UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 001-13958

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3317783**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Hartford Plaza, Hartford, Connecticut 06155

(Address of principal executive offices) (Zip Code)

(**860**) **547-5000**

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	HIG	The New York Stock Exchange
6.10% Notes due October 1, 2041	HIG 41	The New York Stock Exchange
7.875% Fixed-to-Floating Rate Junior Subordinated Debentures due 2042	HGH	The New York Stock Exchange
Depositary Shares, Each Representing a 1/1,000th Interest in a Share of 6.000% Non-Cumulative Preferred Stock, Series G, par value $0.01 per share	HIG PR G	The New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:

None

Indicate by check mark:

• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes	☑	No	
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.	Yes		No	☑
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	Yes	☑	No	
• whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).	Yes	☑	No	

• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of June 30, 2020 was approximately $14 billion, based on the closing price of $38.55 per share of the Common Stock on the New York Stock Exchange on June 30, 2020.

As of February 18, 2021, there were outstanding 357,514,315 shares of Common Stock, $0.01 par value per share, of the registrant.

Documents Incorporated by Reference

Portions of the registrant’s definitive proxy statement for its 2021 annual meeting of stockholders are incorporated by reference in Part III of this Form 10-K.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
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[a] The information formerly required by Item 301 regarding material trend disclosure will be set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.
[b] The information required by this item is set forth in the Enterprise Risk Management section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.
[c] See Index to Consolidated Financial Statements and Schedules elsewhere herein.
[d] The information called for by Item 11 will be set forth in the Proxy Statement under the subcaptions "Compensation Discussion and Analysis", "Executive Compensation", "Director Compensation", "Report of the Compensation and Management Development Committee", and "Compensation and Management Development Committee Interlocks and Insider Participation" and is incorporated herein by reference.
[e] Any information called for by Item 13 will be set forth in the Proxy Statement under the caption and subcaption "Board and Governance Matters" and "Director Independence" and is incorporated herein by reference.
[f] The information called for by Item 14 will be set forth in the Proxy Statement under the caption "Audit Matters" and is incorporated herein by reference.

Forward-looking Statements

Certain of the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects,” “projects,” and similar references to future periods.

Forward-looking statements are based on management's current expectations and assumptions regarding future economic, competitive, legislative and other developments and their potential effect upon The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, the "Company" or "The Hartford"). Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from expectations, depending on the evolution of various factors, including the risks and uncertainties identified below, as well as factors described in such forward-looking statements; or in Part I, Item 1A, Risk Factors, in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and those identified from time to time in our other filings with the Securities and Exchange Commission.

- Risks relating to the pandemic caused by the spread of the novel strain of coronavirus, specifically identified as the Coronavirus Disease 2019 (“COVID-19”) including impacts to the Company's insurance and product-related, regulatory/legal, recessionary and other global economic, capital and liquidity and operational risks
- Risks Relating to Economic, Political and Global Market Conditions:
  - challenges related to the Company’s current operating environment, including global political, economic and market conditions, and the effect of financial market disruptions, economic downturns, changes in trade regulation including tariffs and other barriers or other potentially adverse macroeconomic developments on the demand for our products and returns in our investment portfolios;
  - market risks associated with our business, including changes in credit spreads, equity prices, interest rates, inflation rate, foreign currency exchange rates and market volatility;
  - the impact on our investment portfolio if our investment portfolio is concentrated in any particular segment of the economy;
  - the impacts of changing climate and weather patterns on our businesses, operations and investment portfolio including on claims, demand and pricing of our products, the availability and cost of reinsurance, our modeling data used to evaluate and manage risks of catastrophes and severe weather events, the value of our investment portfolios and credit risk with reinsurers and other counterparties;
  - the risks associated with the discontinuance of the London Inter-Bank Offered Rate ("LIBOR") on the securities we hold or may have issued, other financial instruments and any other assets and liabilities whose value is tied to LIBOR;
  - the impacts associated with the withdrawal of the United Kingdom (“U.K.”) from the European Union (“E.U.”) on our international operations in the U.K. and E.U.
- Insurance Industry and Product-Related Risks:
  - the possibility of unfavorable loss development, including with respect to long-tailed exposures;
  - the significant uncertainties that limit our ability to estimate the ultimate reserves necessary for asbestos and environmental claims;
  - the possibility of another pandemic, civil unrest, earthquake, or other natural or man-made disaster that may adversely affect our businesses;
  - weather and other natural physical events, including the intensity and frequency of storms, hail, wildfires, flooding, winter storms, hurricanes and tropical storms, as well as climate change and its potential impact on weather patterns;
  - the possible occurrence of terrorist attacks and the Company’s inability to contain its exposure as a result of, among other factors, the inability to exclude coverage for terrorist attacks from workers' compensation policies and limitations on reinsurance coverage from the federal government under applicable laws;
  - the Company’s ability to effectively price its property and casualty policies, including its ability to obtain regulatory consents to pricing actions or to non-renewal or withdrawal of certain product lines;
  - actions by competitors that may be larger or have greater financial resources than we do;
  - technological changes, including usage-based methods of determining premiums, advancements in automotive safety features, the development of autonomous vehicles, and platforms that facilitate ride sharing,
  - the Company's ability to market, distribute and provide insurance products and investment advisory services through current and future distribution channels and advisory firms;
  - the uncertain effects of emerging claim and coverage issues;
- Financial Strength, Credit and Counterparty Risks:

- risks to our business, financial position, prospects and results associated with negative rating actions or downgrades in the Company’s financial strength and credit ratings or negative rating actions or downgrades relating to our investments;
- capital requirements which are subject to many factors, including many that are outside the Company’s control, such as National Association of Insurance Commissioners ("NAIC") risk based capital formulas, rating agency capital models, Funds at Lloyd's and Solvency Capital Requirement, which can in turn affect our credit and financial strength ratings, cost of capital, regulatory compliance and other aspects of our business and results;
- losses due to nonperformance or defaults by others, including credit risk with counterparties associated with investments, derivatives, premiums receivable, reinsurance recoverables and indemnifications provided by third parties in connection with previous dispositions;
- the potential for losses due to our reinsurers' unwillingness or inability to meet their obligations under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses;
- state and international regulatory limitations on the ability of the Company and certain of its subsidiaries to declare and pay dividends;

- Risks Relating to Estimates, Assumptions and Valuations:
  - risk associated with the use of analytical models in making decisions in key areas such as underwriting, pricing, capital management, reserving, investments, reinsurance and catastrophe risk management;
  - the potential for differing interpretations of the methodologies, estimations and assumptions that underlie the Company’s fair value estimates for its investments and the evaluation of intent-to-sell impairments and allowance for credit losses on available-for-sale securities and mortgage loans;
  - the potential for further impairments of our goodwill;
- Strategic and Operational Risks:
  - the Company’s ability to maintain the availability of its systems and safeguard the security of its data in the event of a disaster, cyber or other information security incident or other unanticipated event;
  - the potential for difficulties arising from outsourcing and similar third-party relationships;
  - the risks, challenges and uncertainties associated with capital management plans, expense reduction initiatives and other actions, which may include acquisitions, divestitures or restructurings;
  - risks associated with acquisitions and divestitures, including the challenges of integrating acquired companies or businesses, which may result in our inability to achieve the anticipated benefits and synergies and may result in unintended consequences;
  - difficulty in attracting and retaining talented and qualified personnel, including key employees, such as executives, managers and employees with strong technological, analytical and other specialized skills;
  - the Company’s ability to protect its intellectual property and defend against claims of infringement;
- Regulatory and Legal Risks:
  - the cost and other potential effects of increased federal, state and international regulatory and legislative developments, including those that could adversely impact the demand for the Company’s products, operating costs and required capital levels;
  - unfavorable judicial or legislative developments;
  - the impact of changes in federal, state or foreign tax laws;
  - regulatory requirements that could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests; and
  - the impact of potential changes in accounting principles and related financial reporting requirements.

Any forward-looking statement made by the Company in this document speaks only as of the date of the filing of this Form 10-K. Factors or events that could cause the Company’s actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 1. BUSINESS

(Dollar amounts in millions, except for per share data, unless otherwise stated)

GENERAL

The Hartford Financial Services Group, Inc. (together with its subsidiaries, “The Hartford”, the “Company”, “we”, or “our”) is a holding company for a group of subsidiaries that provide property and casualty ("P&C") insurance, group benefits insurance and services, and mutual funds and exchange-traded products to individual and business customers in the United States as well as in the United Kingdom, continental Europe and other international locations. The Hartford is headquartered in Connecticut and its oldest subsidiary, Hartford Fire Insurance Company, dates back to 1810. At December 31, 2020, total assets and total stockholders’ equity of The Hartford were $74.1 billion and $18.6 billion, respectively.

ORGANIZATION

The Hartford strives to maintain and enhance its position as a market leader within the financial services industry. The Company sells diverse and innovative products through multiple distribution channels to individuals and businesses and is considered a leading property and casualty and employee group benefits insurer. The Hartford Stag logo is one of the most recognized symbols in the financial services industry.

As a holding company, The Hartford Financial Services Group, Inc. is separate and distinct from its subsidiaries and has no significant business operations of its own. The holding company relies on the dividends from its insurance companies and other subsidiaries as the principal source of cash flow to meet its obligations, pay dividends and repurchase common stock. Information regarding the cash flow and liquidity needs of The Hartford Financial Services Group, Inc. may be found in Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) — Capital Resources and Liquidity.

STRATEGIC PRIORITIES

The Hartford’s strategy focuses on realizing the full potential of our product capabilities and underwriting expertise, becoming an easier company to do business with, and attracting, retaining and developing the talent needed for long-term success. The Company endeavors to expand its insurance product offerings and distribution and capitalize on the strength of the Company's brand. The Company is also working to increase efficiencies through investments in technology.

In 2020, we were focused on increasing shareholder value through a number of initiatives and investments:

- Integrating the acquisition of The Navigators Group, Inc. (“Navigators Group”) successfully, and maximizing our combined potential by deepening our distribution relationships, capitalizing on a broader product portfolio and meeting a wider array of customer needs.
- Increasing the speed and ease of our interactions and business processes through data, digital technology and voice of customer, including expanded use of robotics and continued enhancements to underwriting and quoting platforms.
- Continuing investment in new products and business models such as Spectrum, our next-generation package offering for small businesses, which offers customers tailored coverage recommendations as well as the ability to customize their own coverage, including real-time quote pricing. We are investing to maintain market leadership in small commercial as existing competitors and new entrants increase their focus on this business. Through a planned roll out of new automobile and homeowners insurance products for AARP members, we are investing in our Personal Lines segment to return that business to top line growth.
- Improving the employee experience by investing in our workforce and striving to attract, retain and develop the best talent in the industry, enhance our industry-leading position in diversity and inclusion, and sustain our ethical culture. We see the benefits of this commitment in our sustained top-decile employee engagement scores.
- Becoming more cost efficient and competitive along with enhancing the experience we provide to agents and customers through an operational transformation and cost reduction plan we commenced in July 2020 called Hartford Next. Relative to 2019, we expect to achieve a reduction in

annual insurance operating costs and other expenses of approximately $500 by 2022, reducing the P&C expense ratio by 2.0 to 2.5 points, the Group Benefits expense ratio by 1.5 to 2.0 points and the claims expense ratio by approximately 0.5 points.

2020 Financial Results

Our 2020 financial results were affected by COVID-19 claims and the economic effects of the pandemic that reduced insured exposures in both P&C and Group Benefits, including $278 of direct COVID-19 claims in P&C and $230 of COVID impacts in Group Benefits, principally driven by $239 of excess mortality in the group life business. Apart from these impacts, financial results benefited from favorable non-COVID automobile claim frequency in Personal Lines, a reduction in prior accident year catastrophe reserves, and lower operating expenses. Full year 2020 net income available to common stockholders was $1.7 billion, or $4.76 per diluted share, and net income return on equity ("ROE") was 10%. Book value per diluted share rose 15%, to $50.39, primarily due to net income in excess of common stockholder dividends during 2020 and an increase in common stockholders' equity resulting from the impact of lower interest rates on net unrealized investment gains within AOCI. Total revenues were $20.5 billion, down 1% since 2019 as growth in Commercial Lines, primarily driven by a full year's earned premium from the Navigators Group acquisition, was more than offset by a change from net realized capital gains in 2019 to net realized capital losses in 2020 as well as the effects of the pandemic, decreasing net investment income and decreasing new business and insured exposures across segments.

We are more than half way through the integration of the Navigators Group business and have significantly improved the profitability of the acquired book of business, through pricing increases and underwriting actions. The cross-sale of business between global specialty and middle & large commercial has been in-line with or better than the expectations we had at the time we acquired Navigators Group. In addition, with the pending sale of the continental Europe operations, the go-forward focus of our international business is principally in the Lloyd's of London ("Lloyd's") market and we expect to continue to improve performance of our Lloyd's syndicate through pricing and other actions.

Our Group Benefits business has continued to benefit from favorable incidence trends in group disability and, as we emerge from the pandemic, remains well-poised to compete moving forward with a complete set of voluntary product offerings.

We will also continue to address business challenges, including the need to return our Personal Lines segment to top line growth and the continued rate pressure on workers' compensation in response to continued favorable loss cost trends. In addition, the decline in reinvestment rates will continue to put pressure on investment yields and it remains to be seen whether the market will compensate with higher rate increases to increase underwriting profitability or will accept lower overall returns on equity.

2021 Priorities

As we enter 2021, our strategy remains consistent and we are focused on the following priorities:

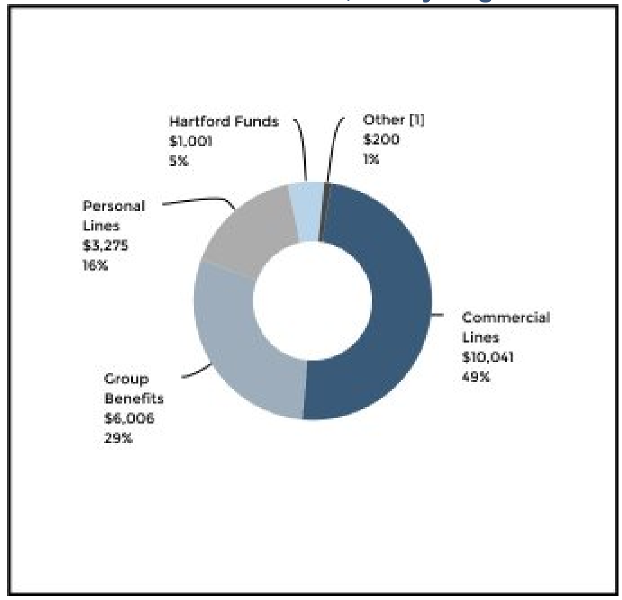
- **Commercial Lines**
  - Benefiting from a firm pricing environment in most property and liability lines while navigating continued pricing pressure in workers' compensation by staying disciplined in our underwriting;
  - Leveraging advanced analytics and technologies as well as our product breadth, including expanding cross-sale of global specialty products within small commercial and middle & large commercial;
  - Continuing our journey to be a top-tier risk player in middle market;
  - Navigating the impacts of broker consolidation and other trends in distribution; and
  - Maintaining strong retention and improving new business in small commercial.
- **Personal Lines**
  - Continuing to transform our products and regain competitive momentum through the rollout of our new automobile and homeowners products expected to begin in the first half of 2021; and
  - Continuing to drive new business growth in AARP Direct through direct marketing initiatives designed to increase conversion rates.
- **Group Benefits**
  - Continuing to grow revenues through strong sales and persistency which we expect will offset reduced premiums from lower employment due to the effects of COVID-19; and
  - Completing implementation of our disability and leave management claims platform, The Hartford Ability Advantage, to enhance the overall customer experience and accommodate the Company's leave management programs, including new state paid family and medical leave requirements.
- **Capital Management**
  - Continuing to increase book value per share from net income in excess of shareholder dividends with strong profitability from all business lines;
  - Returning capital to shareholders through share repurchases and dividends if not deployed for growth or investment opportunities. See Part II, Item 7, MD&A — Capital Resources and Liquidity section for discussion of share repurchase authorization for 2021 and 2022 announced in December 2020; and
  - Continuing to ensure adequate capital to withstand adverse economic conditions, including the economic stress related to the COVID-19 pandemic.

Finally, beyond the achievement of business performance goals, The Hartford has long understood that making a sustainable and positive impact on society is an essential element of our ongoing success. Through financial contributions, volunteering and support for our company's environmental initiatives, we are committed to demonstrating our character to customers and neighbors. We have proactive positions on social, environmental and governance issues important to our sustainability, and our capacity to deliver long-term shareholder value. For more information on the Company's sustainability initiatives, refer to our 2019 Sustainability Highlight Report available on the investor relations section of the Company's website at https://ir.thehartford.com. For more information on retaining and attracting talent through our diversity and inclusion initiatives, refer to the Human Capital Resources section of Part 1, Item 1.

REPORTING SEGMENTS

The Hartford conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Hartford Funds, as well as a Corporate category. The Company includes in the Corporate category discontinued operations related to the life and annuity business sold in May 2018, reserves for run-off structured settlement and terminal funding agreement liabilities, restructuring costs, capital raising activities (including equity financing, debt financing and related interest expense), transaction expenses incurred in connection with an acquisition, purchase accounting adjustments related to goodwill and other expenses not allocated to the reporting segments. Corporate also includes investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution Life, Inc. and its subsidiaries ("Talcott Resolution"). Talcott Resolution is the holding company of the life and annuity business that we sold in May 2018. In addition, Corporate includes a 9.7% ownership interest in the legal entity that acquired the life and annuity business sold.

2020 Revenues of $20,523 by Segment

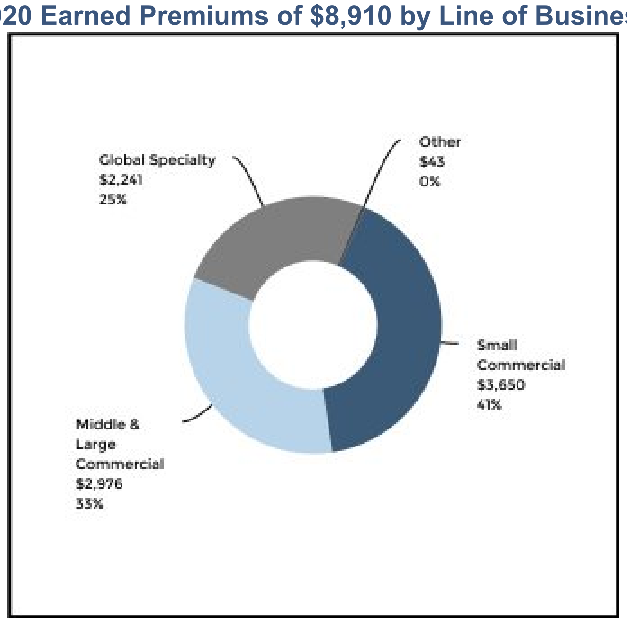


[1]Includes Revenue of $54 for Property & Casualty Other Operations and $146 for Corporate.

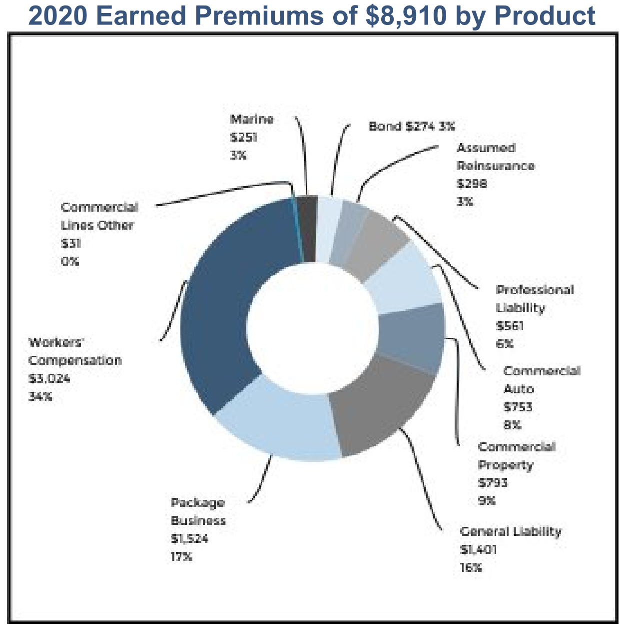
The following discussion describes the principal products and services, marketing and distribution, and competition of The Hartford's reporting segments. For further discussion of the reporting segments, including financial disclosures of revenues by product line, net income (loss), and assets for each reporting segment, see Note 4 - Segment Information of Notes to Consolidated Financial Statements.

COMMERCIAL LINES

2020 Earned Premiums of $8,910 by Line of Business



2020 Earned Premiums of $8,910 by Product



Principal Products and Services

Automobile	Covers damage to a business's fleet of vehicles due to collision or other perils (automobile physical damage). In addition to first party automobile physical damage, commercial automobile covers liability for bodily injuries and property damage suffered by third parties and losses caused by uninsured or under-insured motorists.
Property	Covers the building a business owns or leases as well as its personal property, including tools and equipment, inventory, and furniture. A commercial property insurance policy covers losses resulting from fire, wind, hail, earthquake, theft and other covered perils, including coverage for assets such as accounts receivable and valuable papers and records. Commercial property may include specialized equipment insurance, which provides coverage for loss or damage resulting from the mechanical breakdown of boilers and machinery.
General Liability	Covers a business in the event it is sued for causing harm to a person and/or damage to property. General liability insurance covers third-party claims arising from accidents occurring on the insured's premises or arising out of their operations. General liability insurance may also cover losses arising from product liability and provides replacement of lost income due to an event that interrupts business operations.
Marine	Encompasses various ocean and inland marine coverages including cargo, craft, hull, specie, transport and liability, among others.
Package Business	Covers both property and general liability damages.
Workers' Compensation	Covers employers for losses incurred due to employees sustaining an injury, illness or disability in connection with their work. Benefits paid under workers' compensation policies may include reimbursement of medical care costs, replacement income, compensation for permanent injuries and benefits to survivors. Workers' compensation is provided under both guaranteed cost policies (coverage for a fixed premium) and loss sensitive policies where premiums are adjustable based on the loss experience of the employer.
Professional Liability	Covers liability arising from directors and officers acting in their official capacity and liability for errors and omissions committed by professionals and others. Coverage may also provide employment practices insurance relating to allegations of wrongful termination and discrimination.
Bond	Encompasses fidelity and surety insurance, including commercial surety, contract surety and fidelity bonds. Commercial surety includes bonds that insure non-performance by contractors, license and permit bonds to help meet government-mandated requirements and probate and judicial bonds for fiduciaries and civil court proceedings. Contract surety bonds may include payment and performance bonds for contractors. Fidelity bonds may include ERISA bonds related to the handling of retirement plan assets and bonds protecting against employee theft or fraud. The Company also provides credit and political risk insurance offered to clients with global operations.
Assumed Reinsurance	Includes assumed reinsurance of property, liability, surety, credit and political, agriculture, and marine risks throughout the world but principally in Europe and North America.

Through its three lines of business of small commercial, middle & large commercial, and global specialty, Commercial Lines offers its products and services to businesses in the United States ("U.S.") and internationally. Commercial Lines generally consists of products written for small businesses and middle market companies as well as national and multi-national accounts, largely distributed through retail agents and brokers, wholesale agents and global and specialty reinsurance brokers. The majority of Commercial Lines written premium is generated by small commercial and middle market, which provide coverage options and customized pricing based on the policyholder's individual risk characteristics. Small commercial and middle market lines within middle & large commercial are generally referred to as standard commercial lines.

Small commercial provides coverages for small businesses, which the Company generally considers to be businesses with an annual payroll under $12, revenues under $25 and property values less than $20 per location. Within small commercial, both property and general liability coverages are offered under a single package policy, marketed under the Spectrum name. Small commercial also provides excess and surplus lines coverage to small businesses including umbrella, general liability, property and other coverages.

Middle & large commercial business provides insurance coverages to medium-sized and national accounts businesses, which are companies whose payroll, revenue and property values exceed the small business definition. In addition to offering standard commercial lines products, middle & large commercial includes program business which provides tailored programs, primarily to customers with common risk characteristics. On national accounts, a significant portion of the business is written through large deductible programs. Other programs written within middle & large commercial are retrospectively-rated where the premiums are adjustable based on loss experience. Also within middle & large commercial, the Company writes captive programs business, which provides tailored programs to those seeking a loss sensitive solution where premiums are adjustable based on loss experience.

Global specialty provides a variety of customized insurance products, including property, liability, marine, professional liability, and bond. On May 23, 2019, the Company acquired Navigators Group, a global specialty insurer. The vast majority of the business written by our Navigators Group insurance subsidiaries is reported in the global specialty business unit. Revenues and earnings of the Navigators Group business are included in operating results of the Company's Commercial Lines segment since the acquisition date. For discussion of this transaction, see Note 2- Business Acquisitions of Notes to Consolidated Financial Statements.

Marketing and Distribution

Commercial Lines provides insurance products and services through the Company's regional offices, branches and sales and policyholder service centers throughout the United States and overseas, principally in Europe. The products are marketed and distributed using independent retail agents and brokers, wholesale agents and global and specialty reinsurance brokers. As the sole corporate member of Lloyd's Syndicate 1221 ("Lloyd's Syndicate"), the Company has the exclusive right to underwrite business up to an approved level of premium in the Lloyd's market.

In the United States, the independent agent and broker distribution channel is consolidating and this trend is expected to continue. This will likely result in a larger proportion of written premium being concentrated among fewer agents and brokers. In addition, the Company offers insurance products to customers of payroll service providers through its relationships with major national payroll companies in the United States and to members of affinity organizations.

Competition

Small Commercial

In small commercial, The Hartford competes against large national carriers, regional carriers and direct writers. Competitors include stock companies, mutual companies and other underwriting organizations. The small commercial market remains highly competitive and fragmented as carriers seek to differentiate themselves through product expansion, price, enhanced service and leading technology. Larger carriers such as The Hartford continually advance their pricing sophistication and ease of doing business with agents and customers through the use of technology, analytics and other capabilities that improve the process of evaluating a risk, quoting new business and servicing customers. The Company also continuously enhances digital capabilities as customers and distributors demand more access and convenience, and expands product and underwriting capabilities to accommodate both larger accounts and a broader risk appetite. Existing competitors and new entrants, including start-up and non-traditional carriers, are actively looking to expand sales of business insurance products to small businesses through increasing their underwriting appetite, deepening their relationships with distribution partners, and through on-line and direct-to-consumer marketing.

Middle & Large Commercial

Middle & large commercial business is considered “high touch” and involves individual underwriting and pricing decisions. Competition in this market includes stock companies, mutual companies, alternative risk sharing groups and other underwriting organizations. The pricing of middle market and national accounts is prone to significant volatility over time due to changes in individual account characteristics and exposure, as well as legislative and macro-economic forces. National and regional carriers participate in the middle & large commercial insurance sector, resulting in a competitive environment where pricing and policy terms are critical to securing new business and retaining existing accounts. Within this competitive environment, The Hartford is working to deepen its product and underwriting capabilities, leverage its sales and underwriting talent and expand its use of data analytics to make risk selection and pricing decisions. In product development and related areas such as claims and risk engineering, the Company has extended its capabilities in industry verticals, such as energy, construction, technology and life sciences. Through business partners, the Company offers business insurance coverages to exporters and other U.S. companies with a physical presence overseas. The Hartford’s middle & large commercial business will leverage the investments in product, underwriting, and technology to better match price to individual risk as the firm pursues responsible growth strategies to deliver target returns.

For specialty casualty businesses within middle & large commercial, pricing competition continues to be significant, particularly for the larger individual accounts. As a means to mitigate the cost of insurance on larger accounts, more insureds may opt for loss-sensitive products, including retrospectively rated contracts, in lieu of guaranteed cost policies. Under a retrospectively-rated contract, the ultimate premium collected from the insured is adjusted based on how incurred losses for the policy year develop over time, subject to a minimum and maximum premium.

Global Specialty

Global specialty competes against multi-national insurance and reinsurance companies, writing marine, property, excess casualty, professional liability, bond and assumed reinsurance. Global specialty also includes property coverages written through Maxum Specialty Insurance Group ("Maxum"). Due to adverse loss experience over the past couple of years, particularly in ocean marine, property, excess casualty and international professional liability lines, pricing has increased across the industry in response to those loss cost trends. Nonetheless, the market continues to be highly competitive.

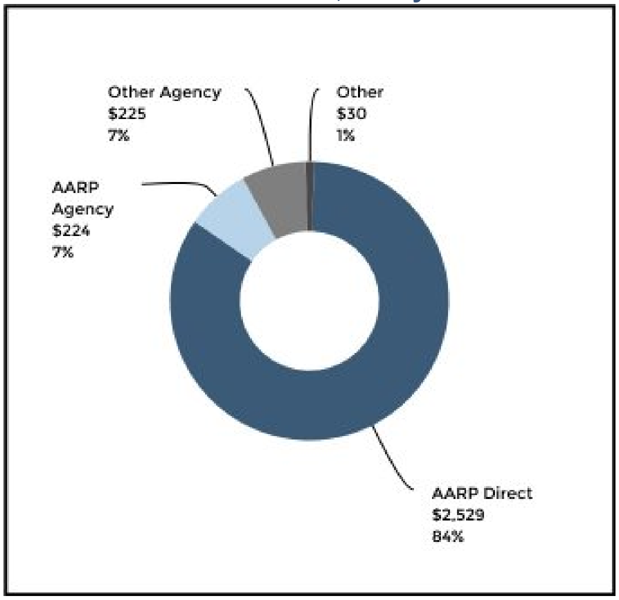
In the bond business, favorable underwriting results in recent years has led to increased competition for market share.

Management and professional lines in both the U.S. and international continue to witness significant firming in price, terms and conditions. Private company market rates remain strong in reflecting the increased employment practices liability insurance ("EPLI") exposure.

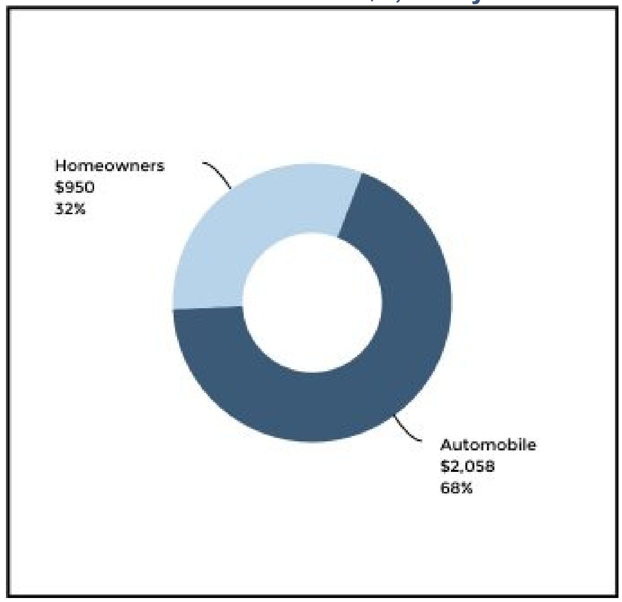
Lloyd's Syndicate and London market business have been under financial stress in recent years due to a perceived lack of adequate premium pricing and an excessive focus on growth at the expense of underwriting discipline in those markets, combined with a significant increase in the level of catastrophe activity. As such, syndicates and London market carriers, including The Hartford, are taking pricing and underwriting actions to improve profitability. Lloyd's, which is regulated by the Financial Conduct Authority and Prudential Regulatory Authority in the U.K., has been implementing changes to improve performance of the syndicates including a more rigorous approach to the approval of syndicate business plans. Additionally Lloyd’s have also introduced recent changes which require that members limit the amount of tier 2 capital (e.g. letters of credit) that can be used to meet syndicate solvency capital requirements. For further discussion, see Part II, Item 7, MD&A - Capital Resources and Liquidity.

