AI is going to do in the agent world. And that's why we've been talking more about sort of our multimodal capabilities, whether it be through agents and advice channels, whether it be direct, whether it be embedded, whether it be other technologies. And not every product line is created equal, right?

You can make the argument that the simpler product line today of auto is maybe most primed to be impacted by AI and how that happens. And you have other complex lines that really people need advice. They need to make sure that -- they understand the various features in a product and what's in, what's out. So I think advice will always be needed, and we'll continue to partner in the best way possible with our distribution partners to figure out how consumers want to consume advice and where they want to go for advice as a first step. But Mo, what would you add anything else?

**Adin Morris Tooker**

*President*

I liked where you went in terms of the partnership model. A lot of our digital investments, our service centers in small and middle are really about that partnership with the agents. So the compensation becomes less of a conversation because of the service we're providing to support the upfront customer. And in many situations, we are providing that service for our agents. So that partnership is a really key model for that discussion longer term.

**Operator**

Our last question today will come from Yaron Kinar from Mizuho Americas.

**Yaron Joseph Kinar**

*Mizuho Securities USA LLC, Research Division*

Just want to start with personal auto. Just given the changes in the competitive environment today, do you expect that to continue now with the Strait of Hormuz situation? And on the one hand, maybe you have better frequency coming out of lower gasoline prices. On the other hand, you have maybe supply chain issues driving severity up. So do you see any impact on the competitive environment with all that?

**Christopher Jerome Swift**

*Chairman & CEO*

Yes. Yaron, I would say a couple of things top of mind. One, price of gas, price of oil and miles driven isn't really correlated that much. I mean people will still have to commute to offices. Obviously, the trend of work from home has changed sort of driving patterns. Maybe there's a slight decrease in summertime driving. But generally, all our models say price of fuel is not really indicative of miles driven.

I think the whole war situation creates a lot of uncertainty that we're going to have to watch closely and see how it plays out. That said, I don't see a direct line into the U.S. here from our cost of goods sold and in products, but our derivative impacts and second-degree impacts of chemicals, fertilizers, plastics, all have an element of petroleum in it. So there could be some minor effects there. But I would say when we picked our loss picks for the year, I think we have a margin for adverse deviation for these types of items and events. And we still feel good as we sit here today where our picks are for the full year, particularly in Personal Lines.

**Yaron Joseph Kinar**

*Mizuho Securities USA LLC, Research Division*

That's helpful. And then maybe circling back to the last line of questions around AI and the intermediaries. Is there a risk that the Hartford's negotiating power with intermediaries in small commercial would diminish if larger brokers are able to use AI to move down market and infringe on a space that's really been dominated by smaller agents?

**Christopher Jerome Swift**

*Chairman & CEO*

Well, you might be really referring to agent consolidation and what happens and if consolidation continues to play out. I think when Mo and I think about it strategically, we still think it's a net benefit to us because carriers, I think, will -- particularly the large national account carriers that have broad-based capabilities particularly as all these agents and brokers are trying to simplify their business model and do business with less carriers. I think it's still a net positive for us over the long term. But Mo, what would you add?

**Adin Morris Tooker**

*President*

Yes. Chris alluded to it before. I think what we're finding is actually the opposite. The large carriers are consolidating to those who have the most capabilities to help them create additional margin in the small business space. So they're looking to fewer people who have better capabilities. So actually, we feel like the large market for small business, large brokers are actually coming our way in terms of the momentum in terms of flow and long-term capabilities and commitments, we think we win in that space.

**Yaron Joseph Kinar**

*Mizuho Securities USA LLC, Research Division*

But I understand that you may see more flow, but ultimately, don't they have stronger negotiating position when they try to determine the terms of the actual contract or policy.

**Adin Morris Tooker**

*President*

Yes. I think this is where the balance of power is actually really equal because of all the capabilities we bring. There's very few people who can bring what we bring in the small business space, and I can prove to any agent and broker how we can make \$0.01 or \$0.02 more in every dollar for them that leads to some really productive conversations.

**Operator**

And we are out of time for questions. I would like to turn the call back to Kate Jorens for any closing remarks.

**Kate Jorens**

*SVP, Treasurer & Head of Investor Relations*

Thanks for joining us today. As always, feel free to follow up with any additional questions, and have a great day.

**Operator**

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

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