

*AIFA 2009 Annual Conference*

# The Hartford Financial Services Group

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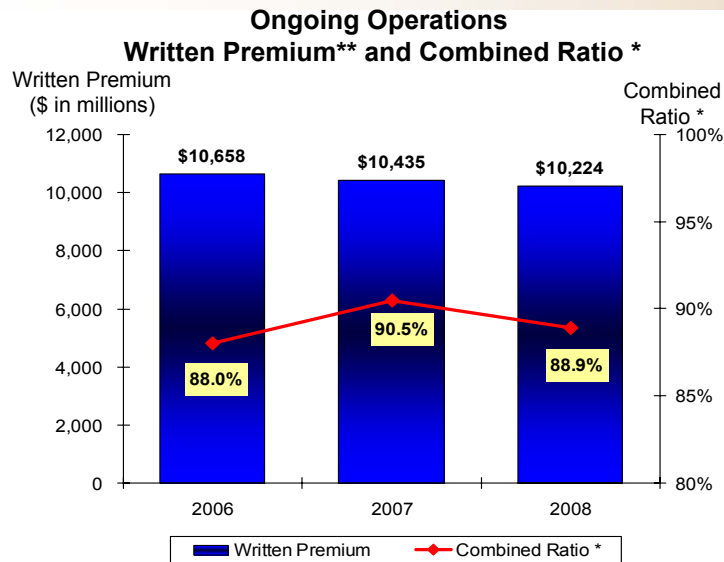


# Safe Harbor Statement

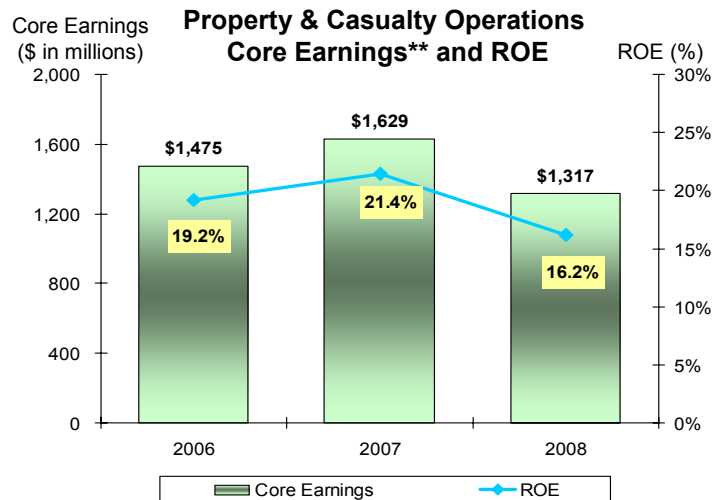
Certain statements made in this presentation should be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These include statements about The Hartford's future results of operations. We caution investors that these forward-looking statements are not 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, including those discussed in The Hartford's Annual Report on Form 10-K for the year ended December 31, 2008 and other filings we make with the Securities and Exchange Commission. We assume no obligation to update this presentation, which speaks as of today's date.

The discussion in this presentation of The Hartford's financial performance includes financial measures that are not derived from generally accepted accounting principles, or GAAP. Information regarding these non-GAAP and other financial measures, including reconciliations to the most directly comparable GAAP financial measures, is provided in the Investor Financial Supplement for the fourth quarter of 2008, in The Hartford's press release issued on February 5, 2009, and in the Investor Relations section of The Hartford's website at [www.thehartford.com](http://www.thehartford.com).