PERSONAL LINES

2020 Earned Premiums of $3,008 by Line of Business



2020 Earned Premiums of $3,008 by Product



Principal Products and Services

Automobile	Covers damage to an individual insured’s own vehicle due to collision or other perils and is referred to as automobile physical damage. In addition to first party automobile physical damage, automobile insurance covers liability for bodily injuries and property damage suffered by third parties and losses caused by uninsured or underinsured motorists. Also, under no-fault laws, policies written in some states provide first party personal injury protection. Some of the Company’s personal automobile insurance policies also offer personal umbrella liability coverage for an additional premium.
Homeowners	Insures against losses to residences and contents from fire, wind and other perils. Homeowners insurance includes owned dwellings, rental properties and coverage for tenants. The policies may provide other coverages, including loss related to recreation vehicles or watercraft, identity theft and personal items such as jewelry.

Personal Lines provides automobile, homeowners and personal umbrella coverages to individuals across the United States, mostly through a program designed exclusively for members of AARP (“AARP Program”). The Hartford's automobile and homeowners products provide coverage options and pricing tailored to a customer's individual risk. The Hartford has individual customer relationships with AARP Program policyholders and, as a group, they represent a significant portion of the total Personal Lines' business. Business sold to AARP members, either direct or through independent agents, amounted to earned premiums of $2.8 billion, $2.9 billion and $3.0 billion in 2020, 2019 and 2018, respectively.

The Company is in the process of transforming its automobile and homeowners products to regain competitive advantage with the state-by-state rollout of a new automobile product beginning in March of 2021 and the rollout of a new homeowners product beginning in the second quarter of 2021. Among other things, overall rate levels, price segmentation, rating factors and underwriting procedures are being updated. Personal Lines works with carrier partners to provide risk protection options for AARP members with needs beyond the company’s current product offering.

Marketing and Distribution

Personal Lines reaches diverse customers through multiple distribution channels, including direct-to-consumer and independent agents. In direct-to-consumer, Personal Lines markets its products through a mix of media, including direct mail, digital marketing, television as well as digital and print advertising. Through the agency channel, Personal Lines provides products and services to customers through a network of independent agents in the standard personal lines market, primarily serving mature, preferred consumers. These independent agents are not employees of the Company.

Personal Lines has made significant investments in offering direct and agency-based customers the opportunity to interact with the company online, including via mobile devices. In addition, its technology platform for telephone sales centers enables sales representatives to provide an enhanced experience for direct-to-consumer customers, positioning the Company to offer unique capabilities to AARP's member base.

Most of Personal Lines' sales are associated with its exclusive licensing arrangement with AARP, with the current agreement in place through December 31, 2032, to market automobile, homeowners and personal umbrella coverages to AARP's approximately 37 million members, primarily direct but also through independent agents. This relationship with AARP, which has been in place since 1984, provides Personal Lines with an important competitive advantage given the increase in the population of those over age 50 and the strength of the AARP brand. In most states, new business automobile and home policies have been issued to AARP members with a lifetime continuation agreement endorsement, providing that the policies will be renewed as long as certain terms are met, such as timely payment of premium and maintaining a driver's license in good standing. Beginning in 2021, Personal Lines will no longer offer the lifetime continuation agreement on new business home and automobile policies, subject to regulatory approval on a state-by-state basis. The endorsement will remain on renewal policies, provided they were originally written with the lifetime continuation agreement.

In addition to selling to AARP members, Personal Lines offers its automobile and homeowners products to non-AARP customers, primarily through the independent agent channel within select underwriting markets where we believe we have a competitive advantage. Personal Lines leverages its agency channel to target AARP members and other customer segments that value the advice of an independent agent and recognize the differentiated experience the Company provides. In particular, the Company has taken action to distinguish its brand and improve profitability in the independent agent channel with fewer and more highly partnered agents.

Competition

The personal lines automobile and homeowners insurance markets are highly competitive. Personal lines insurance is written by insurance companies of varying sizes that compete principally on the basis of price, product, service, including claims handling, the insurer's ratings and brand recognition. Companies with strong ratings, recognized brands, direct sales capability and economies of scale will have a competitive advantage. In recent years, insurers have increased their advertising in the direct-to-consumer market, in an effort to gain new business and retain profitable business. The growth of direct-to-consumer sales, including through new entrants to the marketplace, continues to outpace sales in the agency distribution channel.

Insurers that distribute products principally through agency channels compete by offering commissions and additional incentives to attract new business. To distinguish themselves in the marketplace, top tier insurers are offering on-line and self-service capabilities that make it easier for agents and consumers to do business with the insurer. A large majority of agents have been using "comparative rater" tools that allow the agent to compare premium quotes among several insurance companies. The use of comparative rater tools increases price competition. Insurers that are able to capitalize on their brand and reputation, differentiate their products and deliver strong customer service are more likely to be successful in this market.

The use of data mining and predictive modeling is used by more and more carriers to target the most profitable business, and carriers have further segmented their pricing plans to expand market share in what they believe to be the most profitable segments. The Company continues to invest in capabilities to better utilize data and analytics, and thereby, refine and manage underwriting and pricing.

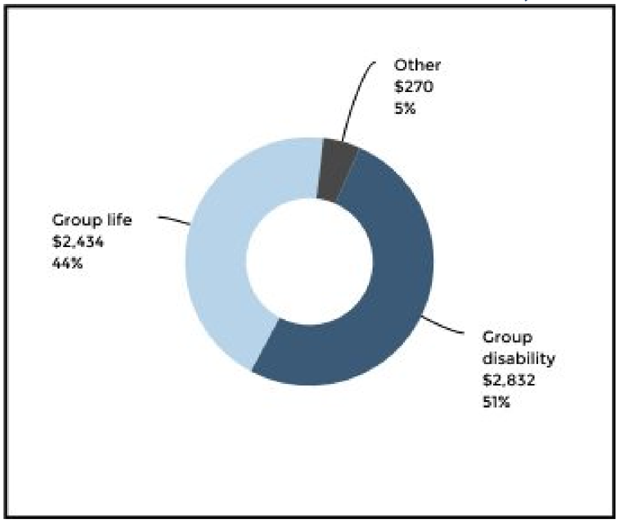
Also, new automobile technology advancements, including lane departure warnings, backup cameras, automatic braking and active collision alerts, are being deployed rapidly and are expected to improve driver safety and reduce the likelihood of vehicle collisions. However, these features include expensive parts, potentially increasing average claim severity.

PROPERTY & CASUALTY OTHER OPERATIONS

Property & Casualty Other Operations includes certain property and casualty operations, managed by the Company, that have discontinued writing new business and includes substantially all of the Company's pre-1986 asbestos and environmental ("A&E") exposures. For a discussion of coverages provided under policies written with exposure to A&E prior to 1986, reported within the P&C Other Operations segment ("Run-off A&E"), run-off assumed reinsurance and all other non-A&E exposures, see Part II, Item 7, MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves.

GROUP BENEFITS

2020 Premiums and Fee Income of $5,536



Principal Products and Services

Group Life	Typically is term life insurance provided in the form of yearly renewable term life insurance. Other life coverages in this category include accidental death and dismemberment and travel accident insurance.
Group Disability	Typically comprised of short-term disability, long-term disability, and family leave coverage that pays a percentage of an employee’s salary for a period of time if they are ill or injured and cannot perform the duties of their job or absent from work to care for a family member. Short-term and long-term disability policies have elimination periods that must be satisfied prior to benefit payments. The Company also earns fee income from leave management services and the administration of underwriting, enrollment and claims processing for employer self-funded plans.
Other Products	Includes other group coverages such as retiree health insurance, critical illness, accident, hospital indemnity and participant accident coverages.

Group insurance typically covers an entire group of people under a single contract, most typically the employees of a single employer or members of an association.

Group Benefits provides group life, disability and other group coverages to members of employer groups, associations and affinity groups through direct insurance policies and provides reinsurance to other insurance companies. In addition to employer paid coverages, the segment offers voluntary product coverages which are offered through employee payroll deductions. Group Benefits also offers disability underwriting, administration, and claims processing to self-funded employer plans. In addition, the segment offers a single-company leave management solution, which integrates work absence data from the insurer’s short-term and long-term group disability and workers’ compensation insurance business with its leave management administration services.

Group Benefits generally offers term insurance policies, allowing for the adjustment of rates or policy terms at renewal in order to minimize the adverse effect of market trends, loss costs, declining interest rates and other factors. Policies are typically sold with one, two or three-year rate guarantees depending upon the product and market segment.

Marketing and Distribution

The Group Benefits distribution network is managed through a regional sales office system to distribute its group insurance products and services through a variety of distribution outlets including brokers, consultants, third-party administrators and trade associations. Additionally, the segment has relationships with several private exchanges which offer its products to employer groups.

Competition

Group Benefits competes with numerous insurance companies and financial intermediaries marketing insurance products. In order to differentiate itself, Group Benefits uses its risk management expertise and economies of scale to derive a competitive advantage. Competitive factors include the extent of products offered, price, the quality of customer and claims handling services, and the Company's relationship with third-party distributors and private exchanges. Active price competition continues in the marketplace, resulting in multi-year rate guarantees being offered to customers. Top tier insurers in the marketplace also offer on-line and self-service capabilities to third party distributors and consumers. The relatively large size and underwriting capacity of the Group Benefits business provides a competitive advantage over smaller competitors.

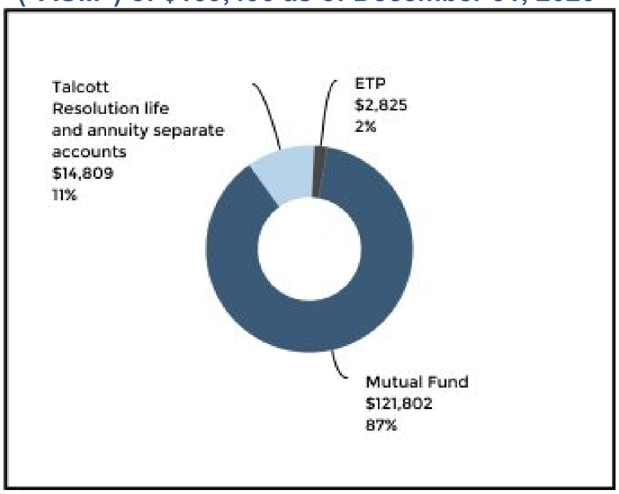
Group Benefits' acquisition of Aetna's U.S. group life and disability business further increased its market presence and competitive capabilities through the addition of industry-leading digital technology and an integrated absence management and claims platform.

Additionally, as employers continue to focus on reducing the cost of employee benefits, we expect more companies to offer voluntary products paid for by employees. Competitive factors affecting the sale of voluntary products include the breadth of products, product education, enrollment capabilities and overall customer service.

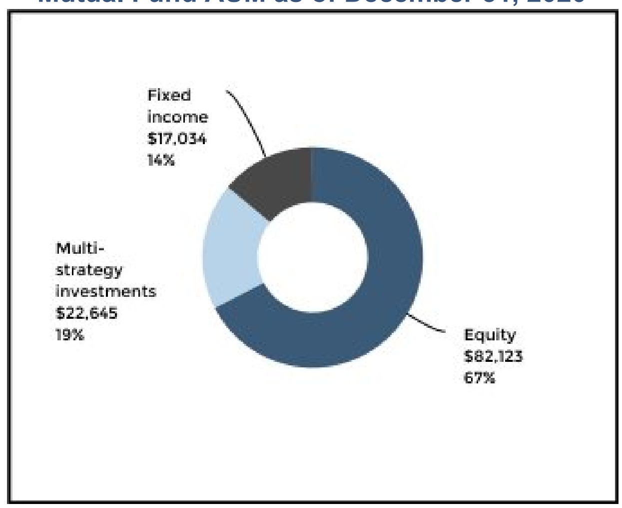
In addition to providing group disability, leave management and life insurance, we offer integrated claim, leave and benefits administration with The Hartford's Ability Advantage platform. We also offer voluntary products including critical illness, accident and hospital indemnity coverage to employees through our Employee Choice Benefits programs, and travel accident coverage for employers and other organizations. The Company's enhanced enrollment and marketing tools, such as My Tomorrow©, are providing additional opportunities to educate individual participants about supplementary benefits and deepen their knowledge about product selection.

HARTFORD FUNDS

Hartford Funds Segment Assets Under Management ("AUM") of $139,436 as of December 31, 2020



Mutual Fund AUM as of December 31, 2020



Principal Products and Services

Mutual Funds	Includes approximately 70 actively managed mutual funds across a variety of asset classes including domestic and international equity, fixed income, and multi-strategy investments, principally subadvised by two unaffiliated institutional asset management firms that have comprehensive global investment capabilities.
ETP	Includes a suite of exchange-traded products ("ETP") traded on the New York Stock Exchange that is comprised of multi-factor and actively managed fixed income exchange-traded funds ("ETF"). Multi-factor ETF's are designed to track indices using both active and passive investment techniques that strive to improve performance relative to traditional capitalization weighted indices.
Talcott Resolution life and annuity separate accounts	Relates to assets of the life and annuity business sold in May 2018 that are still managed by the Company's Hartford Funds segment.

The Hartford Funds segment provides investment management, administration, product distribution and related services to investors through a diverse set of investment products in domestic and international markets. Hartford Funds' comprehensive range of products and services assist clients in achieving their desired investment objectives. AUM are separated into three distinct categories referred to as mutual funds, ETP and Talcott Resolution life and annuity separate accounts, which relate to the life and annuity business sold in May 2018. The Hartford Funds segment will continue to manage the mutual fund assets of Talcott Resolution, though these assets are expected to continue to decline over time.

Marketing and Distribution

Our funds and ETPs are sold through national and regional broker-dealer organizations, independent financial advisers, defined contribution plans, financial consultants, bank trust groups and registered investment advisers. Our distribution team is organized to sell primarily in the United States. The investment products for Talcott Resolution are not actively distributed.

Competition

The investment management industry is mature and highly competitive. Firms are differentiated by investment performance, range of products offered, brand recognition, financial strength, proprietary distribution channels, quality of service and level of fees charged relative to quality of investment products. The Hartford Funds segment competes with a large number of asset management firms and other financial institutions and differentiates itself through superior fund performance, product breadth, strong distribution and competitive fees. In recent years demand for lower cost passive investment strategies has outpaced demand for actively managed strategies and has taken market share from active managers.

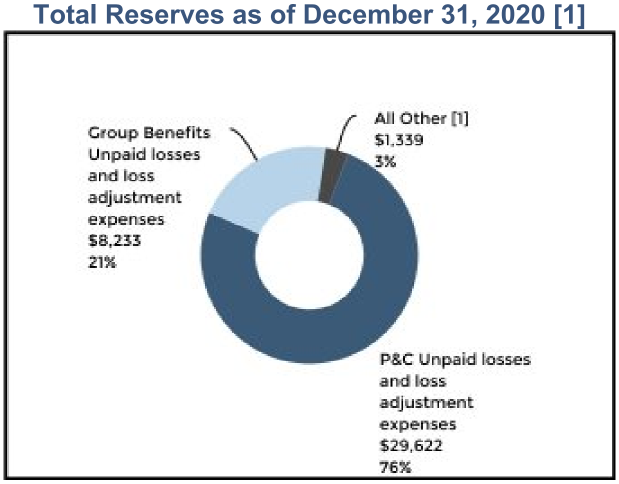
CORPORATE

The Company includes in the Corporate category investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution, reserves for run-off structured settlement and terminal funding agreement liabilities, restructuring costs, capital raising activities (including equity financing, debt financing and related interest expense), transaction expenses incurred in connection with an acquisition, purchase accounting adjustments related to goodwill and other expenses not allocated to the reporting segments.

Additionally, included in the Corporate category are discontinued operations from the Company's life and annuity business sold in May 2018 and a 9.7% ownership interest in the legal entity that acquired this business. The operating results of the life and annuity business are included in discontinued operations for all periods prior to the closing date.

RESERVES

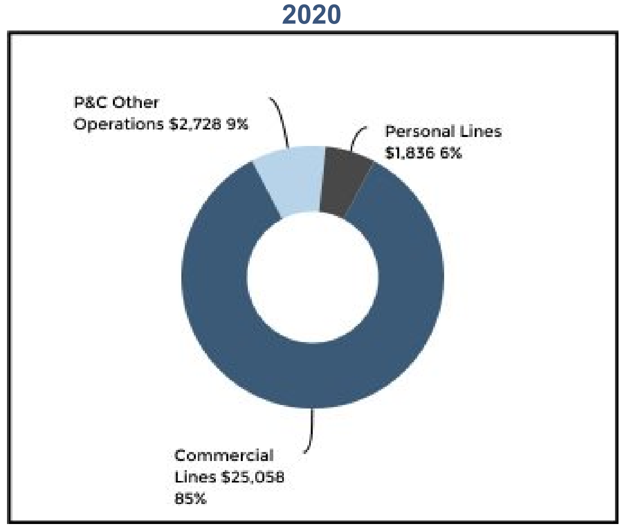
Total Reserves as of December 31, 2020 [1]



[1]Includes reserves for future policy benefits and other policyholder funds and benefits payable of $638 and $701, respectively, of which $420 and $415, respectively, relate to the Group Benefits segment with the remainder related to run-off structured settlement and terminal funding agreements within Corporate.

The reserve for unpaid losses and loss adjustment expenses includes a liability for unpaid losses, including those that have been incurred but not yet reported, as well as estimates of all expenses associated with processing and settling these insurance claims, including reserves related to both Property & Casualty and Group Benefits.

Total Property & Casualty Reserves as of December 31, 2020



Further discussion of The Hartford’s property and casualty insurance product reserves, including run-off asbestos and environmental claims reserves within P&C Other Operations, may be found in Part II, Item 7, MD&A — Critical Accounting Estimates — Property and Casualty Insurance Product Reserves. Additional discussion may be found in Notes to Consolidated Financial Statements, including in the Company’s accounting policies for insurance product reserves within Note 1 - Basis of Presentation and Significant Accounting Policies and in Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

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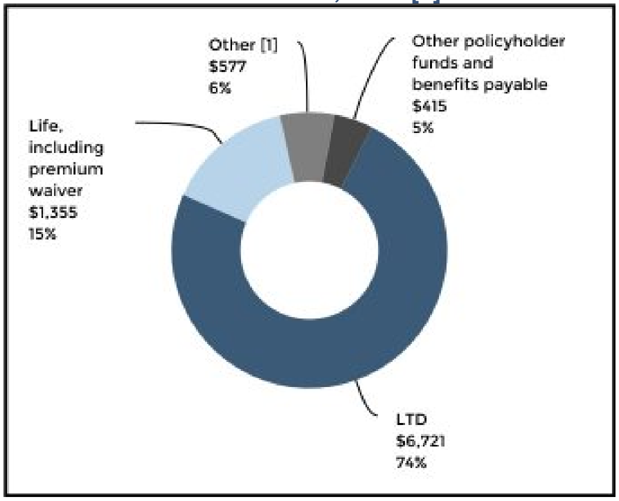
Total Group Benefits Reserves for Future Policy Benefits and Other Policyholder Funds and Benefits Payable as of December 31, 2020 [1]



[1]Includes short duration contract reserves of $121 of short-term disability and $36 of supplemental health as well as reserves for future policy benefits that includes $307 of paid up life reserves and policy reserves on life policies, $99 of reserves for conversions to individual life and $14 of other reserves.

Other policyholder funds and benefits payable represent deposits from policyholders where the company does not have insurance risk but is subject to investment risk. Reserves for future policy benefits represent life-contingent reserves for which the company is subject to insurance and investment risk.

Discussion of The Hartford's Group Benefits long-term disability reserves may be found in Part II, Item 7, MD&A — Critical Accounting Estimates — Group Benefits Long-term Disability ("LTD") Reserves, Net of Reinsurance. Additional discussion may be found in Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

UNDERWRITING FOR P&C AND GROUP BENEFITS

The Company underwrites the risks it insures in order to manage exposure to loss through favorable risk selection and diversification. Risk modeling is used to manage, within specified limits, the aggregate exposure taken in each line of business and across the Company. For property and casualty business, aggregate exposure limits are set by geographic zone and peril. Products are priced according to the risk characteristics of the insured's exposures. Rates charged for Personal Lines products are filed with the states in which we write business. Rates for Commercial Lines products are also filed with the states but the premium charged may be modified based on the insured's relative risk profile and workers' compensation policies may be subject to modification based on prior loss experience. Pricing for Group Benefits products, including long-term disability and life insurance, is also based on an underwriting of the risks and a projection of estimated losses, including consideration of investment income.

Pricing adequacy depends on a number of factors, including the ability to obtain regulatory approval for rate changes, proper evaluation of underwriting risks, the ability to project future loss cost frequency and severity based on historical loss experience adjusted for known trends, the Company's response to rate actions taken by competitors, its expense levels and expectations about regulatory and legal developments. The Company seeks to price its insurance policies such that insurance premiums and future net investment income earned on premiums received will cover underwriting expenses and the ultimate cost of paying claims reported on the policies and provide for a profit margin. For many of its insurance products, the Company is required to obtain approval for its premium rates from state insurance departments and the Lloyd's Syndicate's ability to write business is subject to Lloyd's approval for its premium capacity each year.

Geographic Distribution of Earned Premium (% of total)

Location	Commercial Lines	Personal Lines	Group Benefits	Total
California	7 %	2 %	3 %	12 %
New York	6 %	1 %	2 %	9 %
Texas	4 %	1 %	2 %	7 %
Florida	3 %	1 %	1 %	5 %
All other [1]	32 %	12 %	23 %	67 %
Total	**52 %**	**17 %**	**31 %**	**100 %**

[1] No other single state or country accounted for 5% or more of the Company's consolidated earned premium in 2020.

CLAIMS ADMINISTRATION FOR P&C AND GROUP BENEFITS

Claims administration includes the functions associated with the receipt of initial loss notices, claims adjudication and estimates, legal representation for insureds where appropriate, establishment of case reserves, payment of losses and notification to reinsurers. These activities are performed by approximately 6,600 claim professionals handling 50 states, Washington D.C and 2 international locations, organized to meet the specific claim service needs for our various product offerings. Our combined workers' compensation and Group Benefits units enable us to leverage synergies for improved outcomes.

Claim payments for benefit, loss and loss adjustment expenses are the largest expenditure for the Company.

REINSURANCE

For discussion of reinsurance, see Part II, Item 7, MD&A — Enterprise Risk Management and Note 9 - Reinsurance of Notes to Consolidated Financial Statements.

INVESTMENT OPERATIONS

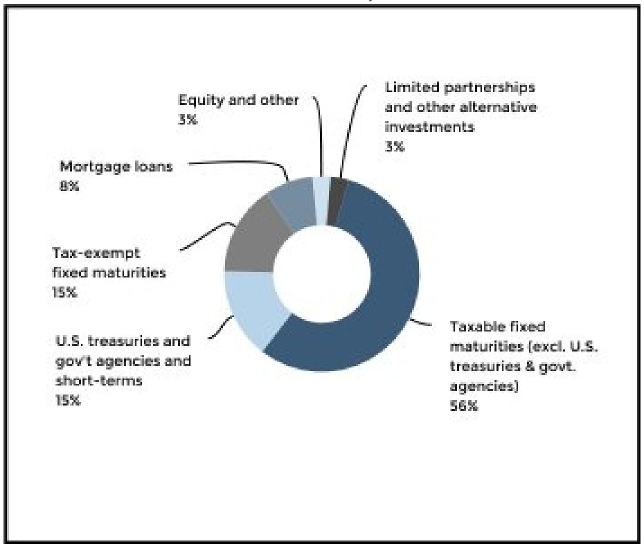
Hartford Investment Management Company ("HIMCO") is an SEC registered investment advisor and manages the Company's investment operations. HIMCO provides customized investment strategies for The Hartford's investment portfolio, as well as for The Hartford's pension plan and institutional clients. In connection with the life and annuity business sold in May 2018, HIMCO entered into an agreement for an initial five year term to manage the invested assets of Talcott Resolution.

As of December 31, 2020 and 2019, the fair value of HIMCO's total assets under management was approximately $106.1 billion and $98.0 billion, respectively, including $45.9 billion and $42.4 billion, respectively, that were held in HIMCO managed third party accounts and $4.6 billion and $4.1 billion, respectively, that support the Company's pension and other post-retirement benefit plans.

Management of The Hartford's Investment Portfolio

HIMCO manages the Company's investment portfolios to maximize economic value and generate the returns necessary to support The Hartford's various product obligations, within internally established objectives, guidelines and risk tolerances. The portfolio objectives and guidelines are developed based upon the asset/liability profile, including duration, convexity and other characteristics within specified risk tolerances. The risk tolerances considered include, but are not limited to, asset sector, credit issuer allocation limits, and maximum portfolio limits for below investment grade holdings. The Company attempts to minimize adverse impacts to the portfolio and the Company's results of operations from changes in economic conditions through asset diversification, asset allocation limits, asset/liability duration matching and the use of derivatives. For further discussion of HIMCO's portfolio management approach, see Part II, Item 7, MD&A — Enterprise Risk Management.

The Hartford's Investment Portfolio of $56.5 billion as of December 31, 2020



ENTERPRISE RISK MANAGEMENT

The Company has insurance, operational and financial risks. For discussion on how The Hartford manages these risks, see Part II, Item 7, MD&A - Enterprise Risk Management.

REGULATION

State and Foreign Insurance Laws

State insurance laws are intended to supervise and regulate insurers with the goal of protecting policyholders and ensuring the solvency of the insurers. As such, the insurance laws and regulations grant broad authority to state insurance departments ("Departments") to oversee and regulate the business of insurance. The Departments monitor the financial stability of an insurer by requiring insurers to maintain certain solvency standards and minimum capital and surplus requirements; invested asset requirements; state deposits of securities; guaranty fund premiums; restrictions on the size of risks which may be insured under a single policy; and adequate reserves and other necessary provisions for unearned premiums, unpaid losses and loss adjustment expenses and other liabilities, both reported and unreported. In addition, the Departments perform periodic market and financial examinations of insurers and require insurers to file annual and other reports on the financial condition of the companies. Policyholder protection is also regulated by the Departments through licensing of insurers, sales employees, agents and brokers and others; approval of premium rates and policy forms; claims administration requirements; and maintenance of minimum rates for accumulation of surrender values.

Many states also have laws regulating insurance holding company systems. These laws require insurance companies, which are formed and chartered in the state (“Domestic Insurers”), to register with the state department of insurance (referred to as their “domestic state or regulator”) and file information concerning the operations of companies within the holding company system that may materially affect the operations, management or financial condition of the insurers within the system. Insurance holding company regulations principally relate to (i) state insurance approval of the acquisition of Domestic Insurers, (ii) prior review or approval of certain transactions between the domestic insurer and its affiliates, and (iii) regulation of dividends made by the domestic insurer. All transactions within a holding company system affecting Domestic Insurers must be determined to be fair and equitable.

The NAIC, the organization that works to promote standardization of best practices and assists state insurance regulatory authorities and insurers, conducted the “Solvency Modernization Initiative” (the “Solvency Initiative”). The effort focused on reviewing the U.S. financial regulatory system and financial regulation affecting insurance companies including capital requirements, corporate governance and risk management, group supervision, statutory accounting and financial reporting and reinsurance. As a result of the Solvency Initiative, the NAIC adopted model regulations, adopted by the Company’s lead regulator of Connecticut, requiring insurers to file disclosures annually on their risk management and corporate governance practices under the Corporate Governance Annual Disclosure Model Act, Risk Management and Own Risk and Solvency Assessment Model Act ("ORSA") and Holding Company Act Enterprise Risk Report.

The extent of financial services regulation on business outside the United States varies significantly among the countries in which The Hartford operates. Foreign financial services providers in certain countries are faced with greater restrictions than domestic competitors domiciled in that particular jurisdiction. In addition, an insurance company underwriting risks through the Lloyd’s market utilizes a special vehicle (the Lloyd's Syndicate) and is required to comply with Lloyd’s capital requirements. Lloyd’s determines the amount of capital, known as Funds at Lloyd’s (“FAL”), that each Syndicate has to provide in order to support the amount and the level of risk (as determined by Lloyd’s) of the business which the Syndicate is expected to underwrite. Under Solvency II, insurers are required to hold a sufficient level of capital. Syndicates seeking to utilize letters of credit or other third party guarantees to meet Solvency II requirements must first obtain approval from the Prudential Regulation Authority.

Federal and State Securities and Financial Regulation Laws

The Company sells and distributes its mutual funds through a broker dealer subsidiary, and is subject to regulation promulgated and enforced by the Financial Industry Regulatory Authority, the SEC and/or, in some instances, state securities administrators. Other subsidiaries operate as investment advisers registered with the SEC under the Investment Advisers’ Act of 1940, as amended, and are registered as investment advisers under certain state laws, as applicable. Because federal and state laws and regulations are primarily intended to protect investors in securities markets, they generally grant regulators broad rulemaking and enforcement authority. Some of these regulations include, among other things, regulations impacting sales methods, trading practices, suitability of investments, use and safekeeping of customers’ funds, corporate governance, capital, recordkeeping, and reporting requirements.

Failure to comply with federal and state laws and regulations may result in fines, the issuance of cease-and-desist orders or suspension, termination or limitation of the activities of our operations and/or our employees.

INTELLECTUAL PROPERTY

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property.

We have a trademark portfolio that we consider important in the marketing of our products and services, including, among others, the trademarks of The Hartford name, the Stag Logo and the combination of these two trademarks. The duration of trademark registrations may be renewed indefinitely subject to country-specific use and registration requirements. We regard our trademarks as highly valuable assets in marketing our products and services and vigorously seek to protect them against infringement. In addition, we own a number of patents and patent applications relating to on-line quoting, insurance related processing, insurance telematics, proprietary interface platforms, and other matters, some of which may be important to our business operations. Patents are of varying duration depending on filing date, and will typically expire at the end of their natural term.

HUMAN CAPITAL RESOURCES

The Hartford has approximately 18,500 employees as of December 31, 2020.

Management, including the CEO and Chief Human Resources Officer ("CHRO"), establishes the hiring and compensation practices for our company. The Board is periodically updated on key employee engagement and employee relations measures, including our annual employee survey results. In addition, the Board’s Compensation and Management Development Committee (“Compensation Committee”) is responsible for approving compensation paid to senior leaders, and the oversight of succession planning, pay equity practices, and diversity and inclusion ("D&I") initiatives. Our Human Resources team, led by our CHRO, supports the Compensation Committee in the execution of its responsibilities. In addition to the day-to-day support and counseling they provide to our leaders, managers and employees, the Human Resources team also monitors key indicators to keep a pulse on trends across our employee population including employee engagement, employee relations matters, career mobility, talent acquisition, and retention.

Talent Attraction, Retention and Development

The Hartford prioritizes building a diverse workforce and an inclusive and equitable work environment where employees are respected, inspired to perform at their best, and are recognized for their contributions. We believe that the combination of a diverse workforce and an operating culture that actively embraces different experiences, perspectives and insights results in better decisions, outcomes and experiences for both our customers and employees. We persistently work to improve the employee experience in support of our continuing strategic objective to attract, retain and develop the best talent in the industry.

Our commitment to a robust talent pool starts at the top. The Board of Directors engages with the Compensation Committee annually to review executive level talent, consider key pipeline talent and conduct succession planning. In addition, our leadership team conducts a comprehensive annual Talent Review process across our organization each year.

In 2020, we achieved top decile employee engagement and performance enablement scores as measured by an independent third party survey through continued focus on leadership development, communications, talent management and diversity and inclusion.

To keep pace with the evolving expectations of employees and external candidates, we focus on a broad array of actions, including:

- Providing career growth and development opportunities by enhancing our talent management systems, including succession planning, executive recruitment, training, development and retention strategies; and
- Holding leaders accountable for their talent decisions and measuring progress with a Diversity Talent Mobility Scorecard, reviewed quarterly by the CEO and executive leadership team.

