S&P Global
Market Intelligence

The Hartford Insurance Group, Inc. NYSE:HIG

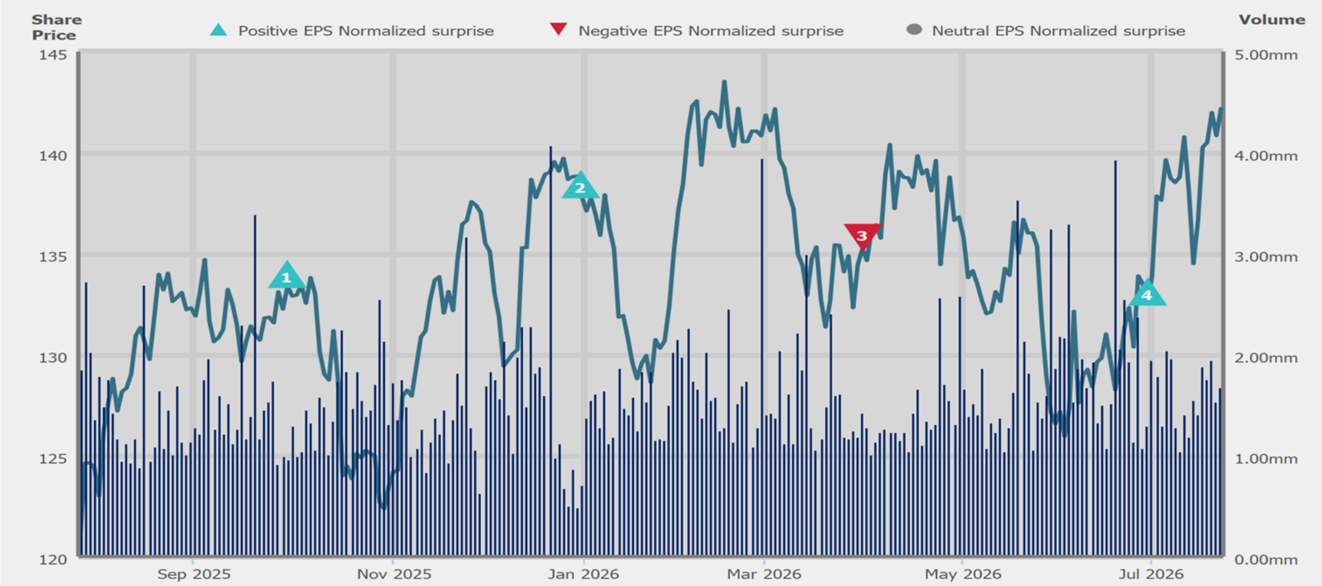
FQ2 2026 Earnings Call Transcripts

Friday, July 24, 2026 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.14	3.42	▲8.92	3.04	12.58	NA
Revenue (mm)	7235.99	7263.00	▲0.37	7386.17	28853.76	NA

Currency: USD
Consensus as of Jul-24-2026 6:24 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	3.21	3.78	▲1 17.76 %
FQ4 2025	3.22	4.06	▲2 26.09 %
FQ1 2026	3.39	3.09	▼3 (8.85 %)
FQ2 2026	3.14	3.42	▲4 8.92 %

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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

ANALYSTS

Andrew Scott Kligerman
TD Cowen, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

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

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BMO Capital Markets Equity Research

Robert Cox
Goldman Sachs Group, Inc., Research Division

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Hartford Second Quarter 2026 Financial Results Webcast. [Operator Instructions]

I will now hand the conference over to Kate Jorens, Senior Vice President, Treasurer and Head of Investor Relations. Kate, please go ahead.

Kate Jorens
SVP, Treasurer & Head of Investor Relations

Good morning, and thank you for joining us today for the Hartford Second 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. The Hartford delivered another quarter of strong results, reflecting the strength of our franchise, the depth of our distribution relationships and our commitment to a superior customer experience. Supported by market-leading positions and differentiated capabilities across Property & Casualty and employee benefits, The Hartford remains well positioned to continue delivering outstanding returns.

During the quarter, we announced an agreement to sell The Hartford Funds to Wellington Management, strategically monetizing a non-core long-term investment. I'm also pleased to announce that our Board of Directors approved a new share repurchase authorization of $4.2 billion, reflecting strong capital generation from our businesses as well as expected cash proceeds from The Hartford Funds sale. We will continue to balance growth, investing in our businesses and returning excess capital to shareholders through repurchases and dividends.

Now let me share a few details from the quarter. Business Insurance delivered strong written premium growth of 5% with an underlying combined ratio of 89.3%. In Personal Insurance, the underlying combined ratio improved 1.7 points year-over-year with growth impacted by a competitive market. Employee Benefits had another quarter of strong premium growth, with a core earnings margin of 7.4%, and the investment portfolio continued to generate strong net investment income. All these factors contributed to core earnings of $945 million and an outstanding core earnings ROE of 18.7% over the trailing 12 months.