# The Hartford's Property and Casualty operations delivered very strong results



- P&C Ongoing Operations' combined ratio\* below 93% every year since 2003
- Core earnings ROE\*\* above the company's targeted 13%-15% since 2005
- Our 2009 guidance reflects a commitment to disciplined growth and solid underwriting performance in a competitive environment



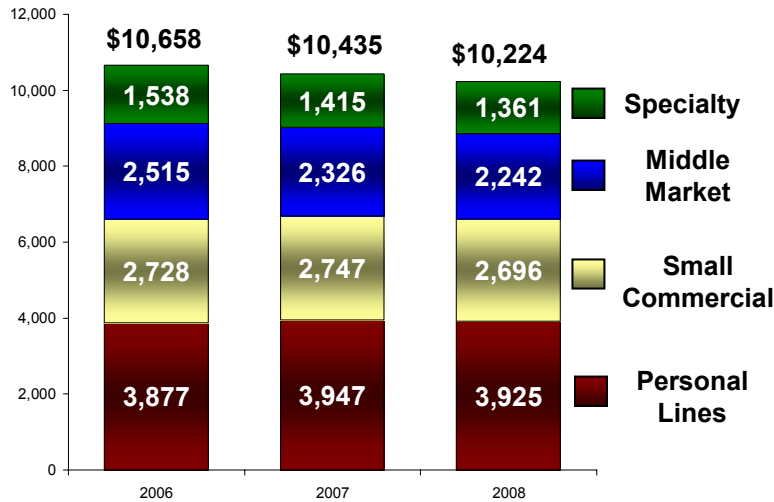
- Ongoing P&C Operations 2009 guidance
  - ✓ Written Premium Growth: (2%) to 1%
  - ✓ Combined Ratio\*: 90.0% to 93.0%

\* Excludes catastrophes and prior year development

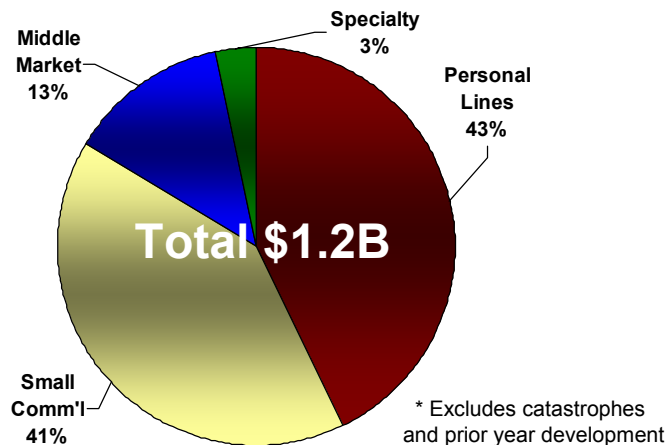
\*\* Denotes financial measure not calculated based on Generally Accepted Accounting Principles