For entry-level roles in the organization, we recruit at colleges and universities, partner with both internal and external recruiters, and offer a range of training and development programs, including:

- The Hartford’s Leadership Development program which provides curriculum to enhance leadership skill sets for all – from first-time leaders through our executive ranks;
- The Hartford’s Apprenticeship Program which prepares students for careers in insurance; and
- Our HartCode Academy Developer Training Program which provides employees with IT application development skills, providing a pipeline of diverse IT talent from across the Company.

Pay and Benefits

Compensation and Pay Equity

We offer competitive pay and benefits to our employees, with a performance-based, variable compensation structure making up a larger share of the total compensation paid to executives and senior leaders in the organization. Variable compensation includes an annual bonus plan and long-term incentive awards. Annual bonus payouts are informed by whether the Company achieves core earnings above or below a target level that is determined from the annual operating plan set at the beginning of each year and reviewed and approved by the Compensation Committee. Long-term incentive awards include restricted stock units, performance shares and, for the most senior executives, stock options. Additional information about The Hartford’s variable compensation programs is provided in the Company’s Proxy Statement.

To help ensure pay equity, we use an independent third party compensation specialist firm to conduct statistical pay equity analyses for our U.S. employees three times per year – before, during and after the annual compensation planning cycle. This analysis enables us to identify unexplained pay disparities, conduct additional research to determine reasons for these differences and take appropriate actions to address the shortfall if necessary.

The Compensation Committee is updated annually on our compensation equity processes and status.

The Hartford also engages in a number of additional practices to ensure pay fairness, including:

- Centralized compensation function ensuring consistent programs and practices across the enterprise;
- Enterprise-wide framework providing a uniform approach to evaluating and aligning roles and compensation levels based on job responsibilities, market competitiveness, strategic importance of the role, and other relevant factors;
- Prohibition against asking external job applicants for current or historical compensation information;
- Requirement to consider each employee’s experience, proficiency, and performance when making individual compensation decisions;
- Training for managers and human resources business partners on performance assessment and compensation planning; and
- Multiple levels of review and approval required for all compensation decisions.

We are committed to our extensive, long-standing policies and practices to ensure fair pay across the organization, while also staying attuned to external best practices and insights, and leveraging input from subject matter experts. We evaluate our performance every year, and as markets and talent pools shift over time we work to evolve our practices accordingly.

Employee Health and Wellness

The Hartford offers a comprehensive benefits package and award-winning wellness programs to help our employees live healthy lives and achieve their full potential. Our extensive benefits include:

- Medical plan options;
- Dental and vision coverage options;

- 401(k) plan with company contribution and employee match;
- Paid time off ("PTO") with at least 19 days of annual eligibility to start;
- Paid holidays;
- Flexible work schedules, including remote work arrangements;
- Tuition reimbursement;
- Family medical leave;
- Parental leave;
- Adoption support program;
- Organ and bone marrow donation leave policy; and
- Employee assistance program.

The Company also offers a medical advocacy program and well-being programs including nutrition counseling, weight management, sleep improvement, fitness reimbursement, and more.

COVID-19 Response

In response to COVID-19, the Company implemented a number of mitigation strategies to protect the health and safety or our employees while also addressing potential operational impacts.

The company enhanced employee benefit offerings including:

- Free coverage for COVID-19 testing and treatment;
- Virtual and telehealth visits for non-COVID-19 and behavioral health visits;
- Flexibility for COVID-19-related withdrawals from the 401(k) plan;
- Educational webinars on COVID-19 and related family support topics;
- Employee support through our Corporate, Health & Well-being team comprised of healthcare professionals to identify, isolate, and support employees with potential COVID-19 exposure; and
- Increased focus on mental health support and increased communication about our Employee Assistance Program ("EAP") and other resources available to employees and their families.

In addition to these enhancements to the Company's employee benefits program, several additional actions were taken to protect employees and sustain business operations:

- Activated our cross-functional Crisis Management Team ("CMT") comprised of representatives from across the enterprise;
- Published a COVID-19 employee resource site and 24/7 COVID-19 hotline to communicate the Company's efforts to protect employees and sustain business operations;
- Rapidly enabled 95% of employees to work from home with no material impacts to operations;
- Provided guidance to help managers navigate employee engagement and retention challenges including the unprecedented impact of remote school on working parents;
- Strengthened our technology infrastructure and expanded capabilities for accessing the Company's network remotely;
- Reconfigured our physical plant to help ensure the safety of our essential workers who needed to access our offices;
- Launched an employee health screening application to keep our offices safe; and
- Actively worked with sourcing partners to ensure they implemented their business continuity plans.

Diversity and Inclusion

The Hartford seeks to be an insurance industry leader in promoting a diverse and inclusive workplace, enabling us to attract and leverage top talent to meet our business goals in an increasingly diverse environment. We are committed to ethical conduct and a bias-free workplace for all employees as we continue building, enhancing and sustaining an inclusive supportive culture that reflects the diversity of our customer base.

We continue to invest in and accelerate a wide range of strategies to improve representation of talent that's demographically underrepresented in the insurance industry, including targeted initiatives to improve the representation of women and people of color, and training to help employees understand, identify and mitigate bias.

In support of diversity, equity and inclusion, The Hartford maintains long-term aspirational goals for representation of women and people of color at the leadership level, which are disclosed in our annual Sustainability Highlight Report.

The Company has also created and adopted individualized business plans and D&I goals for each business and functional area. Progress is evaluated and considered as part of the performance assessment process.

The Board of Directors is updated annually on the Company's D&I efforts.

For more information on the Company's human capital including our commitments, goals, initiatives and progress, as well as our employee demographics, refer to The Hartford's Sustainability Highlight Report available on the investor relations section of the Company's website at: https://ir.thehartford.com. The Hartford's 2020 Sustainability Highlight Report is expected to be published prior to the Company's annual meeting in May 2021.

AVAILABLE INFORMATION

The Company’s Internet address is www.thehartford.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are available, without charge, on the investor relations section of our website, https://ir.thehartford.com, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Reports filed with the SEC may be viewed at www.sec.gov. References in this report to our website address are provided only as a convenience and do not constitute, and should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Item 1A. RISK FACTORS

In deciding whether to invest in The Hartford, you should carefully consider the following risks, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity and could also impact the trading price of our securities. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under “Forward-Looking Statements” above and the risks of our businesses described elsewhere in this Annual Report on Form 10-K.

The following risk factors have been organized by category for ease of use, however many of the risks may have impacts in more than one category. The occurrence of certain of them may, in turn, cause the emergence or exacerbate the effect of others. Such a combination could materially increase the severity of the impact of these risks on our business, results of operations, financial condition or liquidity.

The pandemic caused by the spread of COVID-19 has disrupted our operations and may have a material adverse impact on our business results, financial condition, results of operations and/or liquidity.

The global spread of COVID-19 has created significant market volatility, uncertainty and economic disruption. The extent to which COVID-19 impacts our business, financial condition, results of operations and/or liquidity will depend on future developments which are highly uncertain and cannot be easily predicted including: the duration and scope of the pandemic; the effectiveness of vaccines; the length of time it takes to administer vaccines to the population; new variants of the Coronavirus which may impact the severity of the pandemic; and the actions taken to contain or treat its impact. Additional uncertainty exists regarding governmental, business and individual actions that have been and may continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; potential legislative, regulatory, and judicial responses to the pandemic pertaining specifically to insurance underwriting and claims; the effect on our customers and customers’ demand for our products; our ability to sell our products and our ability to use historical experience to assist our decision making in areas including underwriting, pricing, capital management and investments.

Below are several key effects of COVID-19 on the Company’s business results, financial condition, results of operations and/or liquidity:

- **Insurance and Product Related Risk** - The Company may continue to incur increased loss costs under insurance policies that we have written including for workers’ compensation, group life insurance, short-term disability, general liability, surety, director and officer liability, and employment practices liability, as well as property business. We may continue to be required to pay workers’ compensation claims for lost wages and medical costs associated with COVID-19, if claims are determined to be occupationally related to the work of the insured’s employees.

  In addition, the Company’s Group Benefits business has issued group life policies to employers and associations, which may continue to result in increased death claims due to COVID-19 mortality. We may also continue to experience higher short-term disability and paid family leave claims from employees and covered individuals who have been affected by COVID-19.

  Under general liability or umbrella policies, we may have exposure to increased claims for indemnification from our insureds who may be found liable for negligently having exposed third parties to COVID-19 at a place of business, home or other premise. In our commercial surety lines, there is the potential for elevated frequency and severity due to an increase in the number of bankruptcies, especially in small businesses and impacted industries such as hospitality, entertainment and transportation. In construction surety, there is the potential for elevated losses if contractors experience project shutdowns or payment delays, which could negatively impact their cash flows, or result in disruptions in their supply chains, labor shortages or inflation in the cost of materials. We may also have increased allegations under director and officer and employment practices liability policies for inadequate disclosures, mismanagement of resources, and hiring/lay off actions relating to COVID-19.

Nearly all of our property insurance policies require direct physical loss or damage to property and contain standard exclusions that we believe preclude coverage for COVID-19 related claims, and the vast majority of such policies contain exclusions for virus-related losses. Nevertheless, the Company and certain of its writing companies have been served as defendants in lawsuits seeking insurance coverage under commercial insurance policies for alleged losses resulting from the shutdown or suspension of our insureds' businesses due to the spread of COVID-19. While the Company and its subsidiaries deny the allegations and intend to defend vigorously and while virtually none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss, it is possible that adverse outcomes, if any, in the aggregate, could have a material adverse effect on the Company's consolidated operating results.

Further, some of the brokers and agents we do business with could have their operations affected by COVID-19 making it more difficult for us to conduct business.

- **Regulatory/Legal Risk** - We also cannot predict how legal and regulatory responses to concerns about COVID-19 and related public health issues will impact our business, including the possible extension of insurance coverage beyond our policy language, such as for business interruption, civil authority and other claims. Further, policyholders may elect to litigate coverage issues which would lead to increased costs to the Company. For additional information on legislative and regulatory risks, see Part I, Item 2, MD&A - Capital Resources and Liquidity, Contingencies, Legislative and Regulatory Developments.
- **Recessionary and other Global Economic Risk** - As a result of COVID-19 containment efforts, many business operations, including many of the Company's insureds, have either been shut down or significantly curtailed for an uncertain period of time. Due to the economic downturn, we could continue to see increased policy lapses and non-renewals and reduced demand for new business. In addition, employers have reduced and may continue to reduce their work forces, resulting in lower premiums for the Company's workers' compensation and group benefit products. The COVID-19 pandemic and resulting economic stress may continue to contribute to lower earned premiums, and reduced net investment income due to lower reinvestment rates. In response to the economic downturn, central banks have reduced benchmark interest rates to near zero.

  In addition, the Company could experience credit losses on various asset balances, including receivables and the principal amount of various invested assets, including fixed maturities and mortgage loans. In addition to credit losses on invested assets, The Company could experience declines in the value of available for sale debt securities if credit spreads were to widen significantly, which would reduce shareholders' equity. The economic impacts of COVID-19 could also result in higher reinsurance costs and/or more limited availability of reinsurance coverage. Reinsurance treaties renewed by the Company subsequent to July 1, 2020 exclude coverage for losses arising from communicable diseases.

  Also, market volatility may cause us to change our existing hedging strategies resulting in economic loss. As markets become less liquid and/or experience lower trading volumes, it may be more difficult to value certain investment securities that we hold. Additionally, the Company may determine that an impairment has occurred when assessing its goodwill and other intangible assets, which would result in reduced earnings in the period that the impairment is recorded.
- **Capital and Liquidity Risk** - We may also experience liquidity pressures including the need to provide additional capital to certain insurance subsidiaries, reductions in the amount of available dividend capacity from our subsidiaries and the need to post more collateral due to declining investment valuations or due to requirements under derivative agreements. Further, among other possible actions, we may choose not to repurchase shares and may decide to invest proceeds from maturing fixed maturities in short-term investments which earn lower returns.
- **Operational Risk** - The Company also faces operational risks as a result of COVID-19. The Company has limited the number of employees working in its offices, resulting in the vast majority of employees working from home. While the Company has the technology in place to enable this arrangement and to facilitate communication with insureds, intermediaries, claimants and other third parties, there is a risk that business operations will be disrupted due to, among other things, cybersecurity attacks or data security incidents, higher than anticipated web traffic and call volumes as well as lack of sufficient broadband internet connectivity for employees and third parties working from home. If those disruptions become significant, it could result in, among other impacts, delays in settling claims, processing new business, renewals, cancellations and endorsements for insureds, billing and collecting premiums, transacting with reinsurers, contracting with and paying vendors, and disruptions to investment operations.

  We rely on vendors, including some located overseas, for a number of services including IT development, IT maintenance support and various business processes, including, among others, certain claims administration, policy administration, and other operational functions. As the COVID-19 virus has affected virtually all parts of the world, our vendors could also experience disruptions to their operations and while we have contingency plans for some level of disruption, there can be no assurance that issues vendors experience with their business processes would not have a material effect on our own operations.

  For all of the reasons discussed above, the global public health and economic impacts caused by the COVID 19 pandemic could have a material adverse effect on our financial condition, results of operations and liquidity.

Risks Relating to Economic, Political and Global Market Conditions

Unfavorable economic, political and global market conditions may adversely impact our business and results of operations.

The Company's investment portfolio and insurance liabilities are sensitive to changes in economic, political and global capital market conditions, such as the effect of a weak economy and changes in credit spreads, equity prices, interest rates, inflation, foreign currency exchange rates, and shifts in demand and supply of U.S. dollars. Weak economic conditions, such as high unemployment, low labor force participation, lower family income, a weak real estate market, lower business investment and lower consumer spending may adversely affect the demand for insurance and financial products and lower the Company's profitability in some cases. In addition, political instability, politically motivated violence or civil unrest, may increase the frequency and severity of insured losses. In addition, a deterioration in global economic conditions and/or geopolitical conditions, including due to military action, trade wars, tariffs or other actions with respect to international trade agreements or policies, has the potential to, among other things, reduce demand for our products, reduce exposures we insure, drive higher inflation that could increase the Company's loss costs and result in increased incidence of claims, particularly for workers' compensation and disability claims. The Company's investment portfolio includes limited partnerships and other alternative investments and equity securities for which changes in value are reported in earnings. These investments may be adversely impacted by economic volatility, including real estate market deterioration, which could impact our net investment returns and result in an adverse impact on operating results.

Below are several key factors impacted by changes in economic, political, and global market conditions and their potential effect on the Company's business and results of operations:

- **Credit Spread Risk -** Credit spread exposure is reflected in the market prices of fixed income instruments where lower rated securities generally trade at a higher credit spread. If issuer credit spreads increase or widen, the market value of our investment portfolio may decline. If the credit spread widening is significant and occurs over an extended period of time, the Company may recognize credit losses, resulting in decreased earnings. If credit spreads tighten significantly, the Company's net investment income associated with new purchases of fixed maturities may be reduced. In addition, the value of credit derivatives under which the Company assumes exposure or purchases protection are impacted by changes in credit spreads, with losses occurring when credit spreads widen for assumed exposure or when credit spreads tighten if credit protection has been purchased.
- **Equity Markets Risk -** A decline in equity markets may result in unrealized capital losses on investments in equity securities recorded against net income and lower earnings from Hartford Funds where fee income is earned based upon the fair value of the assets under management. Equity markets are unpredictable. In the past few years, equity markets have been volatile, which could be indicative of a greater risk of a decline. For additional information on equity market sensitivity, see Part II, Item 7, MD&A - Enterprise Risk Management, Financial Risk- Equity Risk.
- **Interest Rate Risk -** Global economic conditions may result in the persistence of a low interest rate environment which would continue to pressure our net investment income and could result in lower margins on certain products. For additional information on interest rate sensitivity, see Part II, Item 7, MD&A - Enterprise Risk Management, Financial Risk - Interest Rate Risk

  New and renewal business for our property and casualty and group benefits products is priced considering prevailing interest rates. As interest rates decline, in order to achieve the same economic return, we would have to increase product prices to offset the lower anticipated investment income earned on invested premiums. Conversely, as interest rates rise, pricing targets will tend to decrease to reflect higher anticipated investment income. Our ability to effectively react to such changes in interest rates may affect our competitiveness in the marketplace, and in turn, could reduce written premium and earnings. For additional information on interest rate sensitivity, see Part II, Item 7, MD&A - Enterprise Risk Management, Financial Risk - Interest Rate Risk.

  In addition, due to the long-term nature of the liabilities within our Group Benefits operations, particularly for long-term disability, declines in interest rates over an extended period of time would result in our having to reinvest at lower yields. On the other hand, a rise in interest rates, in the absence of other countervailing changes, would reduce the market value of our investment portfolio. A decline in market value of invested assets due to an increase in interest rates could also limit our ability to realize tax benefits from recognized capital losses.
- **Inflation Risk -** Inflation is a risk to our property and casualty business because, in many cases, claims are paid out many years after a policy is written and premium is collected for the risk. Accordingly, a greater than expected increase in inflation related to the cost of medical services and repairs over the claim settlement period can result in higher claim costs than what was estimated at the time the policy was written. Inflation can also affect consumer spending and business investment which can reduce the demand for our products and services.
- **Foreign Currency Exchange Rate** - Changes in foreign currency exchange rates may impact our non-U.S. dollar denominated investments and foreign subsidiaries. As the Company has expanded its international operations, exposure to exchange rate fluctuations has increased. We hold cash and fixed maturity securities denominated in foreign currencies, including British Pounds and Canadian dollars, among others, and also have other assets and liabilities denominated in foreign currencies such as premiums receivable and loss reserves. While the Company predominately uses asset-liability matching, including the use of derivatives, to hedge certain of these exposures to

fluctuations in foreign currency exchange rates, these actions do not eliminate the risk that changes in the exchange rates of foreign currencies to the U.S. dollar could result in financial loss to the Company, including realized or unrealized capital losses resulting from currency revaluation and increases to regulatory capital requirements for foreign subsidiaries that have net assets that are not denominated in their local currency. For additional information on foreign exchange risk, see Part II, Item 7, MD&A - Enterprise Risk Management, Financial Risk.

Concentration of our investment portfolio increases the potential for significant losses.

The concentration of our investment portfolios in any particular industry, collateral type, group of related industries or geographic sector could have an adverse effect on our investment portfolios and consequently on our business, financial condition, results of operations, and liquidity. Events or developments that have a negative impact on any particular industry, collateral type, group of related industries or geographic region may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated rather than diversified.

Further, if issuers of securities or loans we hold are acquired, merge or otherwise consolidate with other issuers of securities or loans held by the Company, our investment portfolio’s credit concentration risk to issuers could increase for a period of time, until the Company is able to sell securities to get back in compliance with the established investment credit policies.

Changing climate and weather patterns may adversely affect our business, financial condition and results of operation.

Climate change presents risks to us as an insurer, investor and employer. Climate models indicate that rising temperatures will likely result in rising sea levels over the decades to come and may increase the frequency and intensity of natural catastrophes and severe weather events. Extreme weather events such as abnormally high temperatures may result in increased losses associated with our property, auto, workers’ compensation and group benefits businesses. Changing climate patterns may also increase the duration, frequency and intensity of heat/cold waves, which may result in increased claims for property damage, business interruption and losses under workers’ compensation, group disability and group life coverages. Precipitation patterns across the U.S. are projected to change, which if realized, may increase risks of flash floods and wildfires. Additionally, there may be an impact on the demand, price and availability of automobile and homeowners insurance, and there is a risk of higher reinsurance costs or more limited availability of reinsurance coverage. Changes in climate conditions may also cause our underlying modeling data to not adequately reflect frequency and severity, limiting our ability to effectively evaluate and manage risks of catastrophes and severe weather events. Among other impacts, this could result in not charging enough premiums or not obtaining timely state approvals for rate increases to cover the risks we insure. We may also experience significant interruptions to the Company’s systems and operations that hinder our ability to sell and service business, manage claims and operate our business.

In addition, climate change-related risks may adversely impact the value of the securities that we hold. The effects of climate change could also lead to increased credit risk of other counterparties we transact business with, including reinsurers. Rising sea levels may lead to decreases in real estate values in coastal areas, reducing premium and demand for commercial property and homeowners insurance and adversely impacting the value of our real estate-related investments. Additionally, government policies or regulations to slow climate change, such as emission controls or technology mandates, may have an adverse impact on sectors such as utilities, transportation and manufacturing, affecting demand for our products and our investments in these sectors.

Changes in security asset prices may impact the value of our fixed income, real estate and commercial mortgage investments, resulting in realized or unrealized losses on our invested assets. Our decision to invest in certain securities and loans may also be impacted by changes in climate patterns due to:

- changes in supply/demand characteristics for fuel (e.g., coal, oil, natural gas)
- advances in low-carbon technology and renewable energy development and
- effects of extreme weather events on the physical and operational exposure of industries and issuers

Because there is significant variability associated with the impacts of climate change, we cannot predict how physical, legal, regulatory and social responses may impact our business.

The discontinuance of LIBOR may adversely affect the value of certain investments we hold and floating rate securities we have issued, and any other assets or liabilities whose value may be tied to LIBOR.

LIBOR is an indicative measure of the average interest rate at which major global banks could borrow from one another. LIBOR is used as a benchmark or reference rate in certain derivatives and floating rate fixed maturities that are part of our investment portfolio, as well as two classes of junior subordinated debentures that we have issued and are currently outstanding.

In July 2017, the U.K. Financial Conduct Authority ("FCA") announced that by the end of 2021 it intends to stop persuading or compelling banks to report information used to set LIBOR, which could result in LIBOR no longer being published after 2021 or a determination by regulators that LIBOR is no longer representative of its underlying market. Since 2017, actions by regulators have resulted in efforts to establish alternative reference rates to LIBOR in several major currencies. The Alternative Reference Rate Committee, a group of private-market participants convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Funding Rate (“SOFR”) as its preferred alternative rate for U.S. dollar LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. The Federal Reserve Bank of New York began publishing daily SOFR in April 2018. Development and adoption of broadly accepted methodologies for transitioning from LIBOR, an unsecured forward-looking rate, to SOFR, a secured rate based on historical transactions, is ongoing.

In December 2020, based on feedback from the banks that report information used to set LIBOR and following discussions with the FCA, the administrator of LIBOR, ICE Benchmark Administration, released a consultation on the potential for it to continue publication of the most widely-used U.S. dollar LIBOR rates until the end of June 2023. Subject to the results of the consultation, then, it is possible that some U.S. dollar LIBOR rates will continue to be available for a limited period beyond the end of 2021.

The Company continues to monitor and assess the potential impacts of the discontinuation of LIBOR, which will vary depending on (1) existing contract language to determine a LIBOR replacement rate, referred to as “fallback provisions”, in individual contracts and (2) whether, how, and when industry participants develop and widely adopt new reference rates and fallback provisions for both existing and new products or instruments. At this time, it is not possible to predict how markets will respond to these new rates and the effect that the discontinuation of LIBOR might have on new or existing financial instruments. If LIBOR ceases to exist or is found by regulators to no longer be representative, outstanding contracts with interest rates tied to LIBOR may be adversely affected and impact our results of operations through a reduction in value of some of our LIBOR referenced floating rate investments, an increase in the interest we pay on our outstanding junior subordinated debentures, or an adverse impact to hedge effectiveness of derivatives or availability of hedge accounting. Additionally, any discontinuation of or transition from LIBOR may impact pricing, valuation and risk analytic processes and hedging strategies.

For additional information on the Company’s financial instruments that are tied to LIBOR, see Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation, Enterprise Risk Management, Financial Risk.

The withdrawal of the U.K. from the E.U. may adversely affect our business, financial condition and results of operation.

In June 2016, the U.K voted in a national referendum to withdraw from the E.U. (“Brexit”) and formal negotiations on the separation process, including the final exit date, have been ongoing and extended various times. The U.K. officially departed from the E.U. on January 31, 2020. Following the end of the Brexit Transition Period on December 31, 2020, the Trade and Cooperation Agreement between the E.U. and the U.K. (the “TCA”) came into effect on a provisional basis. The end of the Brexit Transition Period has resulted in significant changes and continuing uncertainty to E.U.-U.K. trade in financial services given the TCA does not include any provisions that compensate for the loss of ‘passporting’ rights under the E.U. Single Market Directives. In particular, there is no mutual recognition of licensing regimes, the market access provisions do not preclude E.U. Member States from imposing authorization requirements on UK financial services businesses and there are no provisions in the TCA on equivalence or regulatory cooperation in the area of financial services. Finally, the E.U. has largely carved out financial services from the most-favored nation provisions for investment liberalization and cross-border trade in services, so in theory the E.U. is free to offer better terms on financial services to other jurisdictions in the future without offering the same to the U.K.

A separate, short Joint Declaration on Financial Services Regulatory Cooperation was published alongside the TCA which is essentially an agreement to agree at a later stage some of the detail on financial services which is absent from the TCA. In this respect, the UK and the E.U. intend to enter into a Memorandum of Understanding by March 2021 but this will not have the same legal effect or status as an international treaty.

Prolonged uncertainty relating to the terms of the U.K.’s withdrawal, could, among other outcomes, cause significant volatility in global financial markets, currency exchange rate fluctuations and asset valuations, and disrupt the U.K. market and the E.U. markets by increasing restrictions on the trade and free movement of goods, services and people between the U.K. and the E.U. The withdrawal could also lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate.

As a result of the acquisition of Navigators Group, we have international operations in the U.K. and E.U. While Navigators Group has implemented measures to sell business in the E.U. independently of its U.K. insurance companies by having its Lloyd's Syndicate write business through the Lloyd’s subsidiary in Belgium, the extent of the disruption due to Brexit throughout the U.K. and E.U. is uncertain. Should we seek to access the E.U. market through our U.K. insurance companies, that will depend on general trade and services agreements made by the U.K. with the E.U. or on specific arrangements made by our U.K. insurance companies to retain access to the E.U. market. In addition, the ability to access the E.U. market through our Lloyd's Syndicate depends on Lloyd's being able to comply with E.U. regulations through its Belgium subsidiary. The consequence of making such specific arrangements may increase our cost of doing business.

Specifically, Lloyd’s is still in discussion with the Belgium Financial Services Markets Authority ("FSMA") and the National Bank of Belgium ("NBB") regarding the Lloyd’s Europe operating model and the activities performed for it by managing agents (through the Outsourcing Agreement) and the question of whether it was possible that they could be construed as constituting insurance distribution under the Insurance Distribution Directive ("IDD"), which would therefore require them to be authorized within the European Economic Area ("EEA"). Lloyd’s are proposing to make changes to the operating model by the second half of 2021 with the engagement of the market.

The consequences of U.K.’s withdrawal from the E.U. in the long term are unknown and not quantifiable at this time. However, given the lack of comparable precedent, any effects of a withdrawal may adversely affect our business, financial condition and results of operations.

Insurance Industry and Product Related Risks

Unfavorable loss development may adversely affect our business, financial condition, results of operations and liquidity.

We establish property and casualty loss reserves to cover our estimated liability for the payment of all unpaid losses and loss expenses incurred with respect to premiums earned on our policies. Loss reserves are estimates of what we expect the ultimate settlement and administration of claims will cost, less what has been paid to date. These estimates are based upon actuarial projections and on our assessment of currently available data, as well as estimates of claims severity and frequency, legal theories of liability and other factors. For risks due to evolving changes in social, economic and environmental conditions, see the Risk Factor, “Unexpected and unintended claim and coverage issues under our insurance contracts may adversely impact our financial performance.”

Loss reserve estimates are refined periodically as experience develops and claims are reported and settled, potentially resulting in increases to our reserves. Increases in reserves would be recognized as an expense during the periods in which these determinations are made, thereby adversely affecting our results of operations for those periods. In addition, since reserve estimates of aggregate loss costs for prior years are used in pricing our insurance products, inaccurate reserves can lead to our products not being priced adequately to cover actual losses and related loss expenses in order to generate a profit.

We continue to receive A&E claims, the vast majority of which relate to policies written before 1986. Estimating the ultimate gross reserves needed for unpaid losses and related expenses for asbestos and environmental claims is particularly difficult for insurers and reinsurers. The actuarial tools and other techniques used to estimate the ultimate cost of more traditional insurance exposures tend to be less precise when used to estimate reserves for some A&E exposures.

Moreover, the assumptions used to estimate gross reserves for A&E claims, such as claim frequency over time, average severity, and how various policy provisions will be interpreted, are subject to significant uncertainty. It is also not possible to predict changes in the legal and legislative environment and their effect on the future development of A&E claims. These factors, among others, make the variability of gross reserves estimates for these longer-tailed exposures significantly greater than for other more traditional exposures.

Effective December 31, 2016, the Company entered into an agreement with National Indemnity Company (“NICO”), a subsidiary of Berkshire Hathaway Inc. (“Berkshire”) whereby the Company is reinsured for subsequent adverse development on substantially all of its net A&E reserves up to an aggregate net limit of $1.5 billion. We remain directly liable to claimants and if the reinsurer does not fulfill its obligations under the agreement or if future adverse development exceeds the $1.5 billion aggregate limit, we may need to increase our recorded net reserves which could have a material adverse effect on our financial condition, results of operations and liquidity. For additional information related to risks associated with the adverse development cover, see Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

We are vulnerable to losses from catastrophes, both natural and man-made.

Our insurance operations expose us to claims arising out of catastrophes. Catastrophes can be caused by various unpredictable natural events, including, among others, earthquakes, hurricanes, hailstorms, severe winter weather, wind storms, fires, tornadoes, and pandemics. Catastrophes can also be man-made, such as terrorist attacks, civil unrest, cyber-attacks, explosions or infrastructure failures.

The geographic distribution of our business subjects us to catastrophe exposure for events occurring in a number of areas, including, but not limited to: hurricanes in Florida, the Gulf Coast, the Northeast and the Atlantic coast regions of the United States; tornadoes and hail in the Midwest and Southeast; earthquakes in geographical regions exposed to seismic activity; wildfires in the West; and the spread of disease, which can occur throughout multiple geographic locations. We are also exposed to catastrophe losses in other parts of the world through our global specialty business. Any increases in the values and concentrations of insureds and property in these areas would increase the severity of catastrophic events in the future. In addition, changes in climate and/or weather patterns may increase the frequency and/or intensity of severe weather and natural catastrophe events potentially leading to increased insured losses. Potential examples include, but are not limited to:

- an increase in the frequency or intensity of wind and thunderstorm and tornado/hailstorm events due to increased convection in the atmosphere,
- more frequent and larger wildfires in certain geographies,
- higher incidence of deluge flooding, and
- the potential for an increase in frequency and severity of hurricane events.

For a further discussion of climate-related risks, see the above-referenced Risk Factor, “Changing climate and weather patterns may adversely affect our business, financial condition and results of operation.”

Our businesses also have exposure to global or nationally occurring pandemics caused by highly infectious and potentially fatal diseases spread through human, animal or plant populations.

In the event of one or more catastrophes, policyholders may be unable to meet their obligations to pay premiums on our insurance policies. Further, our liquidity could be constrained by a catastrophe, or multiple catastrophes. In addition, in part because accounting rules do not permit insurers to reserve for such catastrophic events until they occur, claims from catastrophic events could have a material adverse effect on our business, financial condition, results of operations or liquidity. The amount we charge for catastrophe exposure may be inadequate if the frequency or severity of catastrophe losses changes over time or if the models we use to estimate the exposure prove inadequate. In addition, regulators or legislators could limit our ability to charge adequate pricing for catastrophe exposures or shift more responsibility for covering risk.