Let's take a closer look at second quarter performance. Business Insurance delivered another strong quarter, reflecting excellent execution across our portfolio. The current market conditions highlight the importance of underwriting discipline, pricing rigor and risk selection, areas where we continue to differentiate ourselves. This was evident in our performance during the quarter, as we continue to outpace the market in Small Business while remaining disciplined and selective across Middle & Large and Specialty lines, demonstrating our ability to perform well across cycles.

Small Business results were excellent with written premium growth of 7% and an underlying combined ratio of 86.5%. Growth was driven by double-digit increases in both package and E&S binding.

Our investments in automation and digital service, which have driven speed, ease and accuracy of quoting also position us well as wholesale and retail brokers seek to consolidate business with a smaller number of underwriting partners. These market-leading capabilities will continue to drive meaningful growth in 2026 and beyond.

Moving to Middle & Large. Written premium growth was solid at 4% with an underlying combined ratio of 95.3%, which included normal quarter-to-quarter volatility in non-CAT property losses. The team remains focused on disciplined underwriting and selecting opportunities that deliver attractive risk-adjusted returns in an increasingly competitive environment. We continue to invest in AI-enabled capabilities that enhance underwriting effectiveness by providing faster access to risk insights directly in our underwriting workflows. For example, in Middle & Large, early results are encouraging with underwriting activities being completed in a fraction of the time, increasing productivity and enabling underwriters to spend more time expanding agent and broker relationships to drive increased submission flow.

Our underwriters continue to own the decision leveraging AI-enabled capabilities that provide deeper insights and enhance underwriting consistency.

Turning to Global Specialty. Underlying margins remain strong in the mid-80s, demonstrating disciplined underwriting and active portfolio management. Written premium growth of 4% reflected continued momentum across several lines of business led by wholesale excess casualty and auto, bond and financial lines. Market conditions vary across businesses, and we remain focused on deploying capital where we see attractive risk-adjusted returns. The breadth of our Global Specialty platform and underwriting capabilities enables us to adjust to changing market conditions and pursue profitable growth across the portfolio.

Turning to pricing. Business Insurance renewal written pricing excluding workers' compensation, remained relatively consistent at 5.8% in the quarter. Pricing in commercial auto and general liability remained strong and above loss trend with umbrella, in excess achieving some of the highest rate increases across the portfolio. Property continues to remain highly profitable and an attractive area for growth though pricing moderated during the quarter, driven primarily by large property. Importantly, aggregate property pricing for small business package and middle-market general industries, remained fairly steady in the mid-single digits.

Shifting to Personal Insurance, the underlying combined ratio was strong at 86.3%. In Auto, the underlying combined ratio improved 1.9 points year-over-year as earned pricing continues to exceed loss trend. Home results remained strong supported by consistent underwriting execution and low double-digit pricing. Competition for new business remained elevated and continued to impact growth.

Within agency, following our July rollout, our contemporary product offering is now available in 23 states and progressing as planned. In direct, with the AARP relationship, we are focused on strengthening customer acquisition and retention. Across Personal Insurance, we continue to invest in strategic capabilities required to compete effectively and sustainably, including competitive pricing, seamless customer experiences, in products and services targeting the mature market.

Before moving on to employee benefits, I'd like to briefly touch upon our annual P&C Agent Summit held in May. Discussions with key distribution partners reinforce The Hartford's differentiated claims and risk engineering capabilities. A key theme at the Summit was the importance of risk mitigation as customers increasingly look for insights and expertise to help prevent losses.

Our focus is on practical scalable solutions that help customers operate more safely. By combining claims insights, risk engineering expertise and technology-enabled tools, we help customers identify risk earlier, take action sooner and improve outcomes over time.

Moving on to Employee Benefits. Core earnings margin of 7.4% was driven by excellent life and solid disability results. We were pleased with another strong quarter of fully insured premium growth, benefiting from excellent sales execution, persistency in the low 90s and continued investments in technology. We were able to achieve these results while maintaining our pricing and underwriting discipline.

Demand for solutions that help improve workforce productivity, and simplify absence and leave management remains high. We believe our integrated benefits platform differentiates us in the market, and together with strong persistency and disciplined execution, positions employee benefits to continue generating attractive growth and margins.

In closing, second 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 our ongoing investments will enable us to extend those capabilities to more small and midsized customers. Investment income remained strong, supported by a diversified and durable portfolio. With another strong quarter, I am confident in The Hartford's ability to continue delivering outstanding ROEs and attractive returns for our shareholders.

Now let me 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 $945 million or $3.42 per diluted share with a trailing 12-month core earnings ROE of 18.7%. Book value per share, excluding AOCI, of $78.91 increased 7% from year-end and 15% from a year ago reflecting the earnings power of our businesses and disciplined approach to capital management.

