

# Review of The Hartford's Financial Strength – P&C Operations

March 12, 2009<sup>1</sup>



*Some of the statements in this document may be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We caution investors and other parties that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ. These important risks and uncertainties include those discussed in The Hartford's Quarterly Reports on Form 10-Q, The Hartford's 2008 Annual Report on Form 10-K and the other filings The Hartford makes with the Securities and Exchange Commission. We assume no obligation to update this document, which speaks as of the date issued.*

## **P&C Operations are strong and continue to develop their strengths. They are delivering superior underwriting results while maintaining risk discipline.**

- Broad Distribution & Strong Agency Relationships
- Excellent Product & Pricing: Advancing sophistication of pricing and segmentation.
- Outstanding Customer Service: Simplifying and improving the effectiveness of agent interactions.

## **P&C Operations are seeing continued strong combined ratio\* results for its businesses.**

- Ongoing P&C: 85.3% for 4Q08; 88.9% for full year 2008
- Personal Lines: 86.8% for 4Q08; 87.6% for full year 2008
- Small Commercial: 76.8% for 4Q08; 82.8% for full year 2008; the 12th consecutive quarterly combined ratio <90
- Middle Market: 86.0% for 4Q08; 93.4% for full year 2008
- Specialty: 96.7% for 4Q08; 97.3% for full year 2008

## **P&C Operations are pursuing disciplined growth in a competitive market. (4Q08)**

- Personal Lines (4Q08): \$936 million in WP and a 9% increase in NB premium over prior year period.
- Small Commercial (4Q08): \$622 million in WP; 2% policy-in-force growth.
- Middle Market (4Q08): \$577 million in WP; 3% policy-in-force growth.
- Specialty (4Q08): \$330 million in WP; growth in HFP, Programs.

## **The Hartford is well-capitalized, with ample liquidity.**

- As of 12/31/08, The Hartford has \$1.9 billion of resources in the form of \$1.5 billion of cash and short-term investments available at the holding company and \$400 million of available capital\*\* at the P&C subsidiaries.
- \$500 million contingent capital facility remains untapped.
- Access to a \$1.9 billion revolving credit facility.
- The Hartford's P&C Operations also have approximately \$6 billion of statutory surplus as of 12/31/08.
- The Hartford has ample liquidity, positive cash flow, and no senior debt maturing until mid-2010.

## **The Hartford's investment portfolio is sound.**

- The Hartford's investment portfolio has been stress tested under severe recession scenarios and such stress tests reflect that potential economic losses would be manageable under such scenarios.
- The Hartford's commercial mortgage-backed securities (CMBS) are highly rated with significant credit protection and broadly diversified by geography, property type and maturity date.
- The Hartford had \$13.2 billion in net unrealized losses, before-tax as of 12/31/08, which we expect to substantially recover over time.
- Exposure to the financial services sector is highly rated and well diversified.
- Outside of financials, we are underweight in sub-sectors generally viewed as most exposed to a recession.

\* Excludes catastrophes and prior year development

\*\* Subject to extraordinary dividend pre-approval by insurance regulatory authorities

<sup>1</sup> This document speaks as of March 12, 2009 and of the financial results dates set forth herein. We assume no obligation to update this document, which speaks as of the dates provided herein.