Terrorism is an example of a significant man-made caused potential catastrophe. Private sector catastrophe reinsurance is limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. In addition, workers' compensation policies generally do not have exclusions or limitations for terrorism losses. Reinsurance coverage from the federal government under the Terrorism Risk Insurance Program (the "Program") Reauthorization Act of 2019 (“TRIPRA 2019”) is also limited and only applies for certified acts of terrorism that exceed a certain threshold of industry losses. Accordingly, the effects of a terrorist attack in the geographic areas we serve may result in claims and related losses for which we do not have adequate reinsurance. TRIPRA 2019 also requires that the federal government create the following reports, which could lead to additional legislation or regulation: (1) Treasury

Department to include in its biennial report on the effectiveness of the Program an evaluation of the availability and affordability of terrorism risk insurance for places of worship; and (2) Government Accountability Office report to analyze and address the vulnerabilities and potential costs of cyber terrorism, to assess adequacy of coverage under the Program, and to make recommendations for future legislative changes to address evolving cyber terrorism risks. Further, the continued threat of terrorism and the occurrence of terrorist attacks, as well as heightened security measures and military action in response to these threats and attacks or other geopolitical or military crises, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. These consequences could have an adverse effect on the value of the assets in our investment portfolio. Terrorist attacks also could disrupt our operation centers. In addition, TRIPRA 2019 expires on December 31, 2027 and if the U.S. Congress does not reauthorize the program or significantly reduces the government's share of covered terrorism losses, the Company's exposure to terrorism losses could increase materially unless it can purchase alternative terrorism reinsurance protection in the private markets at affordable prices or takes actions to materially reduce its exposure in lines of business subject to terrorism risk. For a further discussion of TRIPRA, see Part II, Item 7, MD&A - Enterprise Risk Management - Insurance Risk Management, Reinsurance as a Risk Management Strategy.

As a result, it is possible that any, or a combination of all, of these factors related to a catastrophe, or multiple catastrophes, whether natural or man-made, can have a material adverse effect on our business, financial condition, results of operations or liquidity.

Pricing for our products is subject to our ability to adequately assess risks, estimate losses and comply with state and international insurance regulations.

We seek to price our property and casualty and group benefits insurance policies such that insurance premiums and future net investment income earned on premiums received will provide for an acceptable profit in excess of underwriting expenses and the cost of paying claims. Pricing adequacy depends on a number of factors, including proper evaluation of underwriting risks, the ability to project future claim costs, our expense levels, net investment income realized, our response to rate actions taken by competitors, legal and regulatory developments, including in international markets, and the ability to obtain regulatory approval for rate changes.

State insurance departments regulate many of the premium rates we charge and also propose rate changes for the benefit of the property and casualty consumer at the expense of the insurer, which may not allow us to reach targeted levels of profitability. In addition to regulating rates, certain states have enacted laws that require a property and casualty insurer to participate in assigned risk plans, reinsurance facilities, joint underwriting associations and other residual market plans. State regulators also require that an insurer offer property and casualty coverage to all consumers and often restrict an insurer's ability to charge the price it might otherwise charge or restrict an insurer's ability to offer or enforce specific policy deductibles. In these markets, we may be compelled to underwrite significant amounts of business at lower than desired rates or accept additional risk not contemplated in our existing rates, participate in the operating losses of residual market plans or pay assessments to fund operating deficits of state-sponsored funds, possibly leading to lower returns on equity. The laws and regulations of many states also limit an insurer's ability to withdraw from one or more lines of insurance in the state, except pursuant to a plan that is approved by the state's insurance department. Additionally, certain states require insurers to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. Any of these factors could have a material adverse effect on our business, financial condition, results of operations or liquidity. For more on international regulatory risks, see the Risk Factor, "Regulatory and legislative developments could have a material adverse impact on our business, financial condition, results of operations and liquidity."

Additionally, the property and casualty and group benefits insurance markets have been historically cyclical, experiencing periods characterized by relatively high levels of price competition, less restrictive underwriting standards, more expansive coverage offerings, multi-year rate guarantees and declining premium rates, followed by periods of relatively low levels of competition, more selective underwriting standards, more coverage restrictions and increasing premium rates. In all of our property and casualty and group benefits insurance product lines, there is a risk that the premium we charge may ultimately prove to be inadequate as reported losses emerge. In addition, there is a risk that regulatory constraints, price competition or incorrect pricing assumptions could prevent us from achieving targeted returns. Inadequate pricing could have a material adverse effect on our results of operations and financial condition.

Competitive activity, use of predictive analytics, or technological changes may adversely affect our market share, demand for our products, or our financial results.

The industries in which we operate are highly competitive. Our principal competitors are other property and casualty insurers, group benefits providers and providers of mutual funds and exchange-traded products. Competitors may expand their risk appetites in products and services where The Hartford currently enjoys a competitive advantage. Larger competitors with more capital and new entrants to the market could result in increased pricing pressures on a number of our products and services and may harm our ability to maintain or increase our profitability. For example, larger competitors, including those formed through consolidation or who may acquire new entrants to the market, such as insurtech firms, may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. In addition, a number of insurers are making use of predictive analytics to, among other things, improve pricing accuracy, be more targeted in marketing, strengthen customer relationships and provide more customized loss prevention services. If they are able to use predictive analytics and other data and/or adopt innovative new technologies more effectively than we are, it may give them a competitive advantage. Because of the highly competitive nature of the industries we compete in, there can be no assurance that we will continue to compete effectively with our industry rivals, or that competitive pressure will not have a material adverse effect on our business and results of operations.

Our business could also be affected by technological changes, including further advancements in automotive safety features, the development of autonomous or “self-driving” vehicles, and platforms that facilitate ride sharing. These technologies could impact the frequency or severity of losses, disrupt the demand for certain of our products, or reduce the size of the automobile insurance market as a whole. The risks we insure are also affected by the increased use of technology in homes and businesses, including technology used in heating, ventilation, air conditioning and security systems and the introduction of more automated loss control measures. In addition, our business may be disrupted due to failures of accelerated technological changes, including our automation of minimally complex tasks, which may adversely impact our business and results of operations. While there is substantial uncertainty about the timing, penetration and reliability of such technologies, and the legal frameworks that may apply, such as to autonomous vehicles, any such impacts could have a material adverse effect on our business and results of operations.

We may experience difficulty in marketing and providing insurance products and investment advisory services through distribution channels and advisory firms.

We distribute our insurance products, mutual funds and ETPs through a variety of distribution channels and financial intermediaries, including brokers, independent agents, wholesale agents, reinsurance brokers, broker-dealers, banks, registered investment advisors, affinity partners, our own internal sales force and other third-party organizations. In some areas of our business, we generate a significant portion of our business through third-party arrangements. For example, we market personal lines products in large part through an exclusive licensing arrangement with AARP that continues through December 31, 2032. Our ability to distribute products through the AARP program may be adversely impacted by membership levels and the pace of membership growth. In addition, the independent agent and broker distribution channel is consolidating which could result in a larger proportion of written premium being concentrated among fewer agents and brokers, potentially increasing our cost of acquiring new business. While we periodically seek to renew or extend third party arrangements, there can be no assurance that our relationship with these third parties will continue or that the economics of these relationships won't change to make them less financially attractive to the Company. An interruption in our relationship with certain of these third parties could materially affect our ability to market our products and could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Unexpected and unintended claim and coverage issues under our insurance contracts may adversely impact our financial performance.

Changes in industry practices and in legal, judicial, social and other environmental conditions, technological advances or fraudulent activities, may require us to pay claims we did not intend to cover when we wrote the policies. Social, economic, political and environmental issues, including rising income inequality, climate change, prescription drug use and addiction, exposures to new substances or those previously considered to be safe, along with the use of social media to proliferate messaging around such issues, has expanded the theories for reporting claims, which may increase our claims administration and/or litigation costs. State and local governments' increased efforts aimed to respond to the costs and concerns associated with these types of issues, may also lead to expansive, new theories for reporting claims or may lead to the passage of "reviver" statutes that extend the statute of limitations for the reporting of these claims, including statutes passed in certain states with respect to sexual molestation and sexual abuse claims. In addition, these and other social, economic, political and environmental issues may either extend coverage beyond our underwriting intent or increase the frequency or severity of claims. Some of these changes, advances or activities may not become apparent until some time after we have issued insurance contracts that are affected by the changes, advances or activities and/or we may be unable to compensate for such losses through future pricing and underwriting. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued, and this liability may have a material adverse effect on our business, financial condition, results of operations and liquidity at the time it becomes known.

Financial Strength, Credit and Counterparty Risks

Downgrades in our financial strength or credit ratings may make our products less attractive, increase our cost of capital and inhibit our ability to refinance our debt.

Financial strength and credit ratings are important in establishing the competitive position of insurance companies. Rating agencies assign ratings based upon several factors. While most of the factors relate to the rated company, others relate to the views of the rating agency (including its assessment of the strategic importance of the rated company to the insurance group), general economic conditions, and circumstances outside the rated company's control. In addition, rating agencies may employ different models and formulas to assess the financial strength of a rated company, and from time to time rating agencies have altered these models. Changes to the models or factors used by the rating agencies to assign ratings could adversely impact a rating agency's judgment of its internal rating and the publicly issued rating it assigns us.

Our financial strength ratings, which are intended to measure our ability to meet policyholder obligations, are an important factor affecting public confidence in most of our products and, as a result, our competitiveness. A downgrade or a potential downgrade in the rating of our financial strength or of one of our principal insurance subsidiaries could affect our competitive position and reduce future sales of our products.

Our credit ratings also affect our cost of capital. A downgrade or a potential downgrade of our credit ratings could make it more difficult or costly to refinance maturing debt obligations, to support business growth at our insurance subsidiaries and to maintain or improve the financial strength ratings of our principal insurance subsidiaries. These events could materially adversely affect our business, financial condition, results of operations and liquidity. For a further discussion of potential impacts of ratings downgrades on derivative instruments, including potential collateral calls, see Part II, Item 7, MD&A - Capital Resources and Liquidity - Derivative Commitments.

The amount of capital that we must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of our control.

We conduct the vast majority of our business through licensed insurance company subsidiaries. In the United States, statutory accounting standards and statutory capital and reserve requirements for these entities are prescribed by the applicable insurance regulators and the NAIC. The minimum capital we must hold is based on risk-based capital (“RBC”) formulas for both life and property and casualty companies. The RBC formula for life companies is applicable to our group benefits business and establishes capital requirements relating to insurance, business, asset, credit, interest rate and off-balance sheet risks. The RBC formula for property and casualty companies sets required statutory surplus levels based on underwriting, asset and credit and off-balance sheet risks.

Countries in which our international insurance subsidiaries are incorporated or deemed commercially domiciled are subject to regulatory requirements as defined by the regulatory jurisdiction, including Solvency II. In addition, our Lloyd’s member company is required to maintain required Funds at Lloyd’s (“FAL”) to meet the capital requirements of its syndicate. The FAL is determined based on the syndicate’s Solvency Capital Requirement (“SCR”) under the Solvency II capital adequacy model plus an economic capital assessment determined by the Lloyd’s Franchise Board (which is responsible for the day-to-day management of the Lloyd's market).

In any particular year, statutory surplus amounts, RBC ratios, FAL and SCR may increase or decrease depending on a variety of factors, including (as applicable)

- the amount of statutory income or losses generated by our insurance subsidiaries,
- the amount of additional capital our insurance subsidiaries must hold to support business growth,
- the amount of dividends or distributions paid to the holding company,
- changes in equity market levels,
- the value of certain fixed-income and equity securities in our investment portfolio,
- the value of certain derivative instruments,
- changes in interest rates,
- admissibility of deferred tax assets, and
- changes to the regulatory capital formulas.

Most of these factors are outside of the Company's control. The regulatory capital formulas could also be negatively affected if the NAIC, state insurance regulators or other insurance regulators change the accounting guidance for determining capital adequacy. Among other factors, rating agencies consider the level of statutory capital and surplus of our U.S. insurance subsidiaries as well as the level of a measure of GAAP capital held by the Company in determining the Company's financial strength and credit ratings. Rating agencies may implement changes to their capital formulas that have the effect of increasing the amount of capital we must hold in order to maintain our current ratings. If our capital resources are insufficient to maintain a particular rating by one or more rating agencies, we may need to raise capital through public or private equity or debt financing. If we were not to raise additional capital, either at our discretion or because we were unable to do so, our financial strength and credit ratings might be downgraded by one or more rating agencies.

Losses due to nonperformance or defaults by counterparties can have a material adverse effect on the value of our investments, reduce our profitability or sources of liquidity.

We have credit risk with counterparties associated with investments, derivatives, premiums receivable, reinsurance recoverables and indemnifications provided by third parties in connection with previous dispositions. Among others, our counterparties include issuers of fixed maturity and equity securities we hold, borrowers of mortgage loans we hold, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors. These counterparties may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, government intervention and other reasons. In addition, for exchange-traded derivatives, such as futures, options and "cleared" over-the-counter derivatives, the Company is generally exposed to the credit risk of the relevant central counterparty clearing house. Defaults by these counterparties on their obligations to us could have a material adverse effect on the value of our investments, financial condition, results of operations and liquidity. Additionally, if the underlying assets supporting the structured securities we invest in default on their payment obligations, our securities will incur losses.

The availability of reinsurance and our ability to recover under reinsurance contracts may not be sufficient to protect us against losses.

As an insurer, we frequently use reinsurance to reduce the effect of losses that may arise from, among other things, catastrophes and other risks that can cause unfavorable results of operations. In addition, our assumed reinsurance business purchases retrocessional coverage for a portion of the risks it assumes. Under these reinsurance arrangements, other insurers assume a portion of our losses and related expenses; however, we remain liable as the direct insurer on all risks reinsured. Consequently, ceded reinsurance arrangements do not eliminate our obligation to pay claims, and we are subject to our reinsurers' credit risk with respect to our ability to recover amounts due from them. The inability or unwillingness of any reinsurer or retrocessionaire to meet its financial obligations to us, including the impact of any insolvency or rehabilitation proceedings involving a reinsurer or retrocessionaire that could affect the Company's access to collateral held in trust, could have a material adverse effect on our financial condition, results of operations and liquidity.

In addition, should the availability and cost of reinsurance change materially, we may have to pay higher reinsurance costs, accept an increase in our net liability exposure, reduce the amount of business we write, or access to the extent possible other alternatives to reinsurance, such as use of the capital markets. Further, due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables will be due, it is possible that future adjustments to the Company’s reinsurance recoverables, net of the allowance, could be required, which could have a material adverse effect on the Company’s consolidated results of operations or cash flows in a particular quarterly or annual period.

Our ability to declare and pay dividends is subject to limitations.

The payment of future dividends on our capital stock is subject to the discretion of our board of directors, which considers, among other factors, our operating results, overall financial condition, credit-risk considerations and capital requirements, as well as general business and market conditions. Our board of directors may only declare such dividends out of funds legally available for such payments. Moreover, our common stockholders are subject to the prior dividend rights of any holders of depositary shares representing preferred stock then outstanding. The terms of our outstanding junior subordinated debt securities prohibit us from declaring or paying any dividends or distributions on our capital stock or purchasing, acquiring, or making a liquidation payment on such stock, if we have given notice of our election to defer interest payments and the related deferral period has not yet commenced or a deferral period is continuing.

Moreover, as a holding company that is separate and distinct from our insurance subsidiaries, we have no significant business operations of our own. Therefore, we rely on dividends from our insurance company subsidiaries and other subsidiaries as the principal source of cash flow to meet our obligations. Subsidiary dividends fund payments on our debt securities and the payment of dividends to stockholders on our capital stock. Connecticut state laws and certain other U.S. jurisdictions in which we operate limit the payment of dividends and require notice to and approval by the state insurance commissioner for the declaration or payment of dividends above certain levels. The laws and regulations of the countries in which our international insurance subsidiaries are incorporated or deemed commercially domiciled, as well as requirements of the Council of Lloyd’s, also impose limitations on the payment of dividends which, in some instances, are more restrictive. Dividends paid from our insurance subsidiaries are further dependent on their cash requirements. In addition, in the event of liquidation or reorganization of a subsidiary, prior claims of a subsidiary’s creditors may take precedence over the holding company’s right to a dividend or distribution from the subsidiary except to the extent that the holding company may be a creditor of that subsidiary. For further discussion on dividends from insurance subsidiaries, see Part II, Item 7, MD&A - Capital Resources & Liquidity.

Risks Relating to Estimates, Assumptions and Valuations

Actual results could materially differ from the analytical models we use to assist our decision making in key areas such as underwriting, pricing, capital management, reserving, investments, reinsurance and catastrophe risks.

We use models to help make decisions related to, among other things, underwriting, pricing, capital allocation, reserving, investments, reinsurance, and catastrophe risk. Both proprietary and third party models we use incorporate numerous assumptions and forecasts about the future level and variability of interest rates, capital requirements, loss frequency and severity, currency exchange rates, policyholder behavior, equity markets and inflation, among others. The models are subject to the inherent limitations of any statistical analysis as the historical internal and industry data and assumptions used in the models may not be indicative of what will happen in the future. Consequently, actual results may differ materially from our modeled results. The profitability and financial condition of the Company substantially depends on the extent to which our actual experience is consistent with assumptions we use in our models and ultimate model outputs. If, based upon these models or other factors, we misprice our products or our estimates of the risks we are exposed to prove to be materially inaccurate, our business, financial condition, results of operations or liquidity may be adversely affected.

The valuation of our securities and investments and the determination of allowances and credit losses are highly subjective and based on methodologies, estimations and assumptions that are subject to differing interpretations and market conditions.

Estimated fair values of the Company’s investments are based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. During periods of market disruption, it may be difficult to value certain of our securities if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the financial environment. In addition, there may be certain securities whose fair value is based on one or more unobservable inputs, even during normal market conditions. As a result, the determination of the fair values of these securities may include inputs and assumptions that require more estimation and management judgment and the use of complex valuation methodologies. These fair values may differ materially from the value at which the investments may be ultimately sold. Further, rapidly changing or unprecedented credit and equity market conditions could materially impact the valuation of securities and the period-to-period changes in value could vary significantly. Decreases in value could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Similarly, management’s decision on whether to record an allowance for credit loss is subject to significant judgments and assumptions regarding changes in general economic conditions, the issuer's financial condition or future recovery prospects, estimated future cash flows, the effects of changes in interest rates or credit spreads, the expected recovery period and the accuracy of third party information used in internal assessments. As a result, management’s evaluations and assessments are highly judgmental and its projections of future cash flows over the life of certain securities may ultimately prove incorrect as facts and circumstances change.

If our businesses do not perform well, we may be required to recognize an impairment of our goodwill.

Goodwill represents the excess of the amounts we paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. We test goodwill at least annually for impairment. Impairment testing is performed based upon estimates of the fair value of the “reporting unit” to which the goodwill relates. The reporting unit is the operating segment or a business one level below an operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The fair value of the reporting unit could decrease if new business, customer retention, profitability or other drivers of performance differ from expectations. If it is determined that the goodwill has been impaired, the Company must write down the goodwill by the amount of the impairment, with a corresponding charge to net income (loss). These write downs could have a material adverse effect on our results of operations or financial condition.

Strategic and Operational Risks

Our businesses may suffer and we may incur substantial costs if we are unable to access our systems and safeguard the security of our data in the event of a disaster, cyber breach or other information security incident.

We use technology to process, store, retrieve, evaluate and utilize customer and company data and information. Our information technology and telecommunications systems, in turn, interface with and rely upon third-party systems. We and our third party vendors must be able to access our systems to provide insurance quotes, process premium payments, make changes to existing policies, file and pay claims, administer mutual funds, provide customer support, manage our investment portfolios, report on financial results and perform other necessary business functions.

Systems failures or outages could compromise our ability to perform these business functions in a timely manner, which could harm our ability to conduct business and hurt our relationships with our business partners and customers. In the event of a disaster such as a natural catastrophe, a pandemic, civil unrest, an industrial accident, a cyber-attack, a blackout, a terrorist attack (including conventional, nuclear, biological, chemical or radiological) or war, systems upon which we rely may be inaccessible to our employees, customers or business partners for an extended period of time. Even if our employees and business partners are able to report to work, they may be unable to perform their duties for an extended period of time if our data or systems used to conduct our business are disabled or destroyed.

Our systems have been, and will likely continue to be, subject to viruses or other malicious codes, unauthorized access, cyber-attacks, cyber frauds or other computer related penetrations. The frequency and sophistication of such threats continue to increase as well. While, to date, The Hartford is not aware of having experienced a material breach of our cyber security systems, administrative, internal accounting and technical controls as well as other preventive actions may be insufficient to prevent physical and electronic break-ins, denial of service, cyber-attacks, business email compromises, ransomware or other security breaches to our systems or those of third parties with whom we do business. Such an event could compromise our confidential information as well as that of our clients and third parties, impede or interrupt our business operations and result in other negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation and reputational damage. In addition, we routinely transmit to third parties personal, confidential and proprietary information, which may be related to employees and customers, by email and other electronic means, along with receiving and storing such information on our systems. Although we attempt to protect privileged and confidential information, we may be unable to secure the information in all events, especially with clients, vendors, service providers, counterparties and other third parties who may not have appropriate controls to protect confidential information.

Our businesses must comply with regulations to control the privacy of customer, employee and third party data, and state, federal and international regulations regarding data privacy, including the European Union General Data Protection Regulation and California Consumer Privacy Act, are becoming increasingly more onerous. A misuse or mishandling of confidential or proprietary information could result in legal liability, regulatory action and reputational harm.

Third parties, including third party administrators and cloud-based systems, are also subject to cyber-breaches of confidential information, along with the other risks outlined above, any one of which may result in our incurring substantial costs and other negative consequences, including a material adverse effect on our business, reputation, financial condition, results of operations and liquidity. While we maintain cyber liability insurance that provides both third party liability and first party insurance coverages, our insurance may not be sufficient to protect against all loss.

Performance problems due to outsourcing and other third-party relationships may compromise our ability to conduct business.

We outsource certain business and administrative functions and rely on third-party vendors to perform certain functions or provide certain services on our behalf and have a significant number of information technology and business processes outsourced with a single vendor. If we are unable to reach agreement in the negotiation of contracts or renewals with certain third-party providers, or if such third-party providers experience disruptions or do not perform as anticipated, we may be unable to meet our obligations to customers and claimants, incur higher costs and lose business which may have a material adverse effect on our business and results of operations. For other risks associated with our outsourcing of certain functions, see the Risk Factor, "Our businesses may suffer and we may incur substantial costs if we are unable to access our systems and safeguard the security of our data in the event of a disaster, cyber breach or other information security incident."

Our ability to execute on capital management plans, expense reduction initiatives and other actions is subject to material challenges, uncertainties and risks.

The ability to execute on capital management plans is subject to material challenges, uncertainties and risks. From time to time, our capital management plans may include the repurchase of common stock, the paydown of outstanding debt or both. We may not achieve all of the benefits we expect to derive from these plans. For an equity repurchase plan approved by the Board, such capital management plan would be subject to execution risks, including, among others, risks related to market fluctuations, investor interest and potential legal constraints that could delay execution at an otherwise optimal time. There can be no assurance that we will fully execute any such plan. In addition, we may not be successful in keeping our businesses cost efficient. The Company may not be able to achieve all the revenue increases, expense reductions and other synergies that it expects to realize as a result of acquisitions, divestitures or restructurings. We may take future actions, including acquisitions, divestitures or restructurings that may involve additional uncertainties and risks that negatively impact our business, financial condition, results of operations and liquidity.

Acquisitions and divestitures may not produce the anticipated benefits and may result in unintended consequences, which could have a material adverse impact on our financial condition and results of operations.

We may not be able to successfully integrate acquired businesses or achieve the expected synergies as a result of such acquisitions or divestitures. The process of integrating an acquired company or business can be complex and costly and may create unforeseen operating difficulties including ineffective integration of underwriting, risk management, claims handling, finance, information technology and actuarial practices. Difficulties integrating an acquired business may also result in the acquired business performing differently than we expected including through the loss of customers or in our failure to realize anticipated increased premium growth or expense-related efficiencies. We could be adversely affected by the acquisition due to unanticipated performance issues and additional expense, unforeseen liabilities, transaction-related charges, downgrades of third-party rating agencies, diversion of management time and resources to integration challenges, loss of key employees, regulatory requirements, exposure to tax liabilities, amortization of expenses related to intangibles and charges for impairment of long-term assets or goodwill. In addition, we may be adversely impacted by uncertainties related to reserve estimates of the acquired company and its design and operation of internal controls over financial reporting. We may be unable to distribute as much capital to the holding company as planned due to regulatory restrictions or other reasons that may adversely affect our liquidity.

In addition, in the case of business or asset dispositions, we may have continued financial exposure to the divested businesses through reinsurance, indemnification or other financial arrangements following the transaction. We may also retain a position in securities of the acquirer that purchased the divested business, which subjects us to risks related to the price of the equity securities and our ability to monetize such securities. The expected benefits of acquired or divested businesses may not be realized and involve additional uncertainties and risks that may negatively impact our business, financial condition, results of operations and liquidity.

Difficulty in attracting and retaining talented and qualified personnel may adversely affect the execution of our business strategies.

Our ability to attract, develop and retain talented employees, managers and executives is critical to our success. There is significant competition within and outside the insurance and financial services industry for qualified employees, particularly for individuals with highly specialized knowledge in areas such as underwriting, actuarial, data and analytics, technology and digital commerce and investment management. Our continued ability to compete effectively in our businesses and to expand into new business areas depends on our ability to attract new employees and to retain and motivate our existing employees. The loss of any one or more key employees, including executives, managers and employees with strong technological, analytical and other specialized skills, may adversely impact the execution of our business objectives or result in loss of important institutional knowledge. Our inability to attract and retain key personnel could have a material adverse effect on our financial condition and results of operations.

We may not be able to protect our intellectual property and may be subject to infringement claims.

We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we use a broad range of measures to protect our intellectual property rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our intellectual property and to determine its scope, validity or enforceability, which could divert significant resources and may not prove successful. Litigation to enforce our intellectual property rights may not be successful and cost a significant amount of money. The inability to secure or enforce the protection of our intellectual property assets could harm our reputation and have a material adverse effect on our business and our ability to compete. We also may be subject to costly litigation in the event that another party alleges our operations or activities infringe upon their intellectual property rights, including patent rights, or violate license usage rights. Any such intellectual property claims and any resulting litigation could result in significant expense and liability for damages, and in some circumstances we could be enjoined from providing certain products or services to our customers, or utilizing and benefiting from certain patent, copyrights, trademarks, trade secrets or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on our business, results of operations and financial condition.

Regulatory and Legal Risks

Regulatory and legislative developments could have a material adverse impact on our business, financial condition, results of operations and liquidity.

We are subject to extensive laws and regulations that are complex, subject to change and often conflict in their approach or intended outcomes. Compliance with these laws and regulations can increase cost, affect our strategy, and constrain our ability to adequately price our products.

In the U.S., regulatory initiatives and legislative developments may significantly affect our operations and prospects in ways that we cannot predict. For example, further reforms to the Affordable Care Act, and potential modifications of the Dodd-Frank Act could have unanticipated consequences for the Company and its businesses. It is unclear whether and to what extent Congress will continue to make changes to the Dodd-Frank Act, and how those changes might impact the Company, its business, financial conditions, results of operations and liquidity.

Our U.S. insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled, licensed or authorized to conduct business. State regulations generally seek to protect the interests of policyholders rather than an insurer or the insurer's stockholders and other investors. U.S. state laws grant insurance regulatory authorities broad administrative powers with respect to, among other things, licensing and authorizing lines of business, approving policy forms and premium rates, setting statutory capital and reserve requirements, limiting the types and amounts of certain investments and restricting underwriting practices. State insurance departments also set constraints on domestic insurer transactions with affiliates and dividends and, in many cases, must approve affiliate transactions and extraordinary dividends as well as strategic transactions such as acquisitions and divestitures.

Our international insurance subsidiaries are subject to the laws and regulations of the relevant jurisdictions in which they operate, including the requirements of the Prudential Regulation Authority and the Financial Conduct Authority in the U.K; the National Bank of Belgium and the Financial Services and Markets Authority in Belgium; and the Commissariat Aux Assurances in Luxembourg. Our Lloyd's Syndicate is also subject to management and supervision by the Council of Lloyd's, which has wide discretionary powers to regulate members' underwriting at Lloyd's, as well as regulations imposed by overseas regulators where the Lloyd's Syndicate conducts business.

In addition, future regulatory initiatives could be adopted at the federal, state and international level that could impact the profitability of our businesses. For example, the NAIC and state insurance regulators are continually reexamining existing laws and regulations, specifically focusing on modifications to U.S. statutory accounting principles, interpretations of existing laws and the development of new laws and regulations. The NAIC continues to enhance the U.S. system of insurance solvency regulation, with a particular focus on group supervision, risk-based capital, accounting and financial reporting, enterprise risk management and reinsurance which could, among other things, affect statutory measures of capital sufficiency, including risk-based capital ratios.

In addition, changes in laws or regulations, particularly relating to privacy and data security and potential limitations on predictive models, such as use of certain underwriting rating variables, may materially impede our ability to execute on business strategies and/or our ability to be competitive. Any proposed or future legislation or NAIC initiatives, if adopted, may be more restrictive on our ability to conduct business than current regulatory requirements or may result in higher costs or increased statutory capital and reserve requirements. In addition, the Federal Reserve Board and the International Association of Insurance Supervisors ("IAIS") continue to advance the development of insurance group capital standards. As of January 1, 2020, the IAIS Insurance Capital Standard entered a five-year monitoring period at the end of which insurance firms are required to be in compliance with such standards. While the Company would not currently be subject to either of these capital standard regimes, it is possible that, in the future, standards similar to what is being contemplated by the Federal Reserve Board or the IAIS could apply to the Company. Working through the NAIC, U.S. state insurance regulators have developed a group capital calculation for use in solvency-monitoring activities. The calculation is intended to provide additional analytical information to the lead state for use in assessing group risks and capital adequacy to complement the current holding company analysis in the U.S. The next step is for the revised NAIC Model Act and Regulation to go to the states for adoption. The Covered Agreement between the U.S. and European Union, as well as the Covered Agreement between the U.S. and the U.K., provide a 60-month period (expiring September 22, 2022) for the U.S. to implement a "worldwide group capital calculation" for U.S. groups. If this deadline is not met, European Union member states and the U.K. each could potentially subject U.S. groups doing business in the EU and the U.K. to their own group supervision requirements, possibly including imposition of Solvency II's group capital standard.

Further, a particular regulator or enforcement authority may interpret a legal, accounting, or reserving issue differently than we have, exposing us to different or additional regulatory risks. The application of these regulations and guidelines by insurers involves interpretations and judgments that may be challenged by state insurance departments and other regulators. The result of those potential challenges could require us to increase levels of regulatory capital and reserves or incur higher operating and/or tax costs.

In addition, our asset management businesses are also subject to extensive regulation in the various jurisdictions where they operate. These laws and regulations are primarily intended to protect investors in the securities markets or investment advisory clients and generally grant supervisory authorities broad administrative powers. Compliance with these laws and regulations is costly, time consuming and personnel intensive, and may have an adverse effect on our business, financial condition, results of operations and liquidity.

Our insurance business is sensitive to significant changes in the legal environment that could adversely affect The Hartford’s results of operations or financial condition or harm its businesses.

Like any major P&C insurance company, litigation is a routine part of The Hartford’s business - both in defending and indemnifying our insureds and in litigating insurance coverage disputes. The Hartford accounts for such activity by establishing unpaid loss and loss adjustment expense reserves. Significant changes in the legal environment could cause our ultimate liabilities to change from our current expectations. Such changes could be judicial in nature, like trends in the size of jury awards, developments in the law relating to tort liability or the liability of insurers, and rulings concerning the scope of insurance coverage or the amount or types of damages covered by insurance. In addition, changes in federal or state laws and regulations relating to the liability of insurers or policyholders, including state laws expanding “bad faith” liability and state “reviver” statutes, extending statutes of limitations for certain sexual molestation and sexual abuse claims, could result in changes in business practices, additional litigation, or could result in unexpected losses, including increased frequency and severity of claims. It is impossible to forecast such changes reliably, much less to predict how they might affect our loss reserves or how those changes might adversely affect our ability to price our insurance products appropriately. Thus, significant judicial or legislative developments could adversely affect The Hartford’s business, financial condition, results of operations and liquidity.