In Business Insurance, core earnings were $695 million with written premium growth of 5% and an underlying combined ratio of 89.3%. Small business continues to deliver excellent results with written premium growth of 7% and an underlying combined ratio of 86.5%. The underlying combined ratio improved 2.5 points from the prior year, primarily due to lower non-CAT property losses and improved operating leverage.

Middle & Large business had a solid quarter, with written premium growth of 4% and an underlying combined ratio of 95.3%. Underlying results include elevated non-CAT property losses due to a few large fire losses and a shift in business mix towards national accounts and commercial auto.

Global Specialty second quarter was strong with written premium growth of 4% and an underlying combined ratio of 85.8%. The underlying combined ratio increased from the prior year primarily due to an increase in the international loss ratio and a higher expense ratio driven by technology costs. The business insurance expense ratio of 30.7% was generally consistent with the prior year and in line with our expectations. We remain on track to achieve our 2027 year-end targets.

In Personal Insurance, core earnings were $128 million with an underlying combined ratio of 86.3%. The underlying combined ratio improved 1.7 points in the quarter, with improvement in the underlying loss and loss adjustment expense ratio in both auto and home. The Personal Insurance expense ratio of 26.3% increased from 25.1% in second quarter 2025, primarily driven by the impact of lower earned premiums and higher commissions due to an increasing mix of agency business.

Written premium in Personal Insurance declined 7% with a 10% decline in auto and flat growth in home. Agency growth remained strong at 7% over the prior year. Renewal written pricing increases were 5.5% in auto and 10.4% in home, and effective policy count retention improved slightly in auto and remained relatively stable in home.

Turning to reserves. Favorable prior year development was driven by reserve reductions in workers' compensation, catastrophes, bond and personal insurance, partially offset by an increase in general liability and commercial auto liability reserves. General liability reserves were increased in the quarter primarily to reflect a higher frequency of large losses in excess casualty and umbrella lines across multiple accident years. Commercial auto liability reserves were increased primarily due to adverse loss development within accident years 2023 and 2024, driven by higher severity than previously estimated. This activity reflects increasing attorney representation and time limit demand, which have been incorporated into our reserve estimates.

With respect to catastrophes, P&C current accident year losses were $222 million before tax, up from $212 million in the prior year while the catastrophe ratio remained unchanged at 4.9% combined ratio points.

Moving to Employee Benefits. Core earnings of $139 million and a core earnings margin of 7.4% reflect excellent group life and solid disability performance. The group life loss ratio of 74.2% was relatively flat to the prior year and the group disability loss ratio of 74.8% increased by 6.3 points. Disability results were partially driven by increased claim incidence across short- and long-term disability. In addition, long-term disability claim recoveries were in line with long-term expectations although were less favorable than the prior year, which benefited from particularly strong recovery.

The Employee Benefits expense ratio of 25.2% improved 0.5 points compared with 25.7% in second quarter 2025, driven by the impact of earned premium growth and a lower commission ratio, partially offset by higher technology costs.

Turning to investments. Our diversified portfolio delivered strong results in the second quarter. Net investment income was $800 million, up $142 million or 22% from the second quarter of 2025, driven by higher income from limited partnerships and other alternative investments and a higher level of invested assets. Excluding limited partnerships, the annualized portfolio yield was 4.7% before tax, up 20 basis points from the first quarter. We continue to strategically manage the portfolio, balancing risk and pursuing accretive trading opportunities.

Annualized limited partnership returns were 7.6% before tax, up from 5.1% in the first quarter. Results benefited from multiple real estate joint venture sales and strong performance from infrastructure and energy transition funds. Looking ahead to the second half of

2026, we expect limited partnership returns to remain generally consistent with the average annualized return achieved in the first half of the year, although further geopolitical and economic volatility could affect results.

For full year 2026, given the current market conditions, we continue to expect net investment income to increase, supported by growth in invested assets with overall portfolio yields expected to remain broadly in line with 2025.

Yesterday, the Board of Directors approved a new share repurchase authorization of $4.2 billion effective through December 2028, reflecting the strong capital generation of our businesses, as well as expected cash proceeds from The Hartford Funds transaction. This authorization is in addition to the existing authorization, which as of June 30, had approximately $650 million remaining. During the quarter, we repurchased 3.4 million shares for $450 million. We expect to increase our quarterly repurchases to $475 million through the remainder of 2026.

In summary, we are very pleased with our strong 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. Operator, please repeat the instructions for asking a question.

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 appreciate the granularity in the Q on loss reserve development and Beth's additional remarks about more frequency in GL and severity in commercial auto. So I'd like to just zero in on 3 numbers in that table. The $110 million favorable in workers' comp, the $116 million adverse in general liability and the $26 million in commercial auto. Could you share some thoughts on whether you feel this is? Is it onetime or is it something that could become chronic? How are you thinking about these lines and the reserve adequacy going forward?