# Each of our Ongoing Property and Casualty businesses meaningfully contributes to our results

## Written Premium (\$ in millions)



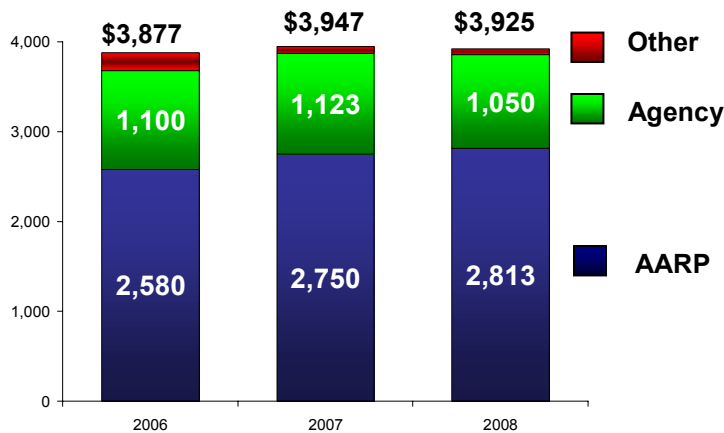
## 2008 Underwriting Results \*



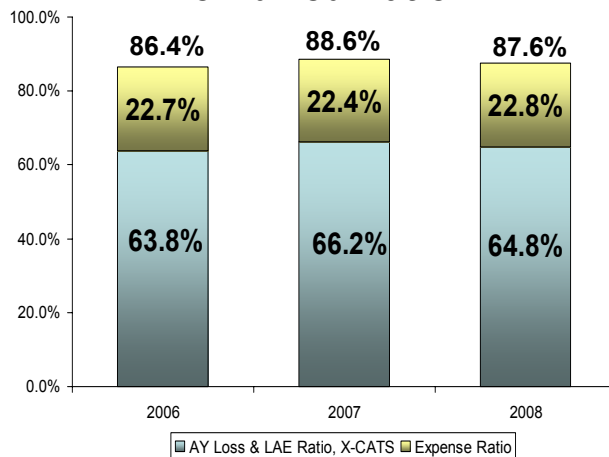
- Our P&C business portfolio is well diversified and profitable
  - ✓ Personal lines and Small Commercial generated 65% of 2008 written premium, while Middle Market and Specialty produced 35%
- The 4th largest direct writer of personal lines insurance
  - ✓ Exclusive partnership with AARP for 25 years
- A leading provider of small commercial insurance through independent agents
- Acknowledged leader in workers' comp. coverage in both the middle and small commercial markets
- A leading provider of innovative payroll solutions
- 4th largest writer of private company management liability in the U.S., with \$285 million of written premium in 2008

# The Hartford's Personal Lines success is driven by product innovation and multi-channel distribution

## Written Premium



## Combined Ratio \*

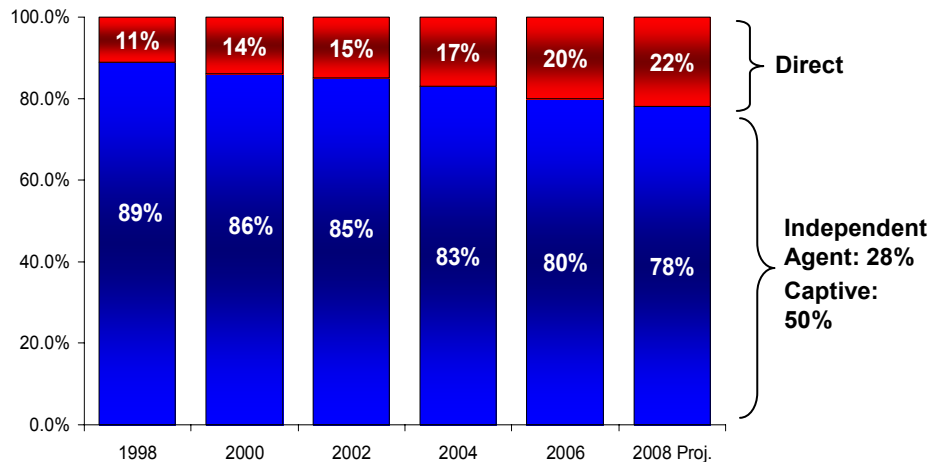


\* Excludes catastrophes and prior year development

- Underwriting profitability has been consistently strong
  - ✓ Combined ratio\* in 15 of the last 16 quarters has been below 90%
- AARP written premium has grown despite the challenging market
  - ✓ Compound annual growth rate of 6% since 2003
- Strong, multiple distribution networks
  - ✓ Approximately 8,000 independent agents
  - ✓ Exclusive partnership with AARP to 2020
  - ✓ Distribution of AARP co-branded offering through agents
  - ✓ 4-state Direct pilot roll-out
- Proven product and research expertise
  - ✓ Sophisticated pricing segmentation
- Recognized for outstanding customer service
  - ✓ J.D. Power certified call centers 4 years running
  - ✓ Recognized by J.D. Power for new buyer satisfaction and auto physical damage claim handling

# In the personal lines marketplace, growth will likely be constrained even as the direct channel expands

Channel Share of \$225B\* in Market Premium\*\*



\* Includes auto of \$162B and homeowners of \$63B

\*\* The Hartford analysis of AM Best Data

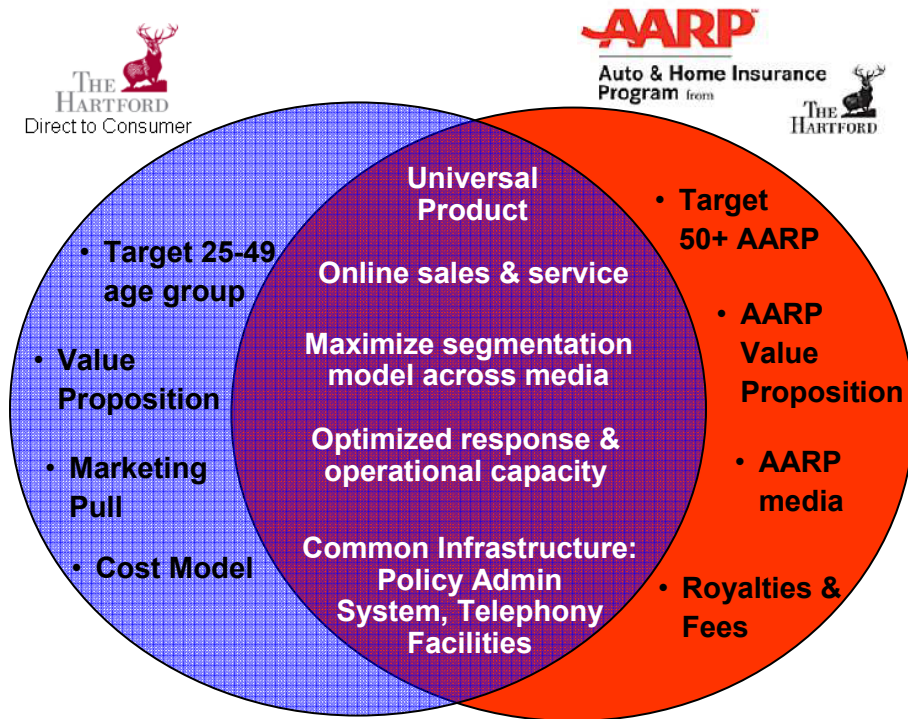
- Direct channels will likely continue to take share from intermediary-based channels
  - ✓ The direct channel has doubled its market share since 1998
- The top 5 direct carriers control ~90% of direct auto premium\*\*
- Keys for success in the personal lines marketplace include:
  - ✓ A recognizable brand
  - ✓ Consumer marketing and contact center capabilities
  - ✓ Economies of scale with a low expense ratio

# The Hartford's strategy in the personal lines marketplace: enable the customer's preference for advice, service and support

## **The key elements of The Hartford's multi-channel strategy:**

- Broadening our Direct model
- Enhancing customer segmentation
- Extending the distribution of AARP to our agency plant
- Deploying a universal product with enhanced pricing sophistication
- Expanding our agency footprint

# Direct-to-consumer capabilities and an expanded product offering provides opportunity to reach under age 50 customers



AARP and The Hartford branded offerings leverage shared capabilities

## The Hartford-branded offering with “under 50” appeal involves:

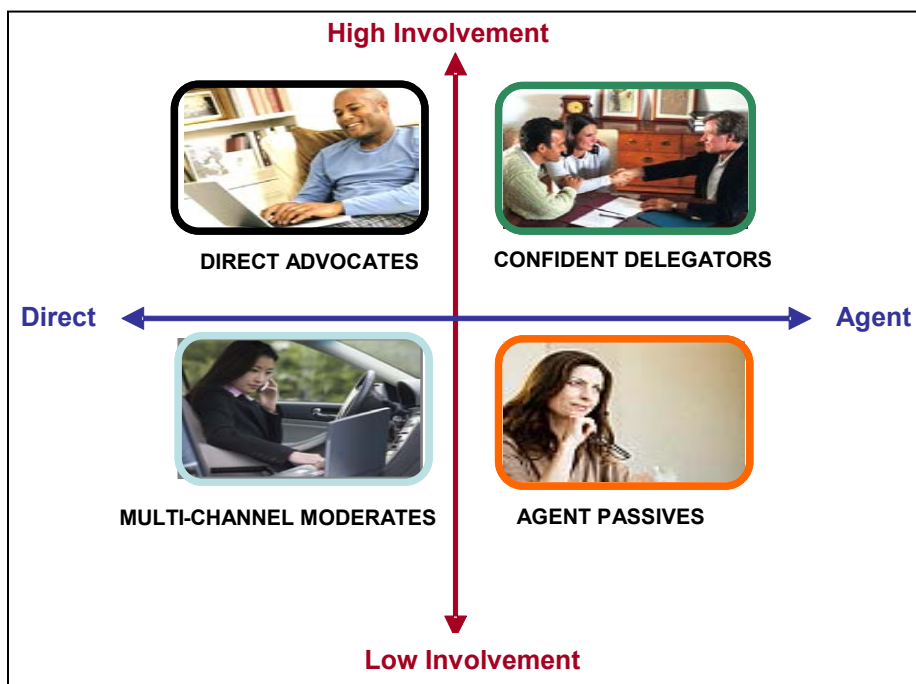
- Marketing and brand awareness
- Customer segmentation
- Value proposition & price competitiveness
- Business model effectiveness
- Financial optimization

## Leveraging existing competencies:

- AARP Homeowners cross-sell
  - ✓ **34%** of homeowners quotes result in a sale
  - ✓ Of those quotes we pro-actively cross-sell through system-driven prompts:
    - **40%** result in a sale
    - These represent almost half our total cross-sell conversions

# Customer segment-specific focus: improves effectiveness of marketing, distribution, product design and claim/service delivery

## Personal Lines Market Comprises Distinct Macro Customer Segments



- **Segments are highly differentiated by core category beliefs, including:**
  - ✓ Importance / role of insurance
  - ✓ Category confidence & importance
  - ✓ Shopping & management preferences
- **Differentiated beliefs drive highly differentiated behaviors, up to...**
  - ✓ 8x differences in propensity to buy direct\*
  - ✓ 3x differences in likelihood to use an agent\*
  - ✓ 2x differences in add-on product ownership and tenure\*
- **Customer-segment specific focus improves execution effectiveness and efficiency**

\* Source: Rosetta Primary Research

# Extending the distribution of AARP: Leveraging the power of the AARP brand in the agency channel

## **Delivery of the AARP offering through the agency channel:**

- Even with growth in the Direct channel, ~80% of customers still prefer agent interaction
- Leverages our unique capabilities in the over-50 market
  - ✓ Helps sustain our competitive advantage in this segment
  - ✓ Provides opportunity to expand AARP's membership
- Strengthens AARP / Hartford program
- Reaches AARP members who prefer agents
- Strengthens our value to agents
  - ✓ Authorizes agents to distribute the AARP Auto & Home program
  - ✓ Leverages branding dollars across direct and agency channels

# Adoption of a universal product structure combined with enhanced pricing segmentation is intended to improve market competitiveness

## **A universal product structure for auto and home improves:**

- Speed-to-market
- Efficiency of product manufacturing
- Economies of scale

## **Enhanced pricing segmentation and use of third party data:**

- Augments territory modeling
  - ✓ Surgically accurate pricing increases production and profitability
- Facilitates customer-focused features
  - ✓ “No drop promise”
  - ✓ “RecoverCare” – Hartford’s worry-free loss recovery program
  - ✓ First Accident Forgiveness
- Simplifies new business process for agents and customers
  - ✓ Faster quote time due to fewer screens and more data pre-fill
  - ✓ Additional quote speed gained through system processing acceleration

## **To improve market competitiveness**

# Property and Casualty: Staying focused on what we do best while investing in our businesses

- Driving superior underwriting results
- Making significant investments to enhance our strengths
  - ✓ Distribution: Broadening our agency relationships while expanding multi-channel capabilities
  - ✓ Product: Advancing sophistication of pricing and segmentation
  - ✓ Service: Improving efficiency and effectiveness of agent interactions and customer satisfaction
- Positioning for growth while maintaining risk discipline

## Questions and Answers