Changes in federal, state or foreign tax laws could adversely affect our business, financial condition, results of operations and liquidity.

Changes in federal, state or foreign tax laws and tax rates or regulations could have a material adverse effect on our profitability and financial condition. The Company’s federal and state tax returns reflect certain items such as tax-exempt bond interest, tax credits, and insurance reserve deductions. There is an increasing risk that, in the context of deficit reduction or overall tax reform in the U.S., federal and/or state tax legislation could modify or eliminate these items, impacting the Company, its investments, investment strategies, and/or its policyholders. In addition, the Organization for Economic Co-operation and Development’s efforts around Global Pillars I and II dealing with possible new digital taxes and global minimum taxes, if enacted, could increase the Company’s overall tax burden, adversely affecting the Company’s business, financial condition and results of operation.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the "Tax Cuts and Jobs Act" ("TCJA"). There is a risk that Congress could enact future legislation that may change or eliminate the provisions of TCJA or affect how the provisions apply to the Company including a corporate tax rate increase or other changes that may affect the manner in which insurance companies are taxed. Moreover we could continue to see states enact changes to their tax laws including the state impacts of TCJA, such as limitations on interest deductions and income earned by foreign affiliates, which, in turn, could adversely affect the Company's business and financial results. Among other risks, there is risk that these additional clarifications could increase taxes on the Company, further increase administrative costs, make the sale of our products more costly and/or make our products less competitive.

Regulatory requirements could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Prior to granting approval of an application to acquire control of a domestic insurer, the state insurance commissioner will consider such factors as the financial strength of the applicant, the acquirer's plans for the future operations of the domestic insurer, and any such additional information as the insurance commissioner may deem necessary or appropriate for the protection of policyholders or in the public interest. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of the domestic insurer or its parent company. Because a person acquiring 10 percent or more of our common stock would indirectly control the same percentage of the stock of our U.S. insurance subsidiaries, the insurance change of control laws of various U.S. jurisdictions would likely apply to such a transaction. Other laws or required approvals pertaining to one or more of our existing subsidiaries, or a future subsidiary, may contain similar or additional restrictions on the acquisition of control of the Company. These laws and similar rules applying to subsidiaries domiciled outside of the United States may discourage potential acquisition proposals and may delay, deter, or prevent a change of control, including transactions that our Board of Directors and some or all of our stockholders might consider to be desirable.

Changes in accounting principles and financial reporting requirements could adversely affect our results of operations or financial condition.

As an SEC registrant, we are currently required to prepare our financial statements in accordance with U.S. GAAP, as promulgated by the Financial Accounting Standards Board ("FASB"). Accordingly, we are required to adopt new guidance or interpretations which may have a material effect on our results of operations and financial condition that is either unexpected or has a greater impact than expected. For a description of changes in accounting standards that are currently pending and, if known, our estimates of their expected impact, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to the Consolidated Financial Statements.

Item 2. PROPERTIES

As of December 31, 2020, The Hartford owned building space totaling approximately 1.8 million square feet consisting principally of 1.77 million square feet for its home office complex in Hartford, Connecticut and other properties within the greater Hartford, Connecticut area, and approximately 22 thousand square feet in Belgium. In addition, we lease offices throughout North America, Europe and other overseas locations to house administrative, claims handling, sales and other business operations. As of December 31, 2020, The Hartford leased approximately 1.5 million square feet throughout North America, 22 thousand square feet in London and 11 thousand square feet in other overseas and European branches. All of the properties owned or leased are used by one or more of all five reporting segments, depending on the location. For more information on reporting segments, see Part I, Item 1, Business Reporting Segments. The Company believes its properties and facilities are suitable and adequate for current operations.

Item 3. LEGAL PROCEEDINGS

For a discussion regarding The Hartford’s legal proceedings, see the information contained under “Litigation,” including “COVID-19 Pandemic Business Income Insurance Coverage Litigation” and “Asbestos and Environmental Claims,” in Note 15 - Commitments and Contingencies of the Notes to Consolidated Financial Statements.

Item 5. MARKET FOR THE HARTFORD’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Hartford’s common stock is traded on the New York Stock Exchange (“NYSE”) under the trading symbol “HIG”. As of February 18, 2021, the Company had approximately 10,150 registered holders of record of the Company's common stock. A substantially greater number of holders of our common stock are “street name” holders or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

The Hartford's cash dividends paid on common stock and expected payment of future cash dividends are discussed in the Summary of Capital Resources and Liquidity and Liquidity Requirements and Sources of Capital - Dividends sections of Part II, Item 7, MD&A — Capital Resources and Liquidity.

For information related to securities authorized for issuance under equity compensation plans, see Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The Company did not repurchase any shares during the three months ended December 31, 2020.

In December 2020, the Company announced a $1.5 billion share repurchase authorization by the Board of Directors which is effective from January 1, 2021 through December 31, 2022. During the period from January 1, 2021 through February 18, 2021, the Company repurchased 1.1 million shares for $56. The Company's prior share repurchase program, which was authorized by the Board of Directors in February 2019, expired on December 31, 2020. The timing of any future repurchases will be dependent upon several factors, including the market price of the Company's securities, the Company's capital position, consideration of the effect of any repurchases on the Company's financial strength or credit ratings, and other considerations.

Total Return to Stockholders

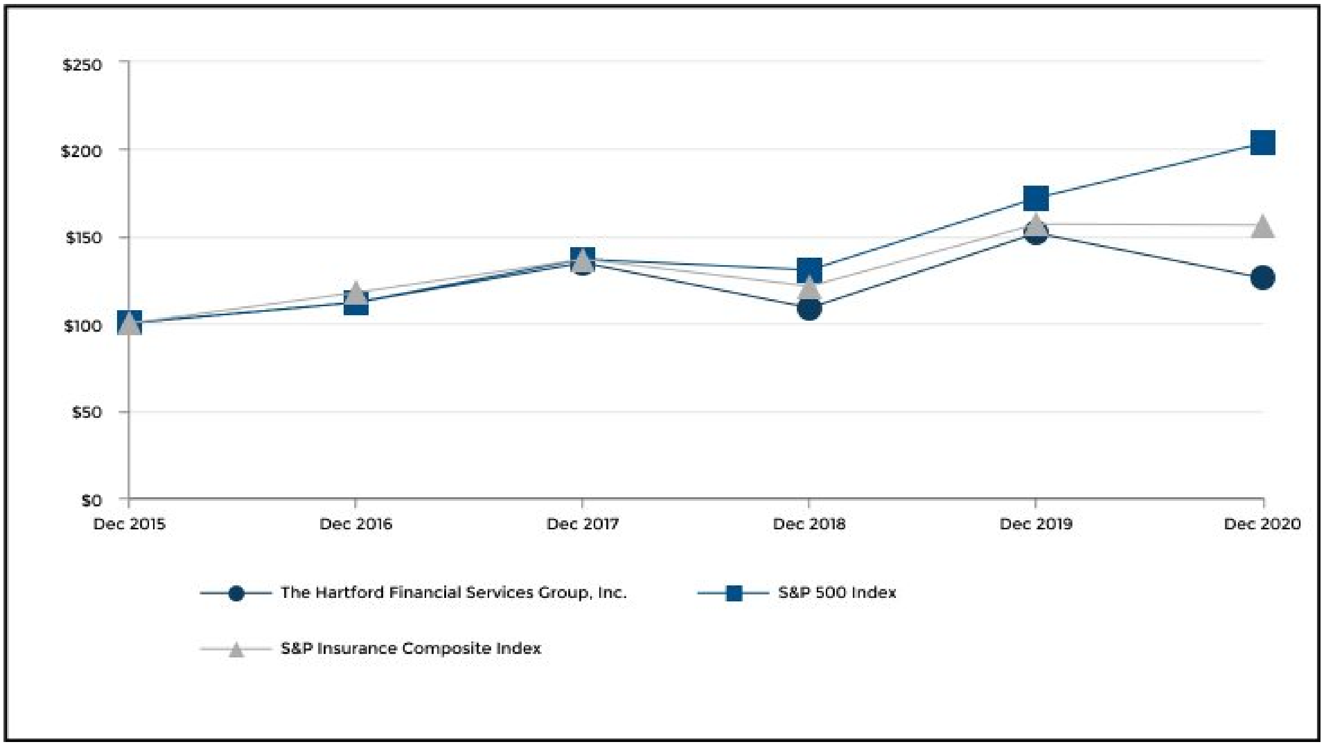
The following tables present The Hartford’s annual return percentage and five-year total return on its common stock including reinvestment of dividends in comparison to the S&P 500 and the S&P Insurance Composite Index.

Annual Return Percentage

	For the years ended				
Company/Index	**2016**	**2017**	**2018**	**2019**	**2020**
The Hartford Financial Services Group, Inc.	11.81 %	20.25 %	(19.24 %)	39.71 %	(16.98 %)
S&P 500 Index	11.96 %	21.83 %	(4.38 %)	31.49 %	18.40 %
S&P Insurance Composite Index	17.58 %	16.19 %	(11.21 %)	29.38 %	(0.44 %)

Cumulative Five-Year Total Return

Company/Index	Base Period 2015	For the years ended 2016	2017	2018	2019	2020
The Hartford Financial Services Group, Inc.	$ 100	$ 111.81	$ 134.45	$ 108.58	$ 151.70	$ 125.94
S&P 500 Index	$ 100	$ 111.96	$ 136.40	$ 130.42	$ 171.49	$ 203.04
S&P Insurance Composite Index	$ 100	$ 117.58	$ 136.62	$ 121.31	$ 156.95	$ 156.26



Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in millions, except for per share data, unless otherwise stated)

The Hartford provides projections and other forward-looking information in the following discussions, which contain many forward-looking statements, particularly relating to the Company’s future financial performance. These forward-looking statements are estimates based on information currently available to the Company, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to the cautionary statements set forth on pages 4 and 5 of this Form 10-K. Actual results are likely to differ, and in the past have differed, materially from those forecast by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in the following discussion and in Part I, Item 1A, Risk Factors, and those identified from time to time in our other filings with the Securities and Exchange Commission. The Hartford undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

On September 30, 2020, the Company entered into a definitive agreement to sell all of the issued and outstanding equity of Navigators Holdings (Europe) N.V., a Belgium holding company, and its subsidiaries, Bracht, Deckers & Mackelbert N.V. (“BDM”) and Assurances Contintales Contintale Verzekeringen N.V. (“ASCO”), (collectively referred to as "Continental Europe Operations").

On May 23, 2019, the Company completed the acquisition of Navigators Group, a specialty underwriter.

For discussion of acquisitions, dispositions and reclassifications, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements.

The Hartford defines increases or decreases greater than or equal to 200% as “NM” or not meaningful.

For discussion of the earliest of the three years included in the financial statements of the current filing, refer to Part 2, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in The Hartford’s 2019 Form 10-K Annual Report.

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Throughout the MD&A, we use certain terms and abbreviations, the more commonly used are summarized in the Acronyms section.

KEY PERFORMANCE MEASURES AND RATIOS

The Company considers the measures and ratios in the following discussion to be key performance indicators for its businesses. Management believes that these ratios and measures are useful in understanding the underlying trends in The Hartford’s businesses. However, these key performance indicators should only be used in conjunction with, and not in lieu of, the results presented in the segment discussions that follow in this MD&A. These ratios and measures may not be comparable to other performance measures used by the Company’s competitors.

Definitions of Non-GAAP and Other Measures and Ratios

Assets Under Management (“AUM”)- Include mutual fund and ETP assets. AUM is a measure used by the Company's Hartford Funds segment because a significant portion of the Company’s mutual fund and ETP revenues are based upon asset values. These revenues increase or decrease with a rise or fall in AUM whether caused by changes in the market or through net flows.

Book Value per Diluted Share (excluding AOCI)- This is a non-GAAP per share measure that is calculated by dividing (a) common stockholders' equity, excluding AOCI, after tax, by (b) common shares outstanding and dilutive potential common shares. The Company provides this measure to enable investors to analyze the amount of the Company's net worth that is primarily attributable to the Company's business operations. The Company believes that excluding AOCI from the numerator is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period, primarily based on changes in interest rates. Book value per diluted share is the most directly comparable U.S. GAAP measure.

Combined Ratio- The sum of the loss and loss adjustment expense ratio, the expense ratio and the policyholder dividend ratio. This ratio is a relative measurement that describes the related cost of losses and expenses for every $100 of earned premiums. A combined ratio below 100 demonstrates underwriting profit; a combined ratio above 100 demonstrates underwriting losses.

Core Earnings- The Hartford uses the non-GAAP measure core earnings as an important measure of the Company’s operating performance. The Hartford believes that core earnings provides investors with a valuable measure of the performance of the Company’s ongoing businesses because it reveals trends in our insurance and financial services businesses that may be obscured by including the net effect of certain items. Therefore, the following items are excluded from core earnings:

- Certain realized capital gains and losses - Some realized capital gains and losses are primarily driven by investment decisions and external economic developments, the nature and timing of which are unrelated to the insurance and underwriting aspects of our business. Accordingly, core earnings excludes the effect of all realized gains and losses that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so core earnings includes net realized gains and losses such as net periodic settlements on credit derivatives. These net realized gains and losses are directly related to an offsetting item included in the income statement such as net investment income.
- Restructuring and other costs - Costs incurred as part of a restructuring plan are not a recurring operating expense of the business.
- Loss on extinguishment of debt - Largely consisting of make-whole payments or tender premiums upon paying debt off before maturity, these losses are not a recurring operating expense of the business.
- Gains and losses on reinsurance transactions - Gains or losses on reinsurance, such as those entered into upon sale of a business or to reinsure loss reserves, are not a recurring operating expense of the business.
- Integration and transaction costs in connection with an acquired business - As transaction costs are incurred upon acquisition of a business and integration costs are completed within a short period after an acquisition, they do not represent ongoing costs of the business.
- Change in loss reserves upon acquisition of a business - These changes in loss reserves are excluded from core earnings because such changes could obscure the ability to compare results in periods after the acquisition to results of periods prior to the acquisition.
- Deferred gain resulting from retroactive reinsurance and subsequent changes in the deferred gain - Retroactive reinsurance agreements economically transfer risk to the reinsurers and including the full benefit from retroactive reinsurance in core earnings provides greater insight into the economics of the business.
- Change in valuation allowance on deferred taxes related to non-core components of pre-tax income - These changes in valuation allowances are excluded from core earnings because they relate to non-core components of pre-tax income, such as tax attributes like capital loss carryforwards.
- Results of discontinued operations - These results are excluded from core earnings for businesses sold or held for sale because such results could obscure the ability to compare period over period results for our ongoing businesses.

In addition to the above components of net income available to common stockholders that are excluded from core earnings, preferred stock dividends declared, which are excluded from net income available to common stockholders, are included in the determination of core earnings. Preferred stock dividends are a cost of financing more akin to interest expense on debt and are expected to be a recurring expense as long as the preferred stock is outstanding.

Net income (loss) and net income (loss) available to common stockholders are the most directly comparable U.S. GAAP measures to core earnings. Core earnings should not be considered as a substitute for net income (loss) or net income (loss) available to common stockholders and does not reflect the overall profitability of the Company's business. Therefore, The Hartford believes that it is useful for investors to evaluate net income (loss), net income (loss) available to common stockholders, and core earnings when reviewing the Company's performance.

Reconciliation of Net Income to Core Earnings

	For the years ended December 31,		
	2020	2019	2018
Net income	**$ 1,737**	**$ 2,085**	**$ 1,807**
Preferred stock dividends	21	21	6
Net income available to common stockholders	**$ 1,716**	**$ 2,064**	**$ 1,801**
Adjustments to reconcile net income available to common stockholders to core earnings:			
Net realized capital losses (gains) excluded from core earnings, before tax	18	(389)	118
Restructuring and other costs, before tax	104	—	—
Loss on extinguishment of debt, before tax	—	90	6
Loss on reinsurance transactions, before tax	—	91	—
Pension settlement, before tax	—	—	—
Integration and transaction costs associated with acquired business, before tax	51	91	47
Change in loss reserves upon acquisition of a business, before tax	—	97	—
Change in deferred gain on retroactive reinsurance, before tax	312	16	—
Income tax expense (benefit)	(115)	2	(75)
Loss (income) from discontinued operations, net of tax	—	—	(322)
Core earnings	**$ 2,086**	**$ 2,062**	**$ 1,575**

Core Earnings Margin- The Hartford uses the non-GAAP measure core earnings margin to evaluate, and believes it is an important measure of, the Group Benefits segment's operating performance. Core earnings margin is calculated by dividing core earnings by revenues, excluding buyouts and realized gains (losses). Net income margin, calculated by dividing net income by revenues, is the most directly comparable U.S. GAAP measure. The Company believes that core earnings margin provides investors with a valuable measure of the performance of Group Benefits because it reveals trends in the business that may be obscured by the effect of buyouts and realized gains (losses) as well as other items excluded in the calculation of core earnings. Core earnings margin should not be considered as a substitute for net income margin and does not reflect the overall profitability of Group Benefits. Therefore, the Company believes it is important for investors to evaluate both core earnings margin and net income margin when reviewing performance. A reconciliation of net income margin to core earnings margin is set forth in the Results of Operations section within MD&A - Group Benefits.

Current Accident Year Catastrophe Ratio- A component of the loss and loss adjustment expense ratio, represents the ratio of catastrophe losses incurred in the current accident year (net of reinsurance) to earned premiums. For U.S. events, a catastrophe is an event that causes $25 or more in industry insured property losses and affects a significant number of property and casualty policyholders and insurers, as defined by the Property Claim Services office of Verisk. For international events, the Company's approach is similar, informed, in part, by how Lloyd's defines catastrophes. Lloyd's is an insurance market-place operating worldwide. Lloyd's does not underwrite risks. The Company accepts risks as the sole member of its Lloyd's Syndicate. The current accident year catastrophe ratio includes the effect of catastrophe losses, but does not include the effect of reinstatement premiums.

Expense Ratio- For the underwriting segments of Commercial Lines and Personal Lines is the ratio of underwriting expenses less fee income, to earned premiums. Underwriting expenses include the amortization of deferred policy acquisition costs ("DAC") and insurance operating costs and expenses, including certain centralized services costs and bad debt expense. DAC include commissions, taxes, licenses and fees and other incremental direct underwriting expenses and are amortized over the policy term.

The expense ratio for Group Benefits is expressed as the ratio of insurance operating costs and other expenses including amortization of intangibles and amortization of DAC, to premiums and other considerations, excluding buyout premiums.

The expense ratio for Commercial Lines, Personal Lines and Group Benefits does not include integration and other transaction costs associated with an acquired business.

Fee Income- Is largely driven from amounts earned as a result of contractually defined percentages of assets under management in our Hartford Funds business. These fees are generally earned on a daily basis. Therefore, the growth in assets under management either through positive net flows or favorable market performance will have a favorable impact on fee income. Conversely, either negative net flows or unfavorable market performance will reduce fee income.

Gross New Business Premium- Represents the amount of premiums charged, before ceded reinsurance, for policies issued to customers who were not insured with the Company in the previous policy term. Gross new business premium plus gross renewal written premium less ceded reinsurance equals total written premium.

Loss and Loss Adjustment Expense Ratio- A measure of the cost of claims incurred in the calendar year divided by earned premium and includes losses and loss adjustment expenses incurred for both the current and prior accident years. Among other factors, the loss and loss adjustment expense ratio needed for the Company to achieve its targeted ROE fluctuates from year to year based on changes in the expected investment yield over the claim settlement period, the timing of expected claim settlements and the targeted returns set by management based on the competitive environment.

The loss and loss adjustment expense ratio is affected by claim frequency and claim severity, particularly for shorter-tail property lines of business, where the emergence of claim frequency and severity is credible and likely indicative of ultimate losses. Claim frequency represents the percentage change in the average number of reported claims per unit of exposure in the current accident year compared to that of the previous accident year. Claim severity represents the percentage change in the estimated average cost per claim in the current accident year compared to that of the previous accident year. As one of the factors used to determine pricing, the Company's practice is to first make an overall assumption about claim frequency and severity for a given line of business and then, as part of the rate-making process, adjust the assumption as appropriate for the particular state, product or coverage.

Loss and Loss Adjustment Expense Ratio before Catastrophes and Prior Accident Year Development- A measure of the cost of non-catastrophe loss and loss adjustment expenses incurred in the current accident year divided by earned premiums. Management believes that the current accident year loss and loss adjustment expense ratio before catastrophes is a performance measure that is useful to investors as it removes the impact of volatile and unpredictable catastrophe losses and prior accident year development.

Loss Ratio, excluding Buyouts- Utilized for the Group Benefits segment and is expressed as a ratio of benefits, losses and loss adjustment expenses, excluding those related to buyout premiums, to premiums and other considerations, excluding buyout premiums. Since Group Benefits occasionally buys a block of claims for a stated premium amount, the Company excludes this buyout from the loss ratio used for evaluating the profitability of the business as buyouts may distort the loss ratio. Buyout premiums represent takeover of open claim liabilities and other non-recurring premium amounts.

Mutual Fund and Exchange-Traded Product Assets- Are owned by the shareholders of those products and not by the Company and, therefore, are not reflected in the Company's Consolidated Financial Statements except in instances where the Company seeds new investment products and holds an investment in the fund for a period of time. Mutual fund and ETP assets are a measure used by the Company primarily because a significant portion of the Company's Hartford Funds segment revenues are based upon asset values. These revenues increase or decrease with a rise or fall in AUM whether caused by changes in the market or through net flows.

Net New Business Premium- Represents the amount of premiums charged, after ceded reinsurance, for policies issued to customers who were not insured with the Company in the previous policy term. Net new business premium plus renewal written premium equals total written premium.

Policies in Force- Represents the number of policies with coverage in effect as of the end of the period. The number of policies in force is a growth measure used for Personal Lines and standard commercial lines (small commercial and middle market lines within middle & large commercial) within Commercial Lines and is affected by both new business growth and policy count retention.

Premium Retention- Represents renewal premium written in the current period divided by total premium written in the prior period.

Policy Count Retention- Represents the ratio of the number of policies renewed during the period divided by the number of policies available to renew. The number of policies available to renew represents the number of policies, net of any cancellations, written in the previous policy term. Policy count retention is affected by a number of factors, including the percentage of renewal policy quotes accepted and decisions by the Company to non-renew policies because of specific policy underwriting concerns or because of a decision to reduce premium writings in certain classes of business or states. Policy count retention is also affected by advertising and rate actions taken by competitors.

Policyholder Dividend Ratio- The ratio of policyholder dividends to earned premium.

Prior Accident Year Loss and Loss Adjustment Expense Ratio- Represents the increase (decrease) in the estimated cost of settling catastrophe and non-catastrophe claims incurred in prior accident years as recorded in the current calendar year divided by earned premiums.

Reinstatement Premiums- Represents additional ceded premium paid for the reinstatement of the amount of reinsurance coverage that was reduced as a result of the Company ceding losses to reinsurers.

Renewal Earned Price Increase (Decrease)- Written premiums are earned over the policy term, which is six months for certain Personal Lines automobile business and twelve months for substantially all of the remainder of the Company's Property and Casualty business. Since the Company earns premiums over the six to twelve month term of the policies, renewal earned price increases (decreases) lag renewal written price increases (decreases) by six to twelve months.

Renewal Written Price Increase (Decrease)-For Commercial Lines, represents the combined effect of rate changes, amount of insurance and individual risk pricing decisions per unit of exposure on commercial lines policies that renewed. For Personal Lines, renewal written price increases represent the total change in premium per policy since the prior year on those policies that renewed and includes the combined effect of rate changes, amount of insurance and other changes in exposure. For Personal Lines, other changes in exposure include, but are not limited to, the effect of changes in number of drivers, vehicles and incidents, as well as changes in customer policy elections, such as deductibles and limits. The rate component represents the change in rate filed with and approved by state regulators during the period and the amount of insurance represents the change in the value of the rating base, such as model year/vehicle symbol for automobiles, building replacement costs for property and wage inflation for workers' compensation. A number of factors affect renewal written price increases (decreases) including expected loss costs as projected by the Company's pricing actuaries, rate filings approved by state regulators, risk selection decisions made by the Company's underwriters and marketplace competition. Renewal written price changes reflect the property and casualty insurance market cycle. Prices tend to increase for a particular line of business when insurance carriers have incurred significant losses in that line of business in the recent past or the industry as a whole commits less of its capital to writing exposures in that line of business. Prices tend to decrease when recent loss experience has been favorable or when competition among insurance carriers increases. Renewal written price statistics are subject to change from period to period, based on a number of factors, including changes in actuarial estimates and the effect of subsequent cancellations and non-renewals, and modifications made to better reflect ultimate pricing achieved.

Return on Assets ("ROA"), Core Earnings- The Company uses this non-GAAP financial measure to evaluate, and believes is an important measure of, the Hartford Funds segment's operating performance. ROA, core earnings is calculated by dividing annualized core earnings by a daily average AUM. ROA is the most directly comparable U.S. GAAP measure. The Company believes that ROA, core earnings, provides investors with a valuable measure of the performance of the Hartford Funds segment because it reveals trends in our business that may be obscured by the effect of items excluded in the calculation of core earnings. ROA, core earnings, should not be considered as a substitute for ROA and does not reflect the overall profitability of our Hartford Funds business. Therefore, the Company believes it is important for investors to evaluate both ROA, and ROA, core earnings when reviewing the Hartford Funds segment performance. A reconciliation of ROA to ROA, core earnings is set forth in the Results of Operations section within MD&A - Hartford Funds.

Underlying Combined Ratio-This non-GAAP financial measure of underwriting results represents the combined ratio before catastrophes, prior accident year development and current accident year change in loss reserves upon acquisition of a business. Combined ratio is the most directly comparable GAAP measure. The underlying combined ratio represents the combined ratio for the current accident year, excluding the impact of current accident year catastrophes and current accident year change in loss reserves upon acquisition of a business. The Company believes this ratio is an important measure of the trend in profitability since it removes the impact of volatile and unpredictable catastrophe losses and prior accident year loss and loss adjustment expense reserve development. The changes to loss reserves upon acquisition of a business are excluded from underlying combined ratio because such changes could obscure the ability to compare results in periods after the acquisition to results of periods prior to the acquisition as such trends are valuable to our investors' ability to assess the Company's financial performance. A reconciliation of combined ratio to underlying combined ratio is set forth in the Results of Operations section within MD&A - Commercial Lines and Personal Lines.

Underwriting Gain (Loss)- The Hartford's management evaluates profitability of the Commercial and Personal Lines segments primarily on the basis of underwriting gain or loss. Underwriting gain (loss) is a before tax non-GAAP measure that represents earned premiums less incurred losses, loss adjustment expenses and underwriting expenses. Net income (loss) is the most directly comparable GAAP measure. Underwriting gain (loss) is influenced significantly by earned premium growth and the adequacy of The Hartford's pricing. Underwriting profitability over time is also greatly influenced by The Hartford's underwriting discipline, as management strives to manage exposure to loss through favorable risk selection and diversification, effective management of claims, use of reinsurance and its ability to manage its expenses. The Hartford believes that the measure underwriting gain (loss) provides investors with a valuable measure of profitability, before tax, derived from underwriting activities, which are managed separately from the Company's investing activities.

Reconciliation of Net Income to Underwriting Gain (Loss)

	For the years ended December 31,		
	2020	2019	2018
Commercial Lines			
Net income	$ 856	$ 1,192	$ 1,212
Adjustments to reconcile net income to underwriting gain (loss):			
Net servicing income	(4)	(2)	(2)
Net investment income	(1,160)	(1,129)	(997)
Net realized capital losses (gains)	60	(271)	43
Other expense	35	38	2
Loss on reinsurance transaction	—	91	—
Income tax expense	176	270	267
Underwriting gain (loss)	$ (37)	$ 189	$ 525
Personal Lines			
Net income (loss)	$ 718	$ 318	$ (32)
Adjustments to reconcile net income to underwriting gain (loss):			
Net servicing income	(14)	(13)	(16)
Net investment income	(157)	(179)	(155)
Net realized capital losses (gains)	5	(43)	7
Other expense	1	1	1
Income tax expense (benefit)	184	76	(19)
Underwriting gain (loss)	$ 737	$ 160	$ (214)
P&C Other Ops			
Net Income	$ (168)	$ 61	$ 15
Adjustments to reconcile net income to underwriting gain (loss):			
Net investment income	(55)	(84)	(90)
Net realized capital losses (gains)	1	(20)	4
Other expense (income)	(1)	—	1
Income tax expense (benefit)	(46)	12	(7)
Underwriting loss	$ (269)	$ (31)	$ (77)

Written and Earned Premiums- Written premium represents the amount of premiums charged for policies issued, net of reinsurance, during a fiscal period. Premiums are considered earned and are included in the financial results principally on a pro rata basis over the policy period. Management believes that written premium is a performance measure that is useful to investors as it reflects current trends in the Company's sale of property and casualty insurance products. Written and earned premium are recorded net of ceded reinsurance premium.

Traditional life and disability insurance type products, such as those sold by Group Benefits, collect premiums from policyholders in exchange for financial protection for the policyholder from a specified insurable loss, such as death or disability. These premiums, together with net investment income earned, are used to pay the contractual obligations under these insurance contracts. Two major factors, new sales and persistency, impact premium growth. Sales can increase or decrease in a given year based on a number of factors including, but not limited to, customer demand for the Company's product offerings, pricing competition, distribution channels and the Company's reputation and ratings. Persistency refers to the percentage of premium remaining in-force from year-to-year.

THE HARTFORD'S OPERATIONS

The Hartford conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Hartford Funds, as well as a Corporate category. The Company includes in the Corporate category reserves for run-off structured settlement and terminal funding agreement liabilities, restructuring costs, capital raising activities (including equity financing, debt financing and related interest expense), transaction expenses incurred in connection with an acquisition, purchase accounting adjustments related to goodwill, and other expenses not allocated to the reporting segments. Corporate also includes investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution Life, Inc. and its subsidiaries ("Talcott Resolution").

Talcott Resolution is the holding company of the life and annuity business that was sold in May 2018. In addition, Corporate includes a 9.7% ownership interest in the legal entity that acquired the life and annuity business sold.

The Company derives its revenues principally from: (a) premiums earned for insurance coverage provided to insureds; (b) management fees on mutual fund and ETP assets; (c) net investment income; (d) fees earned for services provided to third parties; and (e) net realized capital gains and losses. Premiums charged for insurance coverage are earned principally on a pro rata basis over the terms of the related policies in-force.

The profitability of the Company's property and casualty insurance businesses over time is greatly influenced by the Company’s underwriting discipline, which seeks to manage exposure to loss through favorable risk selection and diversification, its management of claims, its use of reinsurance, the size of its in force block, actual mortality and morbidity experience, and its ability to manage its expense ratio which it accomplishes through economies of scale and its management of acquisition costs and other underwriting expenses. Pricing adequacy depends on a number of factors, including the ability to obtain regulatory approval for rate changes, proper evaluation of underwriting risks, the ability to project future loss cost frequency and severity based on historical loss experience adjusted for known trends, the Company’s response to rate actions taken by competitors, its expense levels and expectations about regulatory and legal developments. The Company seeks to price its insurance policies such that insurance premiums and future net investment income earned on premiums received will cover underwriting expenses and the ultimate cost of paying claims reported on the policies and provide for a profit margin. For many of its insurance products, the Company is required to obtain approval for its premium rates from state insurance departments and the Lloyd's Syndicate's ability to write business is subject to Lloyd's approval for its premium capacity each year. Most of Personal Lines written premium is associated with our exclusive licensing agreement with AARP. This agreement provides an important competitive advantage given the size of the 50 plus population and the strength of the AARP brand. During the second quarter of 2020, the Company extended this agreement through December 31, 2032.