Christopher Jerome Swift
Chairman & CEO

Andrew, it's Chris. Thanks for your question, and I appreciate your commentary on transparency and granularity. I think as you know, loss reserving is both science and art. And I think we've combined them pretty well over a long-term period and have had great stability. But this quarter required some changes, and I'll let Beth just give a little bit more color on what drove some of those changes.

Beth A. Costello
Executive VP & CFO

Sure. So again, the number that you're referring to, Andrew, I think, as you know, are 6-month numbers. So the numbers for the quarter, a bit smaller than that. So if I start with general liability, again, there, we increased prior year reserves by $46 million. And again, as it says in the commentary, that was across multiple accident years. We saw some elevated large loss activity. And these are lines that we want to be very cautious about. So we reacted to that. And I think a very modest increase when you think about the reserve base being a little bit under $6.5 billion.

Commercial auto there, we saw activity in more recent years, again, large -- higher frequency of large losses. And really, what we're seeing there is more attorney involvement in accidents that in the past would have probably been more minor in nature and minor injuries. So again, looked at that and made the adjustments that you referenced.

And then on workers' comp, that -- we continue to see favorability there. We look at those reserves every quarter. I don't like predictions about the future, but the underlying book as it relates to prior years continues to perform very well.

Andrew Scott Kligerman
TD Cowen, Research Division

Excellent. Very helpful. And then kind of along the same lines with the employee benefits business rolling in on the group disability loss ratio at 74.8%, which was up a fair amount year-over-year. You made the comment, I think, on this call and then in the release that it's in line with long-term expectations. We're hearing a little bit about some of your competitors and seeing that line kind of tick up as well. Do you think it kind of stays in line with your target? Or do you think this is something that's going to start driving up over time? And maybe share a little bit on the backdrop, what you're seeing in that product area from a loss standpoint.

Christopher Jerome Swift
Chairman & CEO

Yes. Thanks for the question, again, Andrew. I'll start and just give some context and sort of my views and then I'll ask Mike Fish to add his. So this is a very good business for us. It's been a strong performer over a long period of time. And you could actually make the argument that its performance over the last couple of years probably exceeded expectations, and we're sort of at the high end of expectations. But our 6% to 7% long-term margin has always been the view. And as I said, we've outperformed it of late. But through the first 6 months of this year, we are still operating at the high end of that margin, although down a little bit from prior year.

So I don't think there's anything fundamentally changing of the business other than when you're dealing particularly with national accounts and big employers, some of that favorability has been reflected back in pricing. And how that works its way through the P&L is a higher generally current accident year loss ratio, that's really still in pick. We haven't come out from any actual experience because a lot of these policies have 6 months of seasoning required before we'll make any adjustments. And then, obviously, there's generally some lower prior year development because you're just -- you're picking the initial loss ratio closer to the expected long-term trend. So that's maybe too much technical on sort of the nuts and bolts, but I think the key message, at least from my perspective is, it is still performing within expectations.

We always look hard at pricing on cycles. Generally, these are still 3-year policies. Mike will probably comment upon LTD, STD and paid family leave some of the incidences that we're seeing there. But it's a business we still like. And at that 6% to 7% margin, we're still generating 15-plus tangible ROEs.

Michael Jeffrey Fish
Executive VP & Head of Employee Benefits

Yes. So Andrew, I would just add that in the loss ratio for disability, think about half of that premium is long-term disability. The remainder is in the short-tail lines, including PFML. So as Chris noted, for LTD specifically in the quarter, again, recoveries, very pleased with the overall results continue to be a bit above our pricing expectations, but just on a quarter-to-quarter basis from 2Q '25 you saw, and we talked about a little bit of a decline there in recoveries, but -- and we'll continue to monitor that. I would say on the shorter tail lines, again, we're seeing higher incidence in the quarter and on a year-to-date basis. A bit coming through across, I'd say, all diagnoses, although behavioral health claims are up a bit relative to the other claims. And those claims tend to have a bit more severity in those short-tail lines like short-term disability. So again, we're sort of seeing a bit of that developed.

And then lastly, paid family medical leave, PFML. And we talked about that last quarter. So in the year-to-date results from a sales and premium perspective, we're benefiting on the top line with 3 new states coming online. As I talked about last quarter, we do see higher utilization in early periods when new states go live. So we're seeing that a bit. But I would also add, we're seeing utilization up in the states that have been out in force for a number of years. And so as we've talked about, we'll continue to put rate on top of that book. And we'll see where that develops. But again, we feel really good in general about where our pricing is coming in, in total.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

Chris, Beth, I'm just curious, is it possible to unpack the underlying loss ratio in commercial lines a little bit? Maybe give us what the impact of the fire losses were year-over-year so we can get kind of a baseline what the actual underlying kind of loss ratio deterioration was in the quarter?

Christopher Jerome Swift
Chairman & CEO

Yes. Beth, you want to break that down?

Beth A. Costello
Executive VP & CFO

Yes. I'm not going to go into all the puts and takes that are within that line. As we said, non-CAT property was a significant contributor to the performance kind of year-to-year. But maybe the way to help you frame it, Brian, is that if I look at MLC and their year-to-date underlying combined ratio of 93.3%. And I think about what we expect for the second half of the year and assuming non-CAT property kind of evens out a bit. We expect the full year to probably come in roughly a point better than that. So it gives you some sense of just some of the elevation that we see kind of in the first half that we wouldn't expect to see in the second half.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then my second question, and maybe I was just -- the way I heard it was a little confusing. So Beth, I think you made a comment about the underlying loss ratio up because of more commercial auto and national accounts in the mix. Have you been leaning more into the commercial auto area? Or is that simply just higher losses coming in? And if so, maybe it's a different area of commercial auto. I was a little confused by that.

Christopher Jerome Swift
Chairman & CEO

Brian, I'm going to let Mo answer that.

Adin Morris Tooker
President

Yes, Brian. We -- the commercial auto premium has been up. I wouldn't say it's a change in strategy. It's just been, I think, a way we think we add things up as just we bind business. But the commercial auto premium was up in the first half of the year. The other piece that's in there is national accounts. And we've mixed a little bit more in middle and large towards our national accounts. And what I would just want to be clear on the national accounts is our national accounts business is a little bit different than some of our peers, and I just want to make sure that everybody understands that, which is -- it's really adjacent to our middle market business, i.e., it's loss picks, i.e., less than $5 million. We have an occasional account that gets up to $10 million, but it really is our way to follow middle-market customers into a loss sensitive structure, but it does run at a higher combined ratio based on the excess casualty lines, and we just end up booking a little bit higher.

Beth A. Costello
Executive VP & CFO

Yes. And I'll just make a fine point on that. So again, it really is about the mixing into those -- that business rather than a change in view of the loss trend for those particular lines.

Operator

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

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Great. It's probably an easy yes or no based on what was just said. But it sounds like there was kind of no meaningful change to expected forward loss trend, especially in casualty lines based on kind of all the great color you gave in the Q on this call so far. Is that correct? That's impacting the underlying maybe forward basis that we should be considering?

Beth A. Costello
Executive VP & CFO

Yes, very, very minor impact. Obviously, whenever we have prior year development, we always look at the more current year to see if that changes our view on loss trend. And we didn't call it out because it did not have a significant impact year-over-year. It's tenths of basis points.

Michael David Zaremski
BMO Capital Markets Equity Research

Perfect. And I guess my follow-up is just kind of stepping back and thinking about the competitive environment in commercial lines, specifically, I think there's a lot of focus on pricing, and we've seen a lot of competitors show their pricing KPIs, decelerate. We're teasing out that it's more so or maybe only coming from the large account space. But -- can you maybe just talk about whether you all have been surprised by the stability in kind of the especially on the smaller end in terms of pricing? Or would you expect given healthy returns and interest rates there to be a bit of a decel or downwards trend in the coming year?

Christopher Jerome Swift
Chairman & CEO

Mike, it's Chris. I'm going to give you some data, at least on the quarter that might help. But I would say, generally, through the first 6 months of the year, there are really no surprises. Obviously, other than the normal volatility that Beth just talked about in some of our non-CAT property exposure. But I would say the market, at least the segments we participate in active are in are holding up fairly well. I mean you could see what we've been able to do with commercial auto and general liability pricing, which we think we're strong there and keeping up with loss trend, particularly with umbrella and excess achieving some of the highest rates of increase across the portfolio.

I would say property pricing continues to moderate. But again, still a highly profitable line for us, an attractive -- and still an attractive area for growth. I think the metric I would give you there is that the aggregate pricing for small business package and middle market general industry, property book was fairly steady in the mid-single digits on an aggregate basis.

I gave my commentary on pricing in aggregate in Business Insurance at 5.8, down 30 basis points from the first quarter. But again, still an excellent result and our underwriters are really executing well in the marketplace. I would say, again, specifically on general liability, we're at 9.9%, up 30 basis points from the last quarter. Excess and umbrella lines were still in the low double digit and improved 70 basis points from last quarter. If I look at small renewal written pricing of 7% was flat compared to the first quarter. Middle market ex comp was down 130 basis points to 4.4% with declines across most lines, but still healthy in auto and GLs. And Global Specialty pricing improved 60 basis points to 5.5. So you put it all together, I'm still feeling good about our ability to execute, the ability to generate attractive risk-adjusted returns on individual accounts and where we can, we'll step away.

Operator

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

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

I was going to pivot to the Personal Lines, but I just can't help myself on the pricing commentary and the answers you provided so far. And maybe you can help frame it for me in a different way because I -- the areas that have come under scrutiny are the really large property schedules. And I just don't think you have a lot of exposure in that area of the market. So when I see the growth in your middle and large business, it's really not skewing to this area that's gotten -- that's under a microscope for all the substantial rate decreases. But maybe you can help frame that for me.

Christopher Jerome Swift
Chairman & CEO

I think you framed it well. I mean our large property book is relatively small. It's about $200 million, would you say, Mo, on a full year basis. Our E&S book, again, is relatively small, maybe 300, particularly in small commercial. So -- yes, the markets that -- the activity in the markets where the most pressure is, is generally our smallest exposure. And our Spectrum product which is a small business product and our general industry properties, our two biggest lines. And as I said, Greg, we're holding in sort of that mid-single-digit range as far as price increases, which again, we think is keeping up with trend. We're probably not going to grow at the rate that we thought when we started the year. But I still think we can grow our overall property book in the mid-single digits through the end of the year. But -- Mo, would you add anything?

Adin Morris Tooker
President

Let me just add a couple of points, just as evidence to Chris' point on the large property. We had a fairly substantial shared and layered book within our large property segment in Middle & Large. That's now less than $25 million. So we really have shrunk that just because that is the part of the market, as you referenced, that is falling quicker, and it just doesn't meet our benchmarks anymore. The second thing I would point to is, we are watching the middle and large states really closely. So yes, the large end is where we see mostly the most competition. But we did feel increasing pressure in the second quarter and potentially a divergent view from some of our competitors, especially on GL and workers' compensation. So we've always talked about our middle market book being subject to market conditions. We're watching closely in that space because we did feel the competition pick up in that space, and that will impact our growth in the second half of the year if that competitive pressure maintains.

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

Thank you for indulging me on that topic, and I appreciate the detail. Let's pivot to the personal lines business. Obviously, that's a pretty intense marketplace. It looks like your agency business is doing fine. The direct business might be a little challenged. And Chris, I think you mentioned the contemporary product offering that's rolling out. As we look forward, maybe you can help reconcile how we should be thinking about growth in the context of just the intensity of competition in the market.

Christopher Jerome Swift
Chairman & CEO

Yes. I let Melinda add her commentary. But I would say generally, we're trying to complete the rollout of agency as quickly as we can. We expect to be in 30 states by the beginning, early '27. So we feel good about that. And that's, again, the same product we're using in the direct channel. I would say the direct channel, I think, is going to continue to come under pressure. I think shopping is going to remain elevated. Obviously, competition is going to remain strong. But again, we're going to continue to try to improve retention, improve obviously, the customer experience and see if there is some value added that we could create for the mature market.

So I would say we expect a little bit of headwinds, particularly in direct as we head into '27. But Melinda, I don't know, what would you add?

Melinda Thompson
Head of Personal Lines

I think you summed it up very well, Chris. We certainly want to find and win and keep more customers. So all 3 components of that important in our growth strategy, and we want to do that while we maintain our target profitability, and it will be bifurcated, I would say, near-term in the channel dynamics. We're very encouraged by everything we are seeing on the agency side, very strong execution by our teams and excellent progress toward our long-term growth objectives.

Christopher Jerome Swift
Chairman & CEO

And Greg, it goes without saying, obviously, auto has a story, but home has a unique story, too, where home, I think, is performing well. We've been able to continue to get rate in that book to kind of keep up with trend. And for the agency channel, having a competitive home product is going to be very, very important. We feel good about how we're positioned.

Operator

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

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Wanted to see if you could dig a bit more into the capital management strategy just in light of The Hartford Funds transaction and some flexibility but obviously coming in over time. And just how you'll approach sort of replacing the dilution initially from that transaction?

Christopher Jerome Swift
Chairman & CEO

I'll let Beth talk to the specifics of the capital management plan that we just announced. But I'd just like to make a comment, but -- so that everyone sort of understands my views that monetizing this long-term held investment, noncore investment, I thought was a priority over the last couple of years. Just given the sort of the changing dynamics in the asset management, wealth business. Obviously, we've enjoyed a 40-year relationship with Wellington. And I think combining Wellington capabilities with our distribution platform, I think it's just going to be an added benefit to continue to reach more clients through various channels with differentiated investment capabilities, particularly in the wealth management market here in the U.S.

So I thought it was an excellent transaction, unique -- structured uniquely, which really allows us to participate in the upside as the 2 combined organizations come together and I think create additional value in the marketplace. But Beth, what would you say on the capital management?

Beth A. Costello
Executive VP & CFO

Yes. So we obviously took the expected proceeds over the next couple of years from the funds transaction into consideration in sizing our new share repurchase authorization. So again, I remind you that our previous one was at $3.3 billion. So this is a $900 million increase or 27% increase over the prior authorization. And the way I think about that is about 15% comes from the cash that we're getting from Hartford Funds above sort of what we would normally have received from Hartford Funds. I think you have to keep in mind that with the $3.3 billion authorization, there were dividends that we were already getting from Hartford Funds. When we think about the incremental, put that towards the authorization, and then the remaining 12% coming from the growth in our business. So I think it's a nice balance. And obviously, as the combined entity performs over the next several years, we'll continue to see those cash flows and view it as excess capital to be deployed.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Follow-up question, I just wanted to circle back on prior year development. If I go back and think about 2023 and 2024, there is sort of a consistency, if you will, to some of the unfavorable in the lines that you took unfavorable on this quarter. And is there anything different about this time? I mean I think there's some of the underlying drivers like attorney representation. So I mean, is there anything about the review you did this quarter that we should think about being different from the way it was being reviewed in '23 and '24?

Beth A. Costello
Executive VP & CFO

No, I wouldn't call out anything being different. I mean we look at our reserves every quarter. And as we saw, as I said earlier, some of this elevated activity in GL, primarily in our excess and umbrella lines, we felt it was appropriate to make some modest adjustments. And on commercial auto, same thing, we saw some trends there that we felt we should reflect. But nothing that changes overall, how we look at the reserves, the review that we do, the very tight alignment that we have between our claims team, our actuarial teams. And then most importantly, our underwriters to understand what's being seen. And as Chris said, we feel very good about the pricing that we're getting in those lines, feel very good about all the underwriting actions that we've taken over the past many years in that. So feel good about where we are as we ended the quarter.

Operator

Your next question comes from the line of Katie Sakys with Autonomous Research.

Katie Sakys
Autonomous Research US LP

First, I wanted to circle back to your comments, Beth, on the expense ratio. I think you mentioned in your prepared remarks, you expect to still be able to hit exit year 2027 guidance. Last quarter, I think you guys had talked about seeing some opportunity for incremental improvement in the expense ratios across the 3 business segments here in 2026. Do you still have a line of sight on that?

Christopher Jerome Swift
Chairman & CEO

Katie, thank you for the question. I would just rephrase your commentary a little bit. We're not providing guidance. These are goals that we've set for the organization. We're not in the guidance game. And as we sit here today, and as I said in my prepared remarks, I think we'll see improvement in '26. And I continue to be optimistic in business insurance and employee benefits of hitting the goals that we set for ourselves. I would say there is increasing pressure in Personal Insurance to hit the goals there. We're not giving up. But that is, I would say, a substantially higher bar to achieve right now just given growth dynamics, the competitive marketplace, but I know Melinda and team are not giving up, and we'll see what we could do. But I would say that's my update for the quarter.

Katie Sakys
Autonomous Research US LP

I appreciate the color there. And then I wanted to shift to Small Commercial. I mean I think the growth there continues to impress. But given some of the commentary from some of your competitors about identifying better growth opportunities further down market. Curious to see how you guys are thinking about competition there and the trends from increased activity from either traditional carriers or maybe more technology-enabled entrants.

Christopher Jerome Swift
Chairman & CEO

Yes. I'll let Mo add his color. But I would say, Katie, remember, I think we're in a competitive market across all our lines. But of all our lines, I'm most impressed, most proud of our capabilities that are differentiated in the marketplace in small commercial that I think will allow us to continue to capture additional market share. But Mo, I know you and I talk about things quite a bit, but what would you say?

Adin Morris Tooker
President

Katie, just to build on Chris' comments with a little bit more granularity. Flow for our small business team in both the retail and the wholesale channels remains really strong. Chris referenced our growth in spectrum. He referenced our growth in E&S binding. The technology and the advantages we have with the retail brokers, and Chris mentioned the session we have with our VIP brokers in May. We continue to get incredible feedback about the differentiated experience that these agents enjoy when they use our technology and how much efficiency it creates for them. So -- yes, there's lots of competition, but I really feel confident about our ability to maintain margins and grow at a similar pace going forward here just based on all the capabilities and the feedback we're getting today.

Operator

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Just following up on the adverse development in general liability this quarter. I was wondering if you could just talk a little bit more about the accident year mix. I know you said multiple accident years. But just wondering, specifically, if you just talk about which accident years primarily were impacted. And if you had added any to accident year '25?

Beth A. Costello
Executive VP & CFO

Yes. So it is multiple years. So if you go back, it's -- we saw some activity in 2017, '18, '19, a little bit and also in '22, '23. We did not add anything to '25. So it really was spread across, and again, focused on excess and umbrella lines, as I said in my previous remarks.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. And Beth, last year, I think you had spoken about having about 1 point better than expected non-CAT property experience within the loss ratio in BI. And it sounds like it was elevated this quarter. So I just wanted to be clear, was it elevated but also worse than expected this quarter? And how should we think about just that 1 point of favorable non-CAT property experience within the loss ratio? Like, is that going to normalize? Is that potentially more durable just because of changes in terms and conditions, just wondering how you're thinking about that going forward?

Beth A. Costello
Executive VP & CFO

Yes. I would say, David, it really does move a bit quarter-to-quarter. I would say overall for this quarter to expectations, non-CAT property came in a little bit under (sic) [underperforming] what we would have anticipated. Again, favorable and small unfavorable in middle to net unfavorable affecting the overall business insurance ratio. So it's hard to predict what the points of improvement could be quarter-to-quarter because there is just inherent some volatility, as I indicated, pointed to a couple of large fire losses in middle and large this quarter that contributed to that. Nothing that we see in our underwriting that would say that these weren't good risk for us to place. And that's why we say there's some just normal volatility. And it's also why I provided on the response to an earlier question, some of our views on how we think MLC could end the year based on things kind of returning to more normal.

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, we heard one of your peers in the quarter talking about an LAE improvement, right, just driven off of some AI and some claims-driven efficiencies, it did benefit their commercial lines underlying loss ratio. I just wanted to get a sense like how you guys are thinking about AI efficiencies and the potential to benefit you guys on the LAE side?

Christopher Jerome Swift
Chairman & CEO

Yes. I would say, Elyse, just to remind you, again, the big areas that we're sort of focused with our AI initiatives, building on, I'll call it, our strong excellent platform is underwriting operations, which we define as customer-facing activities, call centers, billing, audit premiums and claims. Claims has some, I would say, most, some exciting activities they're exploring, whether it be a sort of custom built AI or some vendor-related activities. So that is an area of focus for us to get more efficient and ultimately, just better outcomes in total. But -- Mo, what would you add?

Adin Morris Tooker
President

Yes. Elyse, I would just add that we've got some really exciting use cases. We haven't disclosed any KPIs on either the claims or the underwriting side, and we won't today. But just trust that we are making significant investments in all 3 areas that Chris referenced, and we think that will improve LAE and expense ratios generally.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up question, just going back to the capital discussion. You guys obviously upped the buyback today, and we did see like the funds transaction, that does give you more capital. But -- it sounds like given the increase in the buyback program, right, there's probably less of a focus on M&A right now. But Chris, would just be great to get your current views there.

Christopher Jerome Swift
Chairman & CEO

Yes. Yes, I would say, obviously, you saw what we're planning to do for the next 2 years, as we've always commented, we're aware of marketplace activities. But we're equally committed to an organic plan. We think that's ultimately a safer way to grow and protect margins and manage, but we're aware, and there's nothing, obviously, to announce today. But again, we'd like to grow organically and invest in new products, new capabilities, expanding our underwriting appetite. And that's what I would say our primary focus is.

Operator

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

Robert Cox
Goldman Sachs Group, Inc., Research Division

I just wanted to ask about retention in the middle and large commercial book. I noticed it slipped a little bit. So just curious if there is any pruning related to the GL and auto reserve additions that contributed to retention slipping or if that is just more market-driven?

Adin Morris Tooker
President

Rob, it's Mo. No, it's entirely market-driven. There was nothing specific that we were doing on GL or auto in the quarter. It's just a team making good decisions. It does reference back to a comment I made to a couple of questions ago, where we're just feeling increasing competition in the middle and large space. And as we've talked about for a number of quarters, we're going to continue to make choices and not grow if we see the competitive dynamic going too far. And those 3 points of retention would be evidence of that.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Okay. Great. That makes sense. And just following up on Global Specialty, pricing acceleration there in the quarter. Obviously, there's been widespread discussion on property, which -- it seems like there's not as much exposure to as peers. But just curious what's driving that. It seemed like maybe in the 10-Q, it was implied that it was U.S. wholesale potentially driving that acceleration?

Adin Morris Tooker
President

Rob, it's Mo again. I would say a couple of things. We have less negative rates internationally. We've got a fairly large book of financial lines in our Lloyd's syndicate, which was less negative, which is helping us out there. Similarly, our financial lines book improved the rate it was positive -- moderately positive. It's moving slightly more positive. So that's helping the mix in that rate calculation. And then wholesale overall, our rate on the entire wholesale book ticked up nicely. And it's an important one just as we watch the complexity of that book and making sure we're getting adequate rates on our wholesale book and the entire Global Specialty portfolio.

Operator

We have reached the end of the question-and-answer session. I will now turn the call back to Kate Jorens for closing remarks.

Kate Jorens
SVP, Treasurer & Head of Investor Relations

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

Operator

This concludes today's call. Thank you for attending. You may now disconnect.