Similar to property and casualty, profitability of the group benefits business depends, in large part, on the ability to evaluate and price risks appropriately and make reliable estimates of mortality, morbidity, disability and longevity. To manage the pricing risk, Group Benefits generally offers term insurance policies, allowing for the adjustment of rates or policy terms in order to minimize the adverse effect of market trends, loss costs, declining interest rates and other factors. However, as policies are typically sold with rate guarantees of up to three years, pricing for the Company’s products could prove to be inadequate if loss and expense trends emerge adversely during the rate guarantee period or if investment returns are lower than expected at the time the products were sold. For some of its products, the Company is required to obtain approval for its premium rates from state insurance departments. New and renewal business for group benefits business, particularly for long-term disability, are priced using an assumption about expected investment yields over time. While the Company employs asset-liability duration matching strategies to mitigate risk and may use interest-rate sensitive derivatives to hedge its exposure in the Group Benefits investment portfolio, cash flow patterns related to the payment of benefits and claims are uncertain and actual investment yields could differ significantly from expected investment yields, affecting profitability of the business. In addition to appropriately evaluating and pricing risks, the profitability of the Group Benefits business depends on other factors, including the Company’s response to pricing decisions and other actions taken by competitors, its ability to offer voluntary products and self-service capabilities, the persistency of its sold business and its ability to manage its expenses which it seeks to achieve through economies of scale and operating efficiencies.

The financial results of the Company’s mutual fund and ETP businesses depend largely on the amount of assets under management and the level of fees charged based, in part, on asset share class and product type. Changes in assets under management are driven by the two main factors of net flows and the market return of the funds, which are heavily influenced by the return realized in the equity and bond markets. Net flows are comprised of new sales less redemptions by mutual fund and ETP shareholders. Financial results are highly correlated to the growth in assets under management since these products generally earn fee income on a daily basis.

The investment return, or yield, on invested assets is an important element of the Company’s earnings since insurance products are priced with the assumption that premiums received can be invested for a period of time before benefits, losses and loss adjustment expenses are paid. Due to the need to maintain sufficient liquidity to satisfy claim obligations, the majority of the Company’s invested assets have been held in available-for-sale securities, including, among other asset classes, corporate bonds, municipal bonds, government debt, short-term debt, mortgage-backed securities, asset-backed securities and collateralized loan obligations. The primary investment objective for the Company is to maximize economic value, consistent with acceptable risk parameters, including the management of credit risk and interest rate sensitivity of invested assets, while generating sufficient net of tax income to meet policyholder and corporate obligations. Investment strategies are developed based on a variety of factors including business needs, regulatory requirements and tax considerations.

Impact of COVID-19 on our financial condition, results of operations and liquidity

Impact to revenues

Earned premiums

The COVID-19 pandemic has caused significant disruption to the economy of the U.S. and other countries in which we operate. Due to government restrictions that have prevented some businesses from offering goods and services to their customers and due to shelter-in-place guidelines that have reduced business activity, many of our customers, especially small businesses, have had to curtail their operations or have found they are unable to meet cash flow needs due to declining business volume, causing some to lay off workers. As one of the largest providers of small business insurance in the U.S., in 2020, we experienced a 3% year over year decline in our small commercial written premium although trends improved in the second half of 2020. In addition to the expected decline in small commercial written and earned premium, other business lines in Commercial Lines have also been negatively affected due to government-mandated restrictions and stay-at-home guidelines reducing business activity and due to consumers having less disposable income or less willingness to spend on the products and services that our commercial lines policyholders sell. Excluding the effect of the Navigators acquisition, Commercial Lines written premium declined $290, or 4%, year over year driven by lower new business and due to endorsements or other changes to in-force policies that decrease premiums to reflect reduced exposures.

Within Commercial Lines, workers' compensation written premium declined year over year, partly due to declining payrolls as a result of the economic effects of COVID-19.

Contributing to a 6% decline in Personal Lines written premium in 2020 was the effect of increased shopping behaviors, and lower new business levels arising out of the competitive marketplace. In addition, The Hartford provided a 15 percent refund on policyholders' April, May and June personal automobile insurance premiums which reduced Personal Lines written and earned premiums by $81 in the second quarter of 2020. In Group Benefits, fully insured ongoing premium decreased 2% in 2020 resulting primarily from lower insured exposure on in-force policies. Because of the economic stress caused by COVID-19, we also experienced a higher amount of uncollectible premiums receivable in 2020. As a result, to reflect our higher expectation of credit losses, The Hartford increased its allowance for credit losses ("ACL") on premiums receivable by $40 in the twelve months ended December 31, 2020.

Net investment income and realized capital gains (losses)

Total net investment income decreased in 2020 primarily due to a lower yield on fixed maturity investments resulting from lower reinvestment rates and lower yields on floating rate securities, partially offset by a higher level of invested assets, due in part to the acquisition of Navigators Group. In an effort to stimulate the economy, central banks have reduced benchmark interest rates to near zero, impacting our yields on floating rate securities and reinvestment rates. From late March to mid-May, 2020, the Company temporarily reinvested receipts of interest and proceeds from maturing fixed maturity investments in liquid, short-term investments. While the Company resumed investing in fixed maturities in May, 2020, lower interest rates since the pandemic began have generally resulted in lower investment yields on newly invested funds. A prolonged period of lower interest rates could depress the Company's net investment income such that to earn the same level of return on equity we may have to charge higher premiums for the insurance products we sell unless loss costs similarly lessen.

Net realized capital gains (losses) on equity securities for the year ended December 31, 2020 totaled $(214) before tax, consisting of unrealized mark-to-market gains (losses) on equity securities held and net realized gains (losses) on equity securities sold, net of realized gains on equity derivative hedges. While equity markets in the last nine months of 2020 increased more than the value they lost during the first quarter, economic conditions remain uncertain and if equity markets were to experience similar declines as occurred in the first quarter of 2020, we may incur more net realized capital losses in future periods.

Net realized capital losses for the year ended December 31, 2020 also included $47 of increases in the allowance for credit losses, partially offset by reversals of the allowance due to improvements in market value or sales, and $5 of intent-to-sell impairments. The increase in the allowance for credit losses in the twelve month period included increases of $28 on available for sale fixed maturities and increases of $19 on commercial mortgage loans. If it takes a prolonged period for the economy to recover or if the impacts of the economic downturn are deeper than anticipated, we could experience further credit losses and intent-to-sell impairments, particularly with highly leveraged companies and issuers in the energy, commercial real estate, and travel and leisure sectors, resulting in further net realized capital losses.

Impact to direct benefits, losses and loss adjustment expenses from COVID-19 claims

For the year ended December 31, 2020, we recorded direct COVID-19 incurred losses in P&C of $278, reflecting management's best estimate of the ultimate cost of settling COVID-19 claims incurred, including $141 for property claims, $66 for workers' compensation, net of favorable frequency on other workers' compensation claims, and $71 of incurred losses largely concentrated in financial lines such as D&O and E&O and in surety and marine.

Nearly all of our property insurance policies require direct physical loss or damage to property and contain standard exclusions that we believe preclude coverage for COVID-19 related claims, and the vast majority of such policies contain exclusions for virus-related losses. Included in the $141 of COVID-19 property incurred losses and loss adjustment expenses in the twelve month period were $101 of losses arising from a small number of property policies that do not require direct physical loss or damage and from policies intended to cover specific business needs, including crisis management and performance disruption, as well as a reserve of $40 for legal defense costs. Given the significant business disruptions that have occurred due to the COVID-19 pandemic, the Company has experienced increased property claims, resulting in increased litigation activity and legal expenses. Within Property & Casualty, we incur COVID-19 workers' compensation losses when it is determined that workers were exposed to COVID-19 out of and in the course of their employment and in other cases where states have passed laws providing for the presumption of coverage for certain industry classes, including health care and other essential workers. While current accident year losses for workers' compensation for the year ended December 31, 2020 increased by $180 due to COVID-19 claims, this has been partially offset by lower claim frequency of non-COVID-19 related workers' compensation claims due to reduced business activity, resulting in a net increase in incurred losses of $66. Favorable non-COVID-19 workers' compensation claim frequency could continue through 2021 though possibly to a lesser extent if more business activity resumes. The Company could incur additional COVID-19 direct incurred losses in P&C through much of 2021, particularly for workers' compensation and financial lines.

Within Group Benefits, the Company experienced excess mortality in its group life business of $239 in 2020, primarily caused by direct and indirect impacts of COVID-19. Within the group disability business, in 2020 the Company recognized $29 of

COVID-19 direct losses from short-term disability claims, more than offset by $38 of favorable frequency on other short-term disability claims.

Other impacts from COVID-19 and resulting economic downturn

Apart from impacts on the investment portfolio, net investment income and net realized capital gains (losses), in 2020, the Company incurred a number of other insurance business impacts from the COVID-19 pandemic and the resulting economic downturn as follows:

- For the year ended December 31, 2020, we recognized an estimated decrease in current accident incurred losses in Personal Lines automobile of $218 due to a significant reduction in miles driven since the pandemic began, though miles driven has begun to increase again. In the second quarter of 2020, Personal Lines written and earned premiums were reduced by $81 due to providing automobile policyholders with premium refunds or credits in recognition of the decrease in miles driven.
- The Company experienced the impacts of lower premium retention, including the impact of a lower exposure base on workers' compensation premium.
- From April through approximately July of 2020, the Company waived late payment fees for a period of time for business and personal insurance customers and temporarily suspended the policy cancellation process for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments with the period of policy cancellations for non-payment varying by state.
- Because of the economic stress caused by COVID-19 and partly due to the extension of billing terms, we expect a higher amount of uncollectible premiums receivable. As a result, to reflect our higher expectation of credit losses, The Hartford increased its ACL on premiums receivable by $40 in the year ended December 31, 2020.
- Apart from the increase in the premiums receivable allowance, we have experienced a decline in insurance operating costs and other expenses partly due to lower travel and employee benefits costs and lower operating costs associated with lower earned premium volumes.

Considering the impacts of COVID-19, the Company evaluated the impact of market factors on the fair value of the reporting units using the income approach and determined the estimated fair values do not indicate a goodwill impairment for any reporting unit. The annual goodwill assessment for the reporting units was completed as of October 31, 2020, and resulted in no write-downs of goodwill for the year ended December 31, 2020.

For information about additional resources the Company has to manage capital and liquidity during the COVID-19 pandemic and economic downturn, refer to the Capital Resources & Liquidity section of MD&A.

For additional information about the potential impacts of the COVID-19 pandemic and resulting economic downturn, see the risk factor "The pandemic caused by the spread of COVID-19 has disrupted our operations and may have a material adverse impact on our business results, financial condition, results of operations and/or liquidity" in Item 1A of Part I.

Common stockholders' equity

Apart from the direct loss and premium impacts of COVID-19 on net income, we could also experience a reduction in AOCI within common stockholders' equity. The net unrealized gain position on our portfolio of fixed maturities, AFS increased by $1.4 billion from December 31, 2019 to December 31, 2020, due to an increase in valuations resulting from a decline in interest rates. If credit spreads widen going forward or if interest rates increase from the level they were at as of December 31, 2020, we would recognize a decline in the fair value of fixed maturities, AFS in future periods through a reduction of AOCI within common stockholders' equity.

In December 2020, the Company announced a $1.5 billion equity repurchase authorization by the Board of Directors which is effective from January 1, 2021 through December 31, 2022. Any future repurchase of shares is dependent on market conditions and other factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity. For further information, see Note 16 - Equity of Notes to Consolidated Financial Statements.

Operational Transformation and Cost Reduction Plan

In recognition of the need to become more cost efficient and competitive along with enhancing the experience we provide to agents and customers, on July 30, 2020, the Company announced an operational transformation and cost reduction plan it refers to as Hartford Next. Through reduction of its headcount, IT investments to further enhance our capabilities, and other activities, relative to 2019, the Company expects to achieve a reduction in annual insurance operating costs and other expenses of approximately $500 by 2022. The Hartford Next program will contribute to our goal of reducing the 2022 P&C expense ratio by about 2.0 to 2.5 points, reducing the 2022 Group Benefits expense ratio by about 1.5 to 2.0 points and reducing our 2022 claim expense ratio by approximately 0.5 point.

To achieve those expected savings, we expect to incur approximately $410, with $153 expensed over the last six months of 2020, and expected expenses of $110 in 2021, $77 in 2022 and $70 after 2022, with the expenses after 2022 consisting mostly of amortization of internal use software and capitalized real estate costs. The estimated costs of approximately $410 includes an expected $54 in capitalized development costs for internal use software to be amortized over the useful life of the software, typically 3 years, and approximately $23 of capitalized real estate assets to be amortized over their useful lives. Included in the estimated costs of $410, we expect to incur restructuring costs of approximately $158, including $73 of employee severance, and approximately $85 of other costs, including consulting expenses and the cost to retire certain IT applications.

Restructuring costs are reported as a charge to net income but not in core earnings. All other costs of the Hartford Next program will be included in insurance operating costs and other expenses in the Consolidated Statement of Operations. Relative to 2019 full year actual expenses, the Company recognized a net increase in insurance operating costs and other expenses of approximately

$47 over the last six months of 2020 and expects a net expense reduction of approximately $240 in 2021 and approximately $423 in 2022.

The following table presents Hartford Next program costs incurred, including restructuring costs, and expense savings realized in 2020 from the inception of the program on July 30, 2020 through December 31, 2020, and expected costs and expense savings in each year through the expected completion of the program on December 31, 2022:

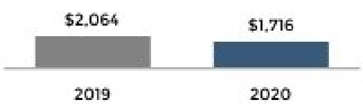
Hartford Next Costs and Expense Savings

	2020	Estimate for 2021	Estimate for 2022
Employee severance	$ 73	$ —	$ —
IT costs to retire applications	2	10	14
Professional fees and other expenses	29	23	7
Estimated restructuring costs	**104**	**33**	**21**
Non-capitalized IT costs	30	56	33
Other costs	19	19	15
Amortization of capitalized IT development costs [1]	—	1	5
Amortization of capitalized real estate [2]	—	1	3
Estimated costs within core earnings	**49**	**77**	**56**
Total Hartford Next program costs	**153**	**110**	**77**
Cumulative savings relative to 2019 beginning July 1, 2020	**(106)**	**(350)**	**(500)**
Net expense (savings) before tax	**$ 47**	**$ (240)**	**$ (423)**
Net expense (savings) before tax:			
To be accounted for within core earnings	$ (57)	$ (273)	$ (444)
Restructuring costs recognized outside of core earnings	104	33	21
Net expense (savings) before tax	**$ 47**	**$ (240)**	**$ (423)**

[1] Does not include approximately $48 of IT asset amortization after 2022.
[2] Does not include approximately $19 of real estate amortization after 2022.

2020 Financial Highlights

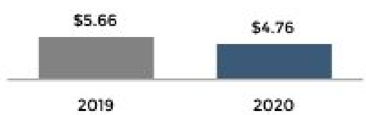
Net Income Available to Common Stockholders



Decreased $348 or 17%

- \- A change from net realized capital gains in the 2019 period to losses in the 2020 period
- \- $220, after tax, of P&C COVID-19 claims including property, financial lines and workers' compensation, net of favorable workers' compensation frequency
- \- An increase in current accident year catastrophes
- \- A decrease in net investment income
- \- Higher mortality within group life driven by COVID-19
- \- Restructuring costs related to the Hartford Next initiative
- \+ Loss on reinsurance and loss on extinguishment of debt in 2019
- \+ Greater net favorable prior accident year development
- \+ Lower non-COVID-19 current accident year non-catastrophe property losses, lower personal automobile claim frequency, net of premium refunds, and lower P&C operating expenses

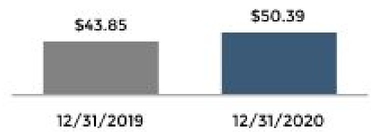
Net Income Available to Common Stockholders per Diluted Share



Decreased $0.90 or 16%

- \- Decrease in net income
- \+ Decrease in weighted average shares outstanding

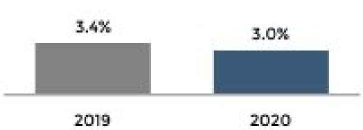
Book Value per Diluted Share



Increased $6.54 or 15%

- \+ Increase in common stockholders' equity largely due to net income in excess of stockholder dividends and an increase in AOCI, primarily driven by an increase in net unrealized capital gains on available for sale securities
- \+ Decrease in dilutive shares outstanding

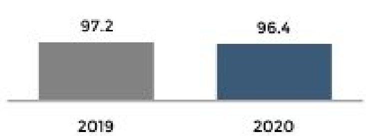
Investment Yield, After Tax



Decreased 40 bps

- \- Lower reinvestment rates and lower yield on variable rate securities due to the decline in interest rates

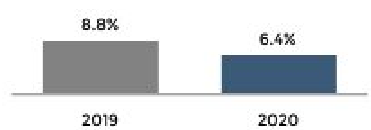
Property & Casualty Combined Ratio



Improved 0.8 points

- \- Lower current accident year loss ratio in Personal Lines, due to lower automobile claim frequency
- \- More favorable prior accident year development with 2020 reserve reductions for catastrophes partially offset by reserve increases for A&E and sexual molestation and sexual abuse claims
- \- Lower expense ratio mostly driven by lower variable incentive compensation, staffing levels, and travel
- \+ Higher current accident year catastrophes, largely due to losses from civil unrest
- \+ Higher current accident year loss ratio in Commercial Lines driven by COVID-19 losses, partially offset by lower non-catastrophe property losses

Group Benefits Net Income Margin



Decreased 2.4 points

- \- Higher mortality in group life, driven by the direct and indirect impacts of COVID-19
- \- Lower net investment income
- \- A decrease in net realized capital gains
- \+ A lower group disability loss ratio, driven by lower claim incidence and an increase in favorable prior incurral year development

CONSOLIDATED RESULTS OF OPERATIONS

The Consolidated Results of Operations should be read in conjunction with the Company's Consolidated Financial Statements and the related Notes as well as with the segment operating results sections of the MD&A.

Consolidated Results of Operations

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Earned premiums	$ 17,288	$ 16,923	$ 15,869	2 %	7 %
Fee income	1,277	1,301	1,313	(2 %)	(1 %)
Net investment income	1,846	1,951	1,780	(5 %)	10 %
Net realized capital gains (losses)	(14)	395	(112)	(104 %)	NM
Other revenues	126	170	105	(26 %)	62 %
Total revenues	**20,523**	**20,740**	**18,955**	**(1 %)**	**9 %**
Benefits, losses and loss adjustment expenses	11,805	11,472	11,165	3 %	3 %
Amortization of deferred policy acquisition costs	1,706	1,622	1,384	5 %	17 %
Insurance operating costs and other expenses	4,480	4,580	4,281	(2 %)	7 %
Loss on extinguishment of debt	—	90	6	(100 %)	NM
Loss on reinsurance transactions	—	91	—	(100 %)	NM
Interest expense	236	259	298	(9 %)	(13 %)
Amortization of other intangible assets	72	66	68	9 %	(3 %)
Restructuring and other costs	104	—	—	NM	— %
Total benefits, losses and expenses	**18,403**	**18,180**	**17,202**	**1 %**	**6 %**
Income from continuing operations, before tax	**2,120**	**2,560**	**1,753**	**(17 %)**	**46 %**
Income tax expense	383	475	268	(19 %)	77 %
Income from continuing operations, net of tax	**1,737**	**2,085**	**1,485**	**(17 %)**	**40 %**
Income from discontinued operations, net of tax	—	—	322	— %	(100 %)
Net income	**1,737**	**2,085**	**1,807**	**(17 %)**	**15 %**
Preferred stock dividends	21	21	6	— %	NM
Net income available to common stockholders	**$ 1,716**	**$ 2,064**	**$ 1,801**	**(17 %)**	**15 %**

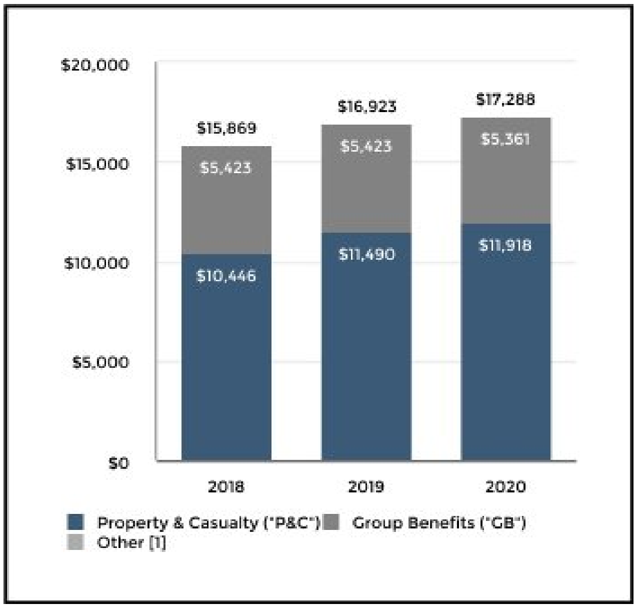
Year ended December 31, 2020 compared to year ended December 31, 2019

Net income available to common stockholders decreased by $348 primarily driven by a $409 before tax change from net realized capital gains in the 2019 period to net realized capital losses in the 2020 period, $278 before tax of P&C COVID-19 claims in the 2020 period, higher mortality in group life, mostly driven by COVID-19, a $143 before tax increase in current accident year catastrophes, a $105 before tax decrease in net investment income, and $104 before tax of restructuring costs, partially offset by lower Personal Lines automobile claim frequency in the 2020 period net of premium credits given to policyholders in second quarter 2020, lower non-catastrophe property losses, a decrease in P&C insurance operating costs, higher net favorable P&C prior accident year development, and the effect of charges in 2019, including the Navigators ADC premium paid of $91 before tax and a $90 before tax loss on debt extinguishment.

For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries. In addition, for further discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Revenue

Earned Premiums



[1]For the years ended 2020 and 2019, the total includes $9 and $10, respectively, recorded in Corporate other revenue.

Year ended December 31, 2020 compared to year ended December 31, 2019

Earned premiums increased primarily due to:

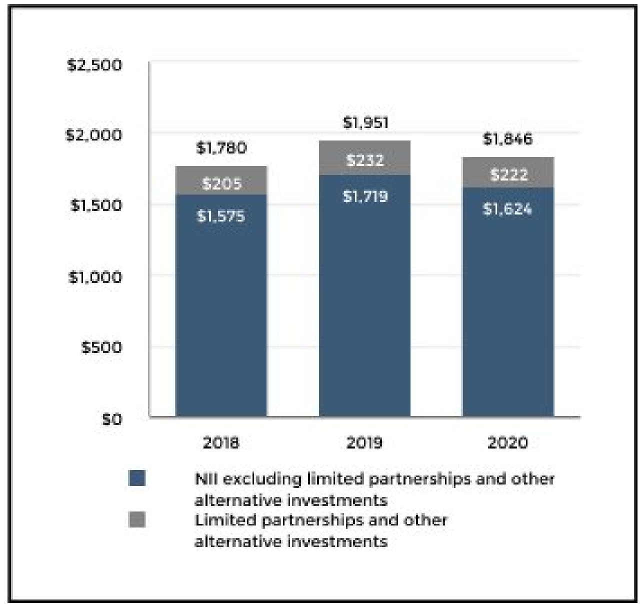
- An increase in Property and Casualty reflecting a 7% increase in Commercial Lines driven by the Navigators Group acquisition, partially offset by a 6% decline in Personal Lines. Driving part of the decrease in Personal Lines earned premiums was the impact of the Company offering a 15 percent credit on policyholders' April, May and June personal automobile insurance premiums totaling $81.
- A 1% decrease in Group Benefits, principally driven by a decline in group life due to lower insured exposure on in-force policies.

Fee income decreased due to:

- Lower fee income in Hartford Funds largely due to a shift in mix of assets to lower fee generating funds, lower installment fee income in P&C and lower fee income on administrative services only business in Group Benefits.

Other revenues decreased primarily due to a decrease in income generated from the Talcott Resolution investment and less transition services revenue received related to the sale of the life and annuity business in 2018.

Net Investment Income



Year ended December 31, 2020 compared to year ended December 31, 2019

Net investment income decreased primarily due to:

- Lower yield on fixed maturity investments resulting from lower reinvestment rates and lower yields on floating rate securities, partially offset by a higher level of invested assets, due in part to the acquisition of Navigators Group.

Net realized capital gains (losses) decreased from net gains in the 2019 period to net losses in the 2020 period, primarily driven by:

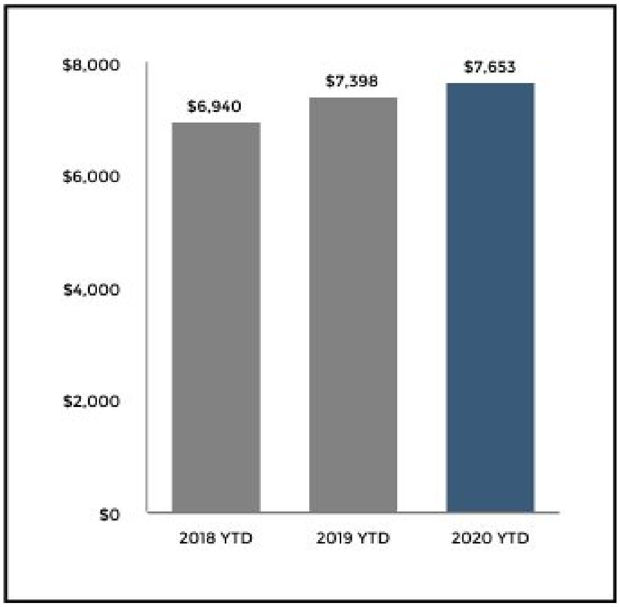
- Depreciation in the value of equity securities due to the significant decline in equity market levels in the first quarter of 2020 as well as realized losses upon sales of equity securities, partially offset by net realized gains upon termination of derivatives used to hedge against a decline in equity market levels.
- A loss of $48, before tax, on sale of the Company's Continental Europe Operations, which the Company agreed to sell in September of 2020, net credit losses recognized on fixed maturities and an increase in the ACL on mortgage loans, partially offset by slightly higher net gains on sales of fixed maturity securities.

For further discussion of investment results, see MD&A - Investment Results, Net Realized Capital Gains and MD&A - Investment Results, Net Investment Income.

Benefits, losses and expenses

Year ended December 31, 2020 compared to year ended December 31, 2019

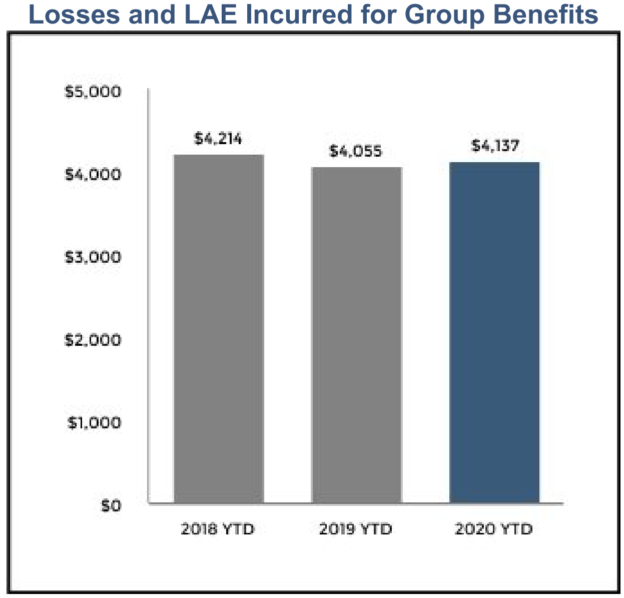
Losses and LAE Incurred for P&C



Benefits, losses and loss adjustment expenses increased due to:

- An increase in incurred losses for Property & Casualty which was driven by an increase in Commercial Lines, partially offset by a decrease in Personal Lines, and was attributable to:
  - An increase in Property & Casualty current accident year ("CAY") loss and loss adjustment expenses before catastrophes due to the effect on incurred losses of earned premium from the Navigators Group acquisition and COVID-19 incurred losses of $278 which is net of favorable frequency of workers' compensation claims due to reduced business activity and lower payrolls. Partially offsetting the increase were lower weather-related non-COVID-19 non-catastrophe property claims and lower claim frequency in personal automobile due to shelter-in-place guidelines reducing miles driven.
  - An increase in current accident year catastrophe losses of $143 before tax. Current accident year catastrophe losses for 2020 were primarily from civil unrest, a number of hurricanes and tropical storms, Pacific Coast wildfires and Northeast windstorms as well as tornado, wind and hail events in the South, Midwest and Central Plains. Catastrophe losses in the 2019 period were primarily from tornado, wind and hail events in the South, Midwest and Mountain West and winter storms across the country as well as from hurricanes and tropical storms in the Southeast. For additional information, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.
  - Partially offset by more favorable Property & Casualty net prior accident year reserve development of $71, before tax. Prior accident year reserve development in the 2020 period was a favorable $136 before tax, with $529 of reserve reductions related to catastrophes, including decreases in estimated losses arising from wind and hail events in 2017, 2018 and 2019 and from the 2017 and 2018 California wildfires, including a $289 before tax subrogation benefit from PG&E. Reserve development in 2020 also included a $254 before tax increase in reserves for sexual molestation and sexual abuse claims, a $208 before tax increase in A&E reserves and a $102 before tax increase in reserves on Navigators related to 2018 and prior accident years. While $220 of A&E and $102 of Navigators' reserve development has been economically ceded to NICO, the Company recognized a $312 deferred gain under retroactive reinsurance accounting with $10 of the $220 ceded A&E losses recognized as a benefit to income in 2020. Prior accident year development in 2019 primarily included reserve decreases for workers' compensation, small commercial package business, catastrophes, personal lines automobile liability, and uncollectible reinsurance, partially offset by increases in general liability and professional liability, including increases in Navigators Group reserves upon acquisition of the business, and commercial lines automobile liability. For further discussion, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.

Losses and LAE Incurred for Group Benefits



- Losses and LAE increased in Group Benefits driven by higher mortality on group life claims, primarily caused by direct and indirect impacts of COVID-19, partially offset by the impact of a lower group disability loss ratio driven by lower claim incidence and increased favorable prior incurral year development.

For further discussion of impacts resulting from the COVID-19 pandemic, refer to the impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A

Amortization of deferred policy acquisition costs increased from the prior year period primarily due to an increase in Commercial Lines mainly attributable to the impact of the Navigators Group acquisition, partially offset by decreases in Personal Lines and Group Benefits consistent with the decline in earned premium in those segments.

Insurance operating costs and other expenses decreased due to:

- A reduction in incentive compensation and employee travel and benefits costs, a reduction in contingent consideration of $12 before tax in Hartford Funds associated with the acquisition of Lattice, and expense reductions from the Company’s Hartford Next operational and transformation cost reduction plan.
- Partially offsetting the decrease in expenses were a $40 before tax increase in the ACL on uncollectible premiums receivable in 2020 due to the economic impacts of COVID-19 and higher information technology costs within Group Benefits and middle & large commercial, partially offset by Personal Lines technology expenses incurred in 2019. In addition, 2020 included a full year of operating costs incurred due to the Navigators Group acquisition in May of 2019, partially offset by lower integration and transaction costs in 2020.

Restructuring and other costs are due to the Company's Hartford Next operational transformation and cost reduction plan which includes $73 of incurred severance costs.

For further discussion of impacts resulting from the Hartford Next initiative, see MD&A - The Hartford's Operations, Operational Transformation and Cost Reduction Plan and Note 23 - Restructuring and Other Costs of Notes to Consolidated Financial Statements.

Income tax expense decreased primarily due to a decline in income before tax.

For further discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.

INVESTMENT RESULTS

Composition of Invested Assets

	December 31, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent
Fixed maturities, available-for-sale ("AFS"), at fair value	$ 45,035	79.7 %	$ 42,148	79.5 %
Equity securities, at fair value	1,438	2.5 %	1,657	3.1 %
Mortgage loans (net of ACL of $38 and $0)	4,493	7.9 %	4,215	8.0 %
Limited partnerships and other alternative investments	2,082	3.7 %	1,758	3.3 %
Other investments [1]	201	0.4 %	331	0.6 %
Short-term investments	3,283	5.8 %	2,921	5.5 %
Total investments	**$ 56,532**	**100.0 %**	**$ 53,030**	**100.0 %**

[1] Primarily consists of equity fund investments, overseas deposits, consolidated investment funds and derivative instruments which are carried at fair value.

December 31, 2020 compared to December 31, 2019

Fixed maturities, AFS increased primarily due to net additions of corporate securities and an increase in valuations as a result of a decline in interest rates.

Short-term investments are slightly higher in order to fund asset purchase commitments at year end 2020, which were settled in January 2021.

Net Investment Income

	For the years ended December 31,								
	2020			2019			2018		
(Before tax)	Amount		Yield [1]	Amount		Yield [1]	Amount		Yield [1]
Fixed maturities [2]	$	1,442	3.4 %	$	1,559	3.8 %	$	1,459	3.9 %
Equity securities		39	3.7 %		46	3.4 %		32	3.1 %
Mortgage loans		172	3.9 %		165	4.4 %		141	4.1 %
Limited partnerships and other alternative investments		222	12.3 %		232	14.4 %		205	13.2 %
Other [3]		42			32			20	
Investment expense		(71)			(83)			(77)	
Total net investment income	**$**	**1,846**	**3.6 %**	**$**	**1,951**	**4.1 %**	**$**	**1,780**	**4.0 %**
Total net investment income excluding limited partnerships and other alternative investments	**$**	**1,624**	**3.3 %**	**$**	**1,719**	**3.7 %**	**$**	**1,575**	**3.7 %**

[1]Yields calculated using annualized net investment income divided by the monthly average invested assets at amortized cost as applicable, excluding repurchase agreement and securities lending collateral, if any, and derivatives book value.
[2]Includes net investment income on short-term investments.
[3]Primarily includes changes in fair value of certain equity fund investments and income from derivatives that qualify for hedge accounting and are used to hedge fixed maturities.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Total net investment income decreased primarily due to a lower yield on fixed maturity investments resulting from lower reinvestment rates and lower yields on floating rate securities, partially offset by a higher level of invested assets, due in part to the acquisition of Navigators Group.

Annualized net investment income yield, excluding limited partnerships and other alternative investments and non-routine items on fixed maturities, which primarily include make-whole payments and prepayment fees, partially offset by paydowns, was down primarily due to lower reinvestment and short-term rates.

Average reinvestment rate, on fixed maturities and mortgage loans, excluding certain U.S. Treasury securities, for the year-ended December 31, 2020, was 2.5% which was below the average yield of sales and maturities of 3.4% for the same period. The average reinvestment rate for the year-ended December 31, 2019 was 3.4% which was below the average yield of sales and maturities of 4.0%.

For the 2021 calendar year, we expect the annualized net investment income yield, excluding limited partnerships and other alternative investments and non-routine items on fixed maturities, to be lower than the portfolio yield earned for the year ended December 31, 2020, due to a lower yield on short-term investments and lower reinvestment rates. The estimated impact on net investment income yield is subject to change due to evolving market conditions and active portfolio management.

Net Realized Capital Gains (Losses)

(Before tax)	For the years ended December 31, 2020	2019	2018
Gross gains on sales	$ 255	$ 234	$ 114
Gross losses on sales	(50)	(56)	(172)
Equity securities [1]	(214)	254	(48)
Net credit losses on fixed maturities, AFS [2]	(28)		
Change in ACL on mortgage loans [3]	(19)		
Intent-to-sell impairments [4]	(5)	—	—
Net other-than-temporary impairment ("OTTI") losses recognized in earnings		(3)	(1)
Valuation allowances on mortgage loans		1	—
Other, net [5]	47	(35)	(5)
Net realized capital gains (losses)	**$ (14)**	**$ 395**	**$ (112)**

[1]The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2020, were $53 for the year-ended December 31, 2020. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2019, were $164 for the year-ended December 31, 2019. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2018, were $(80) for the year-ended December 31, 2018.

[2]Due to the adoption of accounting guidance for credit losses on January 1, 2020, realized capital losses previously reported as OTTI are now presented as credit losses which are net of any recoveries. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies. In addition, see Credit Losses on Fixed Maturities, AFS within the Investment Portfolio Risks and Risk Management section of the MD&A.

[3]Represents the change in ACL recorded during the period following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies. In addition, see ACL on Mortgage Loans within the Investment Portfolio Risks and Risk Management section of the MD&A.

[4]See Intent-to-Sell Impairments within the Investment Portfolio Risks and Risk Management section of the MD&A.

[5]Includes gains (losses) on non-qualifying derivatives for 2020, 2019, and 2018 of $104, $(24), and $(12), respectively, gains (losses) from transactional foreign currency revaluation of $(1), $(9) and $1, respectively, and a loss of $48 from the sale of the Continental Europe Operations for the year ended December 31, 2020.

Year ended December 31, 2020

Gross gains and losses on sales were primarily driven by issuer-specific sales of corporate securities and tax-exempt municipal bonds, rebalancing within the foreign government sector, and sales of U.S. treasury securities for duration and/or liquidity management.

Equity securities net losses were driven by mark-to-market losses due to the decline in equity market levels in the first quarter and losses incurred on sales across multiple issuers as the Company reduced its exposure to equity securities, partially offset by mark-to-market equity gains given recent equity market performance and tighter credit spreads, which resulted in price appreciation of preferred equities.

Other, net gains are primarily due to $75 of realized gains on terminated derivatives used to hedge against a decline in equity market levels and $21 of gains on interest rate derivatives due to a decline in interest rates. These gains were partially offset by a loss of $48, before tax, on the sale of the Company’s Continental Europe Operations which the Company agreed to sell in September of 2020.

Year ended December 31, 2019

Gross gains and losses on sales were primarily driven by issuer-specific selling of corporate securities, continued reduction of tax-exempt municipal bonds and sales of U.S. treasuries for duration management.

Equity securities net gains were primarily driven by appreciation of equity securities due to higher equity market levels.

Other, net losses includes losses on interest rate derivatives of $34 due to higher rates, losses on equity derivatives of $17 due to an increase in domestic equity markets, and losses of $9 due to foreign currency revaluation. These losses were partially offset by gains on credit derivatives of $27 due to credit spread tightening.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ, and in the past have differed, from those estimates.

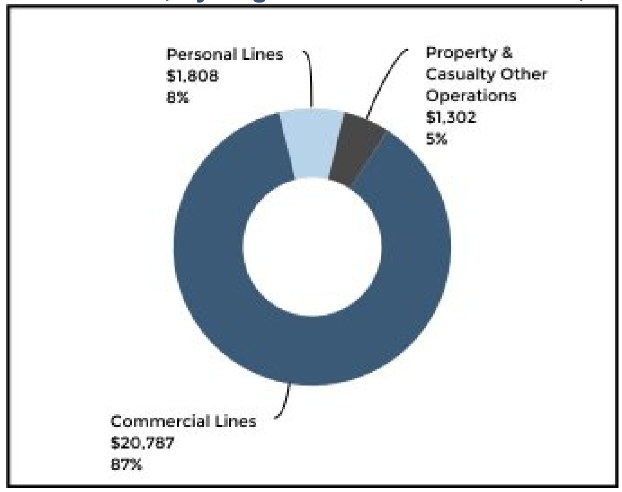
The Company has identified the following estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability:

- property and casualty insurance product reserves, net of reinsurance;
- group benefit long-term disability ("LTD") reserves, net of reinsurance;
- evaluation of goodwill for impairment;
- valuation of investments and derivative instruments including evaluation of credit losses on fixed maturities, AFS and ACL on mortgage loans; and
- contingencies relating to corporate litigation and regulatory matters.

Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the Consolidated Financial Statements. In developing these estimates management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate based upon the facts available upon compilation of the financial statements.

Property & Casualty Insurance Product Reserves

P&C Loss and Loss Adjustment Expense Reserves, Net of Reinsurance, by Segment as of December 31, 2020



Loss and LAE Reserves, Net of Reinsurance as of December 31, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance	% Total Reserves-net
Workers' compensation	$ 10,886	$ —	$ —	$ 10,886	45.6%
General liability	4,105	—	—	4,105	17.2%
Marine	279	—	—	279	1.2%
Package business [1]	1,852	—	—	1,852	7.7%
Commercial property	475	—	—	475	2.0%
Automobile liability	1,066	1,399	—	2,465	10.3%
Automobile physical damage	13	25	—	38	0.1%
Professional liability	1,184	—	—	1,184	5.0%
Bond	381	—	—	381	1.5%
Homeowners	—	372	—	372	1.6%
Asbestos and environmental	139	10	789	938	3.9%
Assumed reinsurance	218	—	87	305	1.3%
All other	189	2	426	617	2.6%
Total reserves-net	**20,787**	**1,808**	**1,302**	**23,897**	**100.0%**
Reinsurance and other recoverables	4,271	28	1,426	5,725	
Total reserves-gross	**$ 25,058**	**$ 1,836**	**$ 2,728**	**$ 29,622**	

[1]Commercial Lines policy packages that include property and general liability coverages are generally referred to as the package line of business.

For descriptions of the coverages provided under the lines of business shown above, see Part I - Item1, Business.

Overview of Reserving for Property and Casualty Insurance Claims

It typically takes many months or years to pay claims incurred under a property and casualty insurance product; accordingly, the Company must establish reserves at the time the loss is incurred. Most of the Company's policies provide for occurrence-based coverage where the loss is incurred when a claim event happens like an automobile accident, house or building fire or injury to an employee under a workers' compensation policy. Some of the Company's policies, mostly for directors and officers insurance and errors and omissions insurance, are claims-made policies where the loss is incurred in the period the claim event is reported to the Company even if the loss event itself occurred in an earlier period.

Loss and loss adjustment expense reserves provide for the estimated ultimate costs of paying claims under insurance policies written by the Company, less amounts paid to date. These reserves include estimates for both claims that have been reported and those that have not yet been reported, and include estimates of all expenses associated with processing and settling these claims. Case reserves are established by a claims handler on each individual claim and are adjusted as new information becomes known during the course of handling the claim. Incurred but not reported ("IBNR") reserves represent the difference between the estimated ultimate cost of all claims and the actual loss and loss adjustment expenses reported to the Company by claimants ("reported losses"). Reported losses represent cumulative loss and loss adjustment expenses paid plus case reserves for outstanding reported claims. For most lines, Company actuaries evaluate the total reserves (IBNR and case reserves) on an accident year basis. An accident year is the calendar year in which a loss is incurred, or, in the case of claims-made policies, the calendar year in which a loss is reported. For certain lines acquired from the Navigators Group book of business, total reserves are evaluated on a policy year basis and then converted to accident year. A policy year is the calendar year in which a policy incepts.

Factors that Change Reserve Estimates- Reserve estimates can change over time because of unexpected changes in the external environment. Inflation in claim costs, such as with medical care, hospital care, automobile parts, wages and home and building repair, would cause claims to settle for more than they are initially reserved. Changes in the economy can cause an increase or decrease in the number of reported claims (claim frequency). For example, an improving economy could result in more automobile miles driven and a higher number of automobile reported claims, or a change in economic conditions can lead to more or less workers' compensation reported claims. An increase in the number or percentage of claims litigated can increase the average settlement amount per claim (claim severity). Changes in the judicial environment can affect interpretations of damages and how policy coverage applies which could increase or decrease claim severity. Over time, judges or juries in certain jurisdictions may be more inclined to determine liability and award damages. New legislation can also change how damages are defined or change the statutes of limitations for the filing of civil suits, resulting in greater claim frequency or severity. In addition, new types of injuries may arise from exposures not contemplated when the policies were written. Past examples include pharmaceutical products, silica, lead paint, sexual molestation and sexual abuse and construction defects.

Reserve estimates can also change over time because of changes in internal Company operations. A delay or acceleration in handling claims may signal a need to increase or reduce reserves from what was initially estimated. New lines of business may have loss development patterns that are not well established. Changes in the geographic mix of business, changes in the mix of business by industry and changes in the mix of business by policy limit or deductible can increase the risk that losses will ultimately develop differently than the loss development patterns assumed in our reserving. In addition, changes in the quality of risk selection in underwriting and changes in interpretations of policy language could increase or decrease ultimate losses from what was assumed in establishing the reserves.

In the case of assumed reinsurance, all of the above risks apply. The Company assumes property and casualty risks from other insurance companies as part of its Global Re business acquired from Navigators Group and from certain pools and associations. Global Re, which is a part of the global specialty business, mostly assumes property, casualty, surety, agriculture, and marine risks and, until recently, assumed accident and health insurance risks. Changes in the case reserving and reporting patterns of insurance companies ceding to The Hartford can create additional uncertainty in estimating the reserves. Due to the inherent complexity of the assumptions used, final claim settlements may vary significantly from the present estimates of direct and assumed reserves, particularly when those settlements may not occur until well into the future.

Reinsurance Recoverables- Through both facultative and treaty reinsurance agreements, the Company cedes a share of the risks it has underwritten to other insurance companies. The Company records reinsurance recoverables for loss and loss adjustment expenses ceded to its reinsurers representing the anticipated recovery from reinsurers of unpaid claims, including IBNR.

The Company estimates the portion of losses and loss adjustment expenses to be ceded based on the terms of any applicable facultative and treaty reinsurance, including an estimate of IBNR for losses that will ultimately be ceded.

The Company provides an allowance for uncollectible reinsurance, reflecting management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance comprises an ACL and an allowance for disputed balances. The ACL primarily considers the credit quality of the Company's reinsurers while the allowance for disputes considers recent outcomes in arbitration and litigation in disputes between reinsurers and cedants and recent commutation activity between reinsurers and cedants that may signal how the Company's own reinsurance claims may settle. Where its reinsurance contracts permit, the Company secures funding of future claim obligations with various forms of collateral, including irrevocable letters of credit, secured trusts, funds held accounts and group-wide offsets. The allowance for uncollectible reinsurance was $105 as of December 31, 2020, comprised of $44 related to Commercial Lines, $1 related to Personal Lines and $60 related to Property & Casualty Other Operations.

The Company's estimate of reinsurance recoverables, net of an allowance for uncollectible reinsurance, is subject to similar risks and uncertainties as the estimate of the gross reserve for unpaid losses and loss adjustment expenses for direct and assumed exposures.

Review of Reserve Adequacy- The Hartford regularly reviews the appropriateness of reserve levels at the line of business or more detailed level, taking into consideration the variety of trends that impact the ultimate settlement of claims.

For Property & Casualty Other Operations, asbestos and environmental ("Run-off A&E") reserves are reviewed by type of event rather than by line of business.

Reserve adjustments, which may be material, are reflected in the operating results of the period in which the adjustment is determined to be necessary. In the judgment of management, information currently available has been properly considered in establishing the reserves for unpaid losses and loss adjustment expenses and in recording the reinsurance recoverables for ceded unpaid losses.

Reserving Methodology

The following is a discussion of the reserving methods used for the Company's property and casualty lines of business other than asbestos and environmental.

Reserves are set by line of business within the operating segments. A single line of business may be written in more than one segment. Lines of business for which reported losses emerge over a long period of time are referred to as long-tail lines of business. Lines of business for which reported losses emerge more quickly are referred to as short-tail lines of business. The Company's shortest-tail lines of business are homeowners, commercial property, marine and automobile physical damage. The longest tail lines of business include workers' compensation, general liability, professional liability and assumed reinsurance. For short-tail lines of business, emergence of paid loss and case reserves is credible and likely indicative of ultimate losses. For long-tail lines of business, emergence of paid losses and case reserves is less credible in the early periods after a given accident year and, accordingly, may not be indicative of ultimate losses.

Use of Actuarial Methods and Judgments- The Company's reserving actuaries regularly review reserves for both current and prior accident years using the most current claim data. A variety of actuarial methods and judgments are used for most lines of business to arrive at selections of estimated ultimate losses and loss adjustment expenses. New methods may be added for specific lines over time to inform these selections where appropriate. The reserve selections incorporate input, as appropriate, from claims personnel, pricing actuaries and operating management about reported loss cost trends and other factors that could affect the reserve estimates. Most reserves are reviewed fully each quarter, including loss and loss adjustment expense reserves for homeowners, commercial property, marine, automobile physical damage, automobile liability, package property business, and workers' compensation. Other reserves, including most general liability and professional liability lines, are reviewed semi-annually. Certain additional reserves are also reviewed semi-annually or annually, including reserves for losses incurred in accident years older than twelve years for Personal Lines and older than twenty years for Commercial Lines, as well as reserves for bond, assumed reinsurance, latent exposures such as construction defects, and unallocated loss adjustment expenses. For reserves that are reviewed semi-annually or annually, management monitors the emergence of paid and reported losses in the intervening quarters and, if necessary, performs a reserve review to determine whether the reserve estimate should change.

An expected loss ratio is used in initially recording the reserves for both short-tail and long-tail lines of business. This expected loss ratio is determined by starting with the average loss ratio of recent prior accident years and adjusting that ratio for the effect of expected changes to earned pricing, loss frequency and severity, mix of business, ceded reinsurance and other factors. For short-tail lines, IBNR for the current accident year is initially recorded as the product of the expected loss ratio for the period, earned premium for the period and the proportion of losses expected to be reported in future calendar periods for the current accident period. For long-tailed lines, IBNR reserves for the current accident year are initially recorded as the product of the expected loss ratio for the period and the earned premium for the period, less reported losses for the period.

As losses emerge or develop in periods subsequent to a given accident year, reserving actuaries use other methods to estimate ultimate unpaid losses in addition to the expected loss ratio method. These primarily include paid and reported loss development methods, frequency/severity techniques and the Bornhuetter-Ferguson method (a combination of the expected loss ratio and paid development or reported development method). Within any one line of business, the methods that are given more influence vary based primarily on the maturity of the accident year, the mix of business and the particular internal and external influences impacting the claims experience or the methods. The output of the reserve reviews are reserve estimates representing a range of actuarial indications.

Reserve Discounting- Most of the Company's property and casualty insurance product reserves are not discounted. However, the Company has discounted liabilities funded through structured settlements and has discounted a portion of workers' compensation reserves that have a fixed and determinable payment stream. For further discussion of these discounted liabilities, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements.

Differences Between GAAP and Statutory Basis Reserves- As of December 31, 2020 and 2019, U.S. property and casualty insurance product reserves for losses and loss adjustment expenses, net of reinsurance recoverables, reported under U.S. GAAP were lower than net reserves reported on a statutory basis, primarily due to reinsurance recoverables on two ceded retroactive reinsurance agreements that are recorded as a reduction of other liabilities under statutory accounting. One of the retroactive reinsurance agreements covers substantially all adverse development on asbestos and environmental reserves subsequent to 2016 and the other covers adverse development on Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018. Under both agreements, the Company cedes to NICO, a subsidiary of Berkshire Hathaway Inc. ("Berkshire").

Reserving Methods by Line of Business- Apart from Run-off A&E which is discussed in the following section on Property & Casualty Other Operations, below is a general discussion of which reserving methods are preferred by line of business. Because the actuarial estimates are generated at a much finer level of detail than line of business (e.g., by distribution channel, coverage, accident period), other methods than those described for the line of business may also be employed for a coverage and accident year within a line of business. Also, as circumstances change, the methods that are given more influence will change.

Preferred Reserving Methods by Line of Business

Commercial property, homeowners and automobile physical damage	These short-tailed lines are fast-developing and paid and reported development techniques are used as these methods use historical data to develop paid and reported loss development patterns, which are then applied to cumulative paid and reported losses by accident period to estimate ultimate losses. In addition to paid and reported development methods, for the most immature accident months, the Company uses frequency and severity techniques and the initial expected loss ratio. The advantage of frequency/severity techniques is that frequency estimates are generally easier to predict and external information can be used to supplement internal data in estimating average severity.
Personal automobile liability	For personal automobile liability, and bodily injury in particular, in addition to traditional paid and reported development methods, the Company relies on frequency/severity techniques and Berquist-Sherman techniques. Because the paid development technique is affected by changes in claim closure patterns and the reported development method is affected by changes in case reserving practices, the Company uses Berquist-Sherman techniques which adjust these patterns to reflect current settlement rates and case reserving practices. The Company generally uses the reported development method for older accident years and a combination of reported development, frequency/severity and Berquist-Sherman methods for more recent accident years. For older accident periods, reported losses are a good indicator of ultimate losses given the high percentage of ultimate losses reported to date. For more recent periods, the frequency/severity techniques are not affected as much by changes in case reserve practices and changing disposal rates and the Berquist-Sherman techniques specifically adjust for these changes.
Commercial automobile liability	The Company performs a variety of techniques, including the paid and reported development methods and frequency/severity techniques. For older, more mature accident years, the Company primarily uses reported development techniques. For more recent accident years, the Company relies on several methods that incorporate expected loss ratios, reported loss development, paid loss development, frequency/severity, case reserve adequacy, and claim settlement rates.
Professional liability	Reported and paid loss development patterns for this line tend to be volatile. Therefore, the Company typically relies on frequency and severity techniques.
General liability, bond and large deductible workers' compensation	For these long-tailed lines of business, the Company generally relies on the expected loss ratio and reported development techniques. The Company generally weights these techniques together, relying more heavily on the expected loss ratio method at early ages of development and shifting more weight onto the reported development method as an accident year matures. For certain general liability lines the Company uses a Berquist-Sherman technique to adjust for changes in claim reserving patterns. The Company also uses various frequency/severity methods aimed at capturing large loss development.
Workers' compensation	Workers' compensation is the Company's single largest reserve line of business and a wide range of methods are used. Due to the long-tailed nature of workers' compensation, the selection of methods is driven by expected loss ratio methods ("ELR") at early evaluations with emphasis shifting first to Bornhuetter-Ferguson methods, then to paid and reported development methods (with more reliance placed on paid methods), and finally to methods that are responsive to the inventory of open claims. Across these techniques, there are adjustments related to changes in emergence patterns across years, projections of future cost inflation, outlier claims, and analysis of larger states.
Marine	For marine liability, the Company generally relies on the expected loss ratio, Berquist-Sherman, and reported development techniques. The Company generally weights these techniques together, relying more heavily on the expected loss ratio method at early ages of development and then shifts towards Berquist-Sherman and then more towards the reported development method as an accident year matures. For marine property segments, the Company relies on a Berquist-Sherman method for early development ages then shifts to reported development techniques.
Assumed reinsurance and all other	Standard methods, such as expected loss ratio, Berquist-Sherman and reported development techniques are applied. These methods and analyses are informed by underlying treaty by treaty analyses supporting the expected loss ratios, and cedant data will often inform the loss development patterns. In some instances, reserve indications may also be influenced by information gained from claims and underwriting audits. For the A&H business where the reporting is quick and treaties are not written evenly throughout the year, policy quarter analyses are performed to avoid potential distortions. Policy quarter and policy year loss reserve estimates are then converted to an accident year basis.
Allocated loss adjustment expenses ("ALAE")	For some lines of business (e.g., professional liability, assumed reinsurance, and the acquired Navigators Group book of business), ALAE and losses are analyzed together. For most lines of business, however, ALAE is analyzed separately, using paid development techniques and a ratio of paid ALAE to paid loss is applied to loss reserves to estimate unpaid ALAE.
Unallocated loss adjustment expenses ("ULAE")	ULAE is analyzed separately from loss and ALAE. For most lines of business, future ULAE costs to be paid are projected based on an expected claim handling cost per claim year, the anticipated claim closure pattern and the ratio of paid ULAE to paid loss is applied to estimated unpaid losses. For some lines, a simplified paid-to-paid approach is used.

In the final step of the reserve review process, senior reserving actuaries and senior management apply their judgment to determine the appropriate level of reserves considering the actuarial indications and other factors not contemplated in the actuarial indications. Those factors include, but are not limited to, the assessed reliability of key loss trends and assumptions used in the current actuarial indications, the maturity of the accident year, pertinent trends observed over the recent past, the level of volatility within a particular line of business, and the improvement or deterioration of actuarial indications in the current period as compared to the prior periods. The Company also considers the magnitude of the difference between the actuarial indication and the recorded reserves.

Based on the results of the quarterly reserve review process, the Company determines the appropriate reserve adjustments, if any, to record. In general, adjustments are made more quickly to more mature accident years and less volatile lines of business. Such adjustments of reserves are referred to as “prior accident year development”. Increases in previous estimates of ultimate loss costs are referred to as either an increase in prior accident year reserves or as unfavorable reserve development. Decreases in previous estimates of ultimate loss costs are referred to as either a decrease in prior accident year reserves or as favorable reserve development. Reserve development can influence the comparability of year over year underwriting results.

For a discussion of changes to reserve estimates recorded in 2020, see Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses in the Notes to Consolidated Financial Statements.

Current Trends Contributing to Reserve Uncertainty

The Hartford is a multi-line company in the property and casualty insurance business. The Hartford is, therefore, subject to reserve uncertainty stemming from changes in loss trends and other conditions which could become material at any point in time. As market conditions and loss trends develop, management must assess whether those conditions constitute a long-term trend that should result in a reserving action (i.e., increasing or decreasing the reserve).

General liability- Within Commercial Lines, including the acquired Navigators Group book of business, and Property & Casualty Other Operations, the Company has exposure to general liability claims, including from bodily injury, property damage and product liability. Reserves for these exposures can be particularly difficult to estimate due to the long development pattern and uncertainty about how cases will settle. In particular, the Company has exposure to bodily injury claims that is the result of long-term or continuous exposure to harmful products or substances. Examples include, but are not limited to, pharmaceutical products, silica, talcum powder, head injuries and lead paint. The Company also has exposure to claims from construction defects, where property damage or bodily injury from negligent construction is alleged. In addition, the Company has exposure to claims asserted against religious institutions, and other organizations, including the Boy Scouts of America, relating to sexual molestation and sexual abuse. State “reviver” statutes, extending statutes of limitations for certain sexual molestation and sexual abuse claims, could result in additional litigation or could result in unexpected sexual molestation and sexual abuse losses. Such exposures may involve potentially long latency periods and may implicate coverage in multiple policy periods, which can raise complex coverage issues with significant effects on the ultimate scope of coverage. Such exposures may also be impacted by insured bankruptcies. These factors make reserves for such claims more uncertain than other bodily injury or property damage claims. With regard to these exposures, the Company monitors trends in litigation, the external environment including legislation, the similarities to other mass torts and the potential impact on the Company’s reserves. Additionally, uncertainty in estimated claim severity causes reserve variability, particularly with respect to changes in internal claim handling and case reserving practices.

Workers’ compensation- Included in both small commercial and in middle & large commercial, workers’ compensation is the Company’s single biggest line of business and the property and casualty line of business with the longest pattern of loss emergence. To the extent that patterns in the frequency of settlement payments deviate from historical patterns, loss reserve estimates would be less reliable. Medical costs make up approximately 50% of workers’ compensation payments. As such, reserve estimates for workers’ compensation are particularly sensitive to changes in medical inflation, the changing use of medical care procedures and changes in state legislative and regulatory environments. In addition, a deteriorating economic environment can reduce the ability of an injured worker to return to work and lengthen the time a worker receives disability benefits. In National Accounts, reserves for large deductible workers’ compensation insurance require estimating losses attributable to the deductible amount that will be paid by the insured; if such losses are not paid by the insured due to financial difficulties, the Company is contractually liable.

Commercial Lines automobile- Uncertainty in estimated claim severity causes reserve variability for commercial automobile losses including reserve variability due to changes in internal claim handling and case reserving practices as well as due to changes in the external environment.

Directors' and officers' insurance- Uncertainty regarding the number and severity of class action suits can result in reserve volatility for both directors' and officers' insurance claims. Additionally, the Company’s exposure to losses under directors’ and officers’ insurance policies, both domestically and internationally, is primarily in excess layers, making estimates of loss more complex.

Personal Lines automobile- While claims emerge over relatively shorter periods, estimates can still vary due to a number of factors, including uncertain estimates of frequency and severity trends. Severity trends are affected by changes in internal claim handling and case reserving practices as well as by changes in the external environment. Changes in claim practices increase the uncertainty in the interpretation of case reserve data, which increases the uncertainty in recorded reserve levels. Severity trends have increased in recent accident years, in part driven by more expensive parts associated with new automobile technology, causing additional uncertainty about the reliability of past patterns. In addition, the introduction of new products and class plans has led to a different mix of business by type of insured than the Company experienced in the past. Such changes in mix increase the uncertainty of the reserve projections, since historical data and reporting patterns may not be applicable to the new business.

Assumed reinsurance- While the pricing and reserving processes can be challenging and idiosyncratic for insurance companies, the inherent uncertainties of setting prices and estimating such reserves are even greater for the reinsurer. This is primarily due to the longer time between the date of an occurrence and the reporting of claims to the reinsurer, the diversity of development patterns among different types of reinsurance treaties or contracts, the necessary reliance on the ceding companies for information regarding reported claims and differing pricing and reserving practices among ceding companies. In addition, trends that have affected development of liabilities in the past may not necessarily occur or impact liability development in the same manner or to the same degree in the future. As a result, actual losses and LAE may deviate, perhaps substantially, from the expected estimates.

International business- In addition to several of the line-specific trends listed above, the International business acquired through the Navigators Group book of business may have additional uncertainty due to geopolitical, foreign currency, and trade dispute risks.

COVID-19 impacts- As further explained under "Impacts of COVID-19" within The Hartford's Operations section of MD&A, through December 31, 2020, the Company incurred $278 of COVID-19 claims in P&C, including in workers' compensation, property and financial lines. Under workers' compensation, we could experience a continuation of COVID-19 incurred losses, particularly due to laws or directives in certain states that require coverage of COVID-19 claims for health care and other essential workers based on a presumption that they contracted the virus while working. We could also incur losses on general liability policies if claimants can successfully assert that insureds were negligent from protecting employees, customers and others from exposure though we do not expect this exposure to be significant. Under commercial property policies, we have reserved for business interruption claims that pertain to policies in middle & large commercial and in global specialty which do not require direct physical loss or property damage. We have also experienced an increase in COVID-19 related claims under director's and officer's insurance policies. In other cases, particularly in small commercial, where there are policy exclusions and the requirement that there be direct physical loss or damage to the property, we have not recorded loss reserves as there is no coverage though we have recorded a reserve for legal defense costs.

In addition to the direct impacts of COVID-19 mentioned above, we are monitoring for indirect impacts as well. In our commercial surety lines there continues to be the potential for elevated frequency and severity due to an increase in the number of bankruptcies, especially in small businesses and impacted industries such as hospitality, entertainment and transportation. In construction surety, there is the potential for elevated losses from contractors who experience project shutdowns or payment delays, which negatively impact their cash flows, or result in disruptions in their supply chains, labor shortages or inflation in the cost of materials.

Reserve estimates for COVID-19 claims are difficult to estimate. In establishing reserves for COVID-19 incurred claims through December 31, 2020, we have provided IBNR at a higher percentage of ultimate estimated incurred losses than usual as we expect longer claim reporting patterns given the economic effects of COVID-19. For example, we expect longer delays than usual between the time a worker is treated and the date the claim is eventually submitted for workers' compensation coverage. Reserve estimates for D&O, E&O and employment practices liability are subject to significant uncertainty given that estimates must be made of the expected ultimate severity of claims that have recently been reported. Several lines have experienced a decline in frequency during the pandemic months; however, uncertainty remains with respect to severity given the pandemic's potential impact on economic activity, driving behaviors, and the healthcare and legal systems. Changes in the legal environment and litigation process, including but not limited to court delays and closings, may also have potential impacts on development patterns for liability lines.

Impact of Key Assumptions on Reserves

As stated above, the Company’s practice is to estimate reserves using a variety of methods, assumptions and data elements within its reserve estimation process. The Company does not consistently use statistical loss distributions or confidence levels around its reserve estimate and, as a result, does not disclose reserve ranges.

Across most lines of business, the most important reserve assumptions are future loss development factors applied to paid or reported losses to date. The trend in loss cost frequency and severity is also a key assumption, particularly in the most recent accident years, where loss development factors are less credible.

The following discussion discloses possible variation from current estimates of loss reserves due to a change in certain key indicators of potential losses. For automobile liability lines in both Personal Lines and Commercial Lines, the key indicator is the annual loss cost trend, particularly the severity trend component of loss costs. For workers’ compensation and general liability, loss development patterns are a key indicator, particularly for more mature accident years. For workers’ compensation, paid loss development patterns have been impacted by medical cost inflation and other changes in loss cost trends. For general liability, incurred loss development patterns have been impacted by, among other things, emergence of new types of claims (e.g., construction defect claims) and a shift in the mixture between smaller, more routine claims and larger, more complex claims.

Each of the impacts described below is estimated individually, without consideration for any correlation among key indicators or among lines of business. Therefore, it would be inappropriate to take each of the amounts described below and add them together in an attempt to estimate volatility for the Company’s reserves in total. For any one reserving line of business, the estimated variation in reserves due to changes in key indicators is a reasonable estimate of possible variation that may occur in the future, likely over a period of several calendar years. The variation discussed is not meant to be a worst-case scenario, and, therefore, it is possible that future variation may be more than the amounts discussed below.

	Possible Change in Key Indicator	Reserves, Net of Reinsurance December 31, 2020	Estimated Range of Variation in Reserves
Personal Automobile Liability	+/- 2.5. points to the annual assumed change in loss cost severity for the two most recent accident years	$1.4 billion	+/-$70
Commercial Automobile Liability	+/- 2.5 points to the annual assumed change in loss cost severity for the two most recent accident years	$1.1 billion	+/-$30
Workers' Compensation	2% change in paid loss development patterns	$10.9 billion	+/- $400
General Liability	8% change in reported loss development patterns	$4.1 billion	+/- $450

Reserving for Asbestos and Environmental Claims

How A&E Reserves are Set- The process for establishing reserves for asbestos and environmental claims first involves estimating the required reserves gross of ceded reinsurance and then estimating reinsurance recoverables.

In establishing reserves for gross asbestos claims, the Company evaluates its insureds' estimated liabilities for such claims by examining exposures for individual insureds and assessing how coverage applies. The Company considers a variety of factors, including the jurisdictions where underlying claims have been brought, past, pending and anticipated future claim activity, the level of plaintiff demands, disease mix, past settlement values of similar claims, dismissal rates, allocated loss adjustment expense, and potential impact of other defendants being in bankruptcy.

Similarly, the Company reviews exposures to establish gross environmental reserves. The Company considers several factors in estimating environmental liabilities, including historical values of similar claims, the number of sites involved, the insureds' alleged activities at each site, the alleged environmental damage, the respective shares of liability of potentially responsible parties, the appropriateness and cost of remediation, the nature of governmental enforcement activities or mandated remediation efforts and potential impact of other defendants being in bankruptcy.

After evaluating its insureds' probable liabilities for asbestos and/or environmental claims, the Company evaluates the insurance coverage in place for such claims. The Company considers its insureds' total available insurance coverage, including the coverage issued by the Company. The Company also considers relevant judicial interpretations of policy language, the nature of how policy limits are enforced on multi-year policies and applicable coverage defenses or determinations, if any.

The estimated liabilities of insureds and the Company's exposure to the insureds depends heavily on an analysis of the relevant legal issues and litigation environment. This analysis is conducted by the Company's lawyers and is subject to applicable privileges.

For both asbestos and environmental reserves, the Company also analyzes its historical paid and reported losses and expenses year by year, to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and reported activity. The historical losses and expenses are analyzed on both a direct basis and net of reinsurance.

Once the gross ultimate exposure for indemnity and allocated loss adjustment expense is determined for its insureds by each policy year, the Company calculates its ceded reinsurance projection based on any applicable facultative and treaty reinsurance and the Company's experience with reinsurance collections. See the section that follows entitled A&E Adverse Development Cover that discusses the impact the reinsurance agreement with NICO may have on future adverse development of asbestos and environmental reserves, if any.

Uncertainties Regarding Adequacy of A&E Reserves- A number of factors affect the variability of estimates for gross asbestos and environmental reserves including assumptions with respect to the frequency of claims, the average severity of those claims settled with payment, the dismissal rate of claims with no payment, resolution of coverage disputes with our policyholders and the expense to indemnity ratio. Reserve estimates for gross asbestos and environmental reserves are subject to greater variability than reserve estimates for more traditional exposures.

The process of estimating asbestos and environmental reserves remains subject to a wide variety of uncertainties, which are detailed in Note 15 - Commitments and Contingencies of Notes to Consolidated Financial Statements. The Company believes that its current asbestos and environmental reserves are appropriate. Future developments could continue to cause the Company to change its estimates of its gross asbestos and environmental reserves. Losses ceded under the adverse development cover ("A&E ADC") with NICO in excess of the ceded premium paid of $650 have resulted in a deferred gain resulting in a timing difference between when gross reserves are increased and when reinsurance recoveries are recognized. This timing difference results in a charge to net income until such periods when the recoveries are recognized. Consistent with past practice, the Company will continue to monitor its reserves in Property & Casualty Other Operations regularly, including its annual reviews of asbestos liabilities, reinsurance recoverables, the allowance for uncollectible reinsurance, and environmental liabilities. Where future developments indicate, we will make appropriate adjustments to the reserves at that time.

Total P&C Insurance Product Reserves Development

In the opinion of management, based upon the known facts and current law, the reserves recorded for the Company's property and casualty insurance products at December 31, 2020 represent the Company's best estimate of its ultimate liability for unpaid losses and loss adjustment expenses related to losses covered by policies written by the Company. However, because of the significant uncertainties surrounding reserves, it is possible that management's estimate of the ultimate liabilities for these claims may change in the future and that the required adjustment to currently recorded reserves could be material to the Company's results of operations and liquidity.

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Year Ended December 31, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 23,363**	**$ 2,201**	**$ 2,697**	**$ 28,261**
Reinsurance and other recoverables [1]	4,029	68	1,178	5,275
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**19,334**	**2,133**	**1,519**	**22,986**
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	5,493	1,695	—	7,188
Current accident year ("CAY") catastrophes	397	209	—	606
Prior accident year development ("PYD") [2]	44	(438)	258	(136)
Total provision for unpaid losses and loss adjustment expenses	**5,934**	**1,466**	**258**	**7,658**
Change in deferred gain on retroactive reinsurance included in other liabilities [2]	(102)	—	(210)	(312)
Payments	(4,348)	(1,791)	(265)	(6,404)
Net reserves transferred to liabilities held for sale	(45)	—	—	(45)
Foreign currency adjustment	14	—	—	14
Ending liabilities for unpaid losses and loss adjustment expenses, net	**20,787**	**1,808**	**1,302**	**23,897**
Reinsurance and other recoverables	4,271	28	1,426	5,725
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 25,058**	**$ 1,836**	**$ 2,728**	**$ 29,622**
Earned premiums and fee income	$ 8,940	$ 3,042		
Loss and loss expense paid ratio [3]	48.6	58.9		
Loss and loss expense incurred ratio	66.5	48.7		
Prior accident year development (pts) [4]	0.5	(14.6)		

[1]Includes a cumulative effect adjustment of $1 and $(1) for Commercial Lines and Property & Casualty Other Operations respectively, representing an adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. See Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements for further information.

[2]Prior accident year development does not include the benefit of a portion of losses ceded under the Navigators and A&E ADC which, under retroactive reinsurance accounting, is deferred and is recognized over the period the ceded losses are recovered in cash from NICO. For additional information regarding the two adverse development cover reinsurance agreements, refer to Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

[3]The "loss and loss expense paid ratio" represents the ratio of paid losses and loss adjustment expenses to earned premiums and fee income.

[4]"Prior accident year development (pts)" represents the ratio of prior accident year development to earned premiums.

Current Accident Year Catastrophe Losses for the Year Ended December 31, 2020, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 167	$ 97	$ 264
Civil Unrest	105	—	105
Hurricanes and Tropical Storms	96	51	147
Wildfires	21	61	82
Other	8	—	8
Total catastrophe losses	**$ 397**	**$ 209**	**$ 606**

In December, 2019, the judge overseeing the bankruptcy of PG&E Corporation and Pacific Gas and Electric Company (together, "PG&E") approved an $11 billion settlement of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. That settlement was contingent upon, among other things, the judge entering an order confirming PG&E's chapter 11 bankruptcy plan ("PG&E Plan") incorporating the settlement agreement. On June 20, 2020, the bankruptcy court judge approved the PG&E Plan and PG&E subsequently transferred the $11 billion settlement amount to a trust designed to allocate and distribute the settlement among subrogation holders, including certain of the Company's insurance subsidiaries. In the second quarter of 2020, the Company recorded an estimated $289 subrogation benefit though the ultimate amount it collects will depend on how the Company's ultimate paid claims subject to subrogation compare to other insurers' ultimate paid claims subject to subrogation. In 2020, the Company received distributions, net of attorney costs, of $227.

Unfavorable (Favorable) Prior Accident Year Development for the Year Ended December 31, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (110)	$ —	$ —	$ (110)
Workers' compensation discount accretion	35	—	—	35
General liability	237	—	—	237
Marine	3	—	—	3
Package business	(58)	—	—	(58)
Commercial property	(4)	—	—	(4)
Professional liability	(14)	—	—	(14)
Bond	(19)	—	—	(19)
Assumed reinsurance	(6)	—	—	(6)
Automobile liability	27	(61)	—	(34)
Homeowners	—	7	—	7
Net asbestos reserves	—	—	(2)	(2)
Net environmental reserves	—	—	—	—
Catastrophes	(149)	(380)	—	(529)
Uncollectible reinsurance	—	—	(8)	(8)
Other reserve re-estimates, net	—	(4)	58	54
Prior accident year development before change in deferred gain	**(58)**	**(438)**	**48**	**(448)**
Change in deferred gain on retroactive reinsurance included in other liabilities	102	—	210	312
Total prior accident year development	**$ 44**	**$ (438)**	**$ 258**	**$ (136)**

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Year Ended December 31, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,455**	**$ 2,456**	**$ 2,673**	**$ 24,584**
Reinsurance and other recoverables	3,137	108	987	4,232
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**16,318**	**2,348**	**1,686**	**20,352**
Navigators Group acquisition	2,001	—	—	2,001
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	4,913	2,087	—	7,000
Current accident year catastrophes	323	140	—	463
Prior accident year development [1]	(44)	(42)	21	(65)
Total provision for unpaid losses and loss adjustment expenses	**5,192**	**2,185**	**21**	**7,398**
Change in deferred gain on retroactive reinsurance included in other liabilities [1]	(16)	—	—	(16)
Payments	(4,161)	(2,400)	(187)	(6,748)
Foreign currency adjustment	(1)	—	—	(1)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**19,333**	**2,133**	**1,520**	**22,986**
Reinsurance and other recoverables	4,030	68	1,177	5,275
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 23,363**	**$ 2,201**	**$ 2,697**	**$ 28,261**
Earned premiums and fee income	$ 8,325	$ 3,235		
Loss and loss expense paid ratio [2]	50.0	74.2		
Loss and loss expense incurred ratio	62.6	68.3		
Prior accident year development (pts) [3]	(0.5)	(1.3)		

[1]Prior accident year development does not include the benefit of a portion of losses ceded under the Navigators ADC which, under retroactive reinsurance accounting, is deferred and recognized over the period the ceded losses are recovered in cash from NICO. For additional information regarding the Navigators ADC agreement, refer to Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

[2]The “loss and loss expense paid ratio” represents the ratio of paid losses and loss adjustment expenses to earned premiums and fee income.

[3]“Prior accident year development (pts)” represents the ratio of prior accident year development to earned premiums.

Current Accident Year Catastrophe Losses for the Year Ended December 31, 2019, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 157	$ 102	$ 259
Winter storms	54	18	72
Tropical storms	18	5	23
Hurricanes	20	4	24
Wildfires	4	4	8
Tornadoes	53	7	60
Typhoons	16	—	16
Other	1	—	1
Total catastrophe losses	**$ 323**	**$ 140**	**$ 463**

Unfavorable (Favorable) Prior Accident Year Development for the Year Ended December 31, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (120)	$ —	$ —	$ (120)
Workers' compensation discount accretion	33	—	—	33
General liability	61	—	—	61
Marine	8	—	—	8
Package business	(47)	—	—	(47)
Commercial property	(11)	—	—	(11)
Professional liability	29	—	—	29
Bond	(3)	—	—	(3)
Assumed reinsurance	3	—	—	3
Automobile liability	27	(38)	—	(11)
Homeowners	—	3	—	3
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(40)	(2)	—	(42)
Uncollectible reinsurance	(5)	—	(25)	(30)
Other reserve re-estimates, net	5	(5)	46	46
Total prior accident year development	**(60)**	**(42)**	**21**	**(81)**
Change in deferred gain on retroactive reinsurance included in other liabilities	16	—	—	16
Total prior accident year development	**$ (44)**	**$ (42)**	**$ 21**	**$ (65)**

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Year Ended December 31, 2018

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 18,893**	**$ 2,294**	**$ 2,588**	**$ 23,775**
Reinsurance and other recoverables	3,147	71	739	3,957
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**15,746**	**2,223**	**1,849**	**19,818**
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	4,037	2,249	—	6,286
Current accident year catastrophes	275	546	—	821
Prior accident year development	(200)	(32)	65	(167)
Total provision for unpaid losses and loss adjustment expenses	**4,112**	**2,763**	**65**	**6,940**
Payments	(3,540)	(2,638)	(228)	(6,406)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**16,318**	**2,348**	**1,686**	**20,352**
Reinsurance and other recoverables	3,137	108	987	4,232
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,455**	**$ 2,456**	**$ 2,673**	**$ 24,584**
Earned premiums and fee income	$ 7,081	$ 3,439		
Loss and loss expense paid ratio [1]	50.0	76.7		
Loss and loss expense incurred ratio	58.4	81.3		
Prior accident year development (pts) [2]	(2.8)	(0.9)		

[1]The "loss and loss expense paid ratio" represents the ratio of paid losses and loss adjustment expenses to earned premiums and fee income.
[2]"Prior accident year development (pts)" represents the ratio of prior accident year development to earned premiums.

Current Accident Year Catastrophe Losses for the Year Ended December 31, 2018, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 124	$ 164	$ 288
Winter storms	50	25	75
Flooding	1	1	2
Volcanic eruption	—	2	2
Wildfire	56	384	440
Hurricanes	71	23	94
Massachusetts gas explosion	**1**	**—**	1
Earthquake	**—**	**1**	1
Total catastrophe losses	**303**	**600**	**903**
Less: reinsurance recoverable under the property aggregate treaty [1]	(28)	(54)	(82)
Net catastrophe losses	**$ 275**	**$ 546**	**$ 821**

[1]Refers to reinsurance recoverable under the Company's Property Aggregate treaty. For further information on the treaty, refer to Part II, Item 7, MD&A — Enterprise Risk Management — Insurance Risk.

Unfavorable (Favorable) Prior Accident Year Development for the Year Ended December 31, 2018

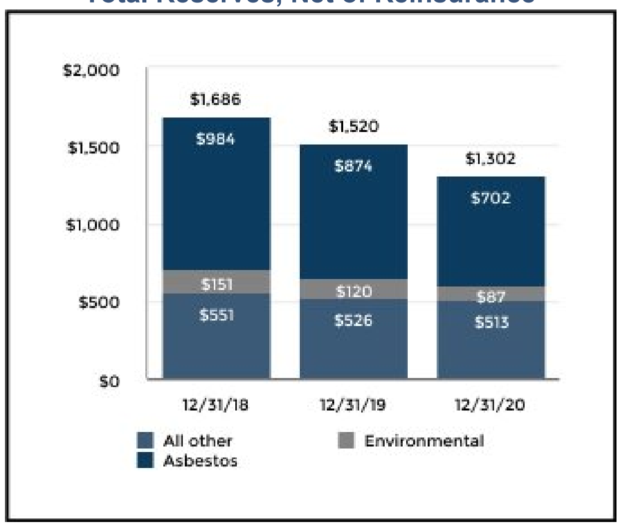
	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (164)	$ —	$ —	$ (164)
Workers' compensation discount accretion	40	—	—	40
General liability	52	—	—	52
Package business	(26)	—	—	(26)
Commercial property	(12)	—	—	(12)
Professional liability	(12)	—	—	(12)
Bond	2	—	—	2
Automobile liability	(15)	(18)	—	(33)
Homeowners	—	(25)	—	(25)
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(67)	18	—	(49)
Uncollectible reinsurance	—	—	22	22
Other reserve re-estimates, net	2	(7)	43	38
Total prior accident year development	**$ (200)**	**$ (32)**	**$ 65**	**$ (167)**

For discussion of the factors contributing to unfavorable (favorable) prior accident year reserve development, refer to Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

Property & Casualty Other Operations

Net reserves and reserve activity in Property & Casualty Other Operations are categorized and reported as asbestos, environmental, and "all other". The "all other" category of reserves covers a wide range of insurance and assumed reinsurance coverages, including, but not limited to, potential liability for construction defects, lead paint, silica, pharmaceutical products, head injuries, sexual molestation and sexual abuse and other long-tail liabilities. In addition to various insurance and assumed reinsurance exposures, "all other" includes unallocated loss adjustment expense reserves. "All other" also includes the Company's allowance for uncollectible reinsurance. When the Company commutes a ceded reinsurance contract or settles a ceded reinsurance dispute, net reserves for the related cause of loss (including asbestos, environmental or all other) are increased for the portion of the allowance for uncollectible reinsurance attributable to that commutation or settlement.

P&C Other Operations
Total Reserves, Net of Reinsurance



Asbestos and Environmental Reserves

The vast majority of the Company's exposure to A&E relates to policy coverages provided prior to 1986, reported within the P&C Other Operations segment ("Run-off A&E"). In addition, since 1986, the Company has written asbestos and environmental exposures under general liability policies and pollution liability under homeowners policies, which are reported in the Commercial Lines and Personal Lines segments.

Run-off A&E Summary as of December 31, 2020

	Asbestos	Environmental	Total A&E
Gross			
Direct	$ 1,252	$ 449	$ 1,701
Assumed Reinsurance	460	67	527
Total	1,712	516	2,228
Ceded- other than NICO	(444)	(97)	(541)
Ceded - NICO A&E ADC "Run-off"[1]	(566)	(332)	(898)
Net	**$ 702**	**$ 87**	**$ 789**

[1]Including $898 of ceded losses for Run-off A&E and a ($38) reduction in ceded losses for Commercial Lines and Personal Lines, cumulative net incurred losses of $860 have been ceded to NICO under an adverse development cover reinsurance agreement. See the section that follows entitled A&E Adverse Development Cover for additional information.

Rollforward of Run-off A&E Losses and LAE

	Asbestos	Environmental
2020		
Beginning liability — net	$ 874	$ 120
Losses and loss adjustment expenses incurred	(2)	—
Losses and loss adjustment expenses paid	(172)	(33)
Reclassification of allowance for uncollectible insurance [1]	2	—
Ending liability — net	**$ 702**	**$ 87**
2019		
Beginning liability — net	$ 984	$ 151
Losses and loss adjustment expenses incurred	—	—
Losses and loss adjustment expenses paid	(111)	(32)
Reclassification of allowance for uncollectible insurance [1]	1	1
Ending liability — net	**$ 874**	**$ 120**
2018		
Beginning liability — net	$ 1,143	$ 182
Losses and loss adjustment expenses incurred	—	—
Losses and loss adjustment expenses paid	(159)	(31)
Ending liability — net	**$ 984**	**$ 151**

[1] Related to the reclassification of an allowance for uncollectible reinsurance from the "all other" category of P&C Other Operations reserves.

A&E Adverse Development Cover

Effective December 31, 2016, the Company entered into an A&E ADC reinsurance agreement with NICO, a subsidiary of Berkshire, to reduce uncertainty about potential adverse development. Under the A&E ADC, the Company paid a reinsurance premium of $650 for NICO to assume adverse net loss and allocated loss adjustment expense reserve development up to $1.5 billion above the Company's existing net A&E reserves as of December 31, 2016 of approximately $1.7 billion, including both Run-off A&E and A&E reserves in Commercial Lines and Personal Lines. The $650 reinsurance premium was placed in a collateral trust account as security for NICO's claim payment obligations to the Company. The Company has retained the risk of collection on amounts due from other third-party reinsurers and continues to be responsible for claims handling and other administrative services, subject to certain conditions. The A&E ADC covers substantially all the Company's A&E reserve development up to the reinsurance limit.

Under retroactive reinsurance accounting, net adverse A&E reserve development after December 31, 2016 will result in an offsetting reinsurance recoverable up to the $1.5 billion limit. Cumulative ceded losses up to the $650 reinsurance premium paid have been recognized as a dollar-for-dollar offset to direct losses incurred. Cumulative ceded losses exceeding the $650 reinsurance premium paid have resulted in a deferred gain. As of December 31, 2020, the Company has incurred a cumulative $860 in adverse development on A&E reserves that have been ceded under the A&E ADC treaty with NICO, including $898 for Run-off A&E reserves and ($38) for A&E reserves in Commercial Lines and Personal Lines. As such, $640 of coverage is available for future adverse net reserve development, if any. As a result, the Company has recorded a $210 deferred gain within other liabilities, representing the difference between the reinsurance recoverable of $860 and ceded premium paid of $650. The deferred gain is recognized over the claim settlement period in the proportion of the amount of cumulative ceded losses collected from the reinsurer to the estimated ultimate reinsurance recoveries. Consequently, until periods when the deferred gain is recognized as a benefit to earnings, cumulative adverse development of asbestos and environmental claims will result in charges against earnings, which may be significant.

Net and Gross Survival Ratios

Net and gross survival ratios are a measure of the quotient of the carried reserves divided by average annual payments (net of reinsurance and on a gross basis) and is an indication of the number of years that carried reserves would last (i.e. survive) if future annual payments were consistent with the calculated historical average.

Since December 31, 2016, asbestos and environmental net reserves have been declining since all adverse development has been ceded to NICO, up to a limit of $1.5 billion and the deferred gain on retroactive reinsurance has been recorded within other liabilities rather than in net loss and loss adjustment expense reserves. Recoveries from NICO will not be collected until the Company has cumulative loss payments of more than the $1.7 billion carrying value of net reserves as of December 31, 2016. Accordingly, the payment of losses without any current collection of recoveries from NICO has reduced the Company's net loss reserves which decreases the net survival ratios such that, unadjusted, the net survival ratios would not be representative of the true number of years of average loss payments covered by the reserves. Therefore, the net survival ratios presented in the table below are calculated before considering the effect of the A&E ADC reinsurance agreement but net of other reinsurance in place.

Net and Gross Survival Ratios

	Asbestos	Environmental
One year net survival ratio [1]	7.3	12.7
Three year net survival ratio [1]	8.6	13.1
One year gross survival ratio	6.8	13.2
Three year gross survival ratio	8.6	12.5

[1] As of December 31, 2020, the one year net survival ratios after considering the reduction in reserves for losses ceded to the ADC were 4.1 and 2.6 for asbestos and environmental, respectively. As of December 31, 2020, the three year net survival ratios after considering the ADC were 4.7 and 2.7, respectively.

Run-off A&E Paid and Incurred Losses and LAE Development

	Asbestos		Environmental	
	Paid Losses & LAE	Incurred Losses & LAE	Paid Losses & LAE	Incurred Losses & LAE
2020				
Gross	$ 252	$ 170	$ 40	$ 141
Ceded- other than NICO	(80)	(40)	(7)	(35)
Ceded - NICO A&E ADC	—	(132)	—	(106)
Net	**$ 172**	**$ (2)**	**$ 33**	**$ —**
2019				
Gross	$ 131	$ 115	$ 39	$ 95
Ceded- other than NICO	(20)	(39)	(7)	(39)
Ceded - NICO A&E ADC	—	(76)	—	(56)
Net	**$ 111**	**$ —**	**$ 32**	**$ —**
2018				
Gross	$ 213	$ 249	$ 47	$ 83
Ceded- other than NICO	(54)	(85)	(16)	(12)
Ceded - NICO A&E ADC	—	(164)	—	(71)
Net	**$ 159**	**$ —**	**$ 31**	**$ —**

Annual Reserve Reviews

Review of Asbestos and Environmental Reserves

The Company performs its regular comprehensive annual review of asbestos and environmental reserves in the fourth quarter, including both Run-off A&E (P&C Other Operations) and asbestos and environmental reserves included in Commercial Lines and Personal Lines. As part of the evaluation of asbestos and environmental reserves in the fourth quarter of 2020, the Company reviewed all of its open direct domestic insurance accounts exposed to asbestos and environmental liability, as well as assumed reinsurance accounts.

2020 comprehensive annual reviews

As a result of the 2020 fourth quarter review, the Company increased estimated asbestos reserves before NICO reinsurance in P&C Other Operations by $130, primarily due to an increase in the rate of asbestos claims settlements for both mesothelioma and non-mesothelioma claims. In addition, average settlement values and defense costs were higher than anticipated, driven by elevated plaintiff demands. Overall, the number of claim filings in the period covered by the 2020 study was roughly flat with the 2019 study, driven by an increase in non-mesothelioma claim filings, while the number of mesothelioma claim filings decreased as expected. The increase in asbestos reserves was offset by $132 reinsurance recoverable under the NICO treaty, recognizing ($2) in reserve releases not subject to the NICO treaty.

As a result of the 2020 fourth quarter review, the Company increased estimated environmental reserves before NICO reinsurance in P&C Other Operations by $106, primarily due to an increasing number of claims and suits alleging contamination from or exposure to per & polyfluoroalkyl substances ("PFAS"). In addition, higher than anticipated remediation costs and legal defense costs also contributed to the reserve increase. The increase in environmental reserves was offset by a $106 reinsurance recoverable under the NICO treaty.

The total $236 increase in asbestos and environmental reserves in P&C Other Operations was offset by a $238 reinsurance recoverable under the NICO treaty, with a ($2) release in asbestos reserves not subject to the NICO treaty. Including a reduction of asbestos and environmental reserves in Commercial Lines and Personal Lines, the net increase in A&E reserves ceded to the A&E ADC in 2020 was $220 offset by a $220 increase in reinsurance recoverables under the NICO treaty. However, since cumulative losses ceded to the A&E ADC of $860 exceed the $650 of ceded premium paid, the Company recognized a $210 increase in deferred gain on retroactive reinsurance, resulting in the Company recording a charge to earnings of $208 in 2020, consisting of the $210 deferred gain net of the $2 of favorable development on A&E reserves not subject to the NICO treaty.

2019 comprehensive annual reviews

During the 2019 fourth quarter review, the Company increased estimated asbestos reserves before NICO reinsurance in P&C Other Operations by $76, primarily due to an increase in average settlement values, most notably from mesothelioma claims, driven by elevated plaintiff demands. In addition, cost-sharing agreements and settlements with certain insureds reduced the uncertainty of the Company's asbestos liability but resulted in a reserve increase. Partially offsetting the adverse development was a decrease in the number of claim filings, most notably from mesothelioma claims. The increase in reserves was offset by a $76 reinsurance recoverable under the NICO treaty.

As a result of the 2019 fourth quarter review, the Company increased estimated environmental reserves before NICO reinsurance in P&C Other Operations by $56, primarily due to regulatory remediation requirements that changed in 2019 for certain sites polluted by coal ash and resulted in more costly and extensive remediation plans, a higher than anticipated number of claims associated with PFAS, and increased defense and cleanup costs associated with Superfund sites. The increase in environmental reserves was offset by a $56 reinsurance recoverable under the NICO treaty.

The total $132 increase in asbestos and environmental reserves in P&C Other Operations was offset by a $132 reinsurance recoverable under the NICO treaty. Including a reduction of asbestos and environmental reserves in Commercial Lines and Personal Lines, the net increase in A&E reserves in 2019 was $117 offset by a $117 increase in reinsurance recoverables under the NICO treaty.

For information regarding the 2018 comprehensive annual review, refer to Part 2, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in The Hartford's 2019 Form 10-K Annual Report.

Major Categories of Asbestos Accounts

Direct asbestos exposures include both Known and Unallocated Direct Accounts.

- **Known Direct Accounts-** includes both Major Asbestos Defendants and Non-Major Accounts, and represent approximately 71% of the Company's total Direct gross asbestos reserves as of December 31, 2020 compared to approximately 73% as of December 31, 2019. Major Asbestos Defendants have been defined as the “Top 70” accounts in Tillinghast's published Tiers 1 and 2 and Wellington accounts, while Non-Major accounts are comprised of all other direct asbestos accounts and largely represent smaller and more peripheral defendants. Major Asbestos Defendants have the fewest number of asbestos accounts.
- **Unallocated Direct Accounts-** includes an estimate of the reserves necessary for asbestos claims related to direct insureds that have not previously tendered asbestos claims to the Company and exposures related to liability claims that may not be subject to an aggregate limit under the applicable policies. These exposures represent approximately 29% of the Company's Direct gross asbestos reserves as of December 31, 2020 compared to approximately 27% as of December 31, 2019.

Review of "All Other" Reserves in Property & Casualty Other Operations

Prior year development on all other reserves resulted in increases of $50, $21 and $65, respectively for calendar years 2020, 2019 and 2018. Included in the 2020 adverse reserve development was a $35 increase in reserves for unallocated loss adjustment expenses ("ULAE"), primarily due to an increase in expected aggregate claim handling costs associated with asbestos and environmental claims, as well as higher than anticipated unallocated loss adjustment expenses in recent years, prompting an increase in the projected run rate expense. In addition, elevated claim activity related to certain mass torts and assumed residual value policies contributed to the overall reserve increases, offset by favorable development from previously disputed or potentially uncollectible reinsurance.

The Company provides an allowance for uncollectible reinsurance, reflecting management’s best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers’ unwillingness or inability to pay. In performing its assessment, the Company evaluates the collectibility of the reinsurance recoverables and the adequacy of the allowance for uncollectible reinsurance associated with older, long-term casualty liabilities reported in Property & Casualty Other Operations. In conducting these evaluations, the company used its most recent detailed evaluations of ceded liabilities reported in the segment. The Company analyzed the overall credit quality of the Company’s reinsurers, recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers, and recent developments in commutation activity between reinsurers and cedants. As of 2020, 2019, and 2018 the allowance for uncollectible reinsurance for Property & Casualty Other Operations totaled $60, $71 and $105, respectively. Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables become due, particularly for older, long-term casualty liabilities, it is possible that future adjustments to the Company’s reinsurance recoverables, net of the allowance, could be required.

Impact of Re-estimates on Property and Casualty Insurance Product Reserves

Estimating property and casualty insurance product reserves uses a variety of methods, assumptions and data elements. Ultimate losses may vary materially from the current estimates. Many factors can contribute to these variations and the need to change the previous estimate of required reserve levels. Prior accident year reserve development is generally due to the emergence of additional facts that were not known or anticipated at the time of the prior reserve estimate and/or due to changes in interpretations of information and trends.

The table below shows the range of annual reserve re-estimates experienced by The Hartford over the past ten years. The amount of prior accident year development (as shown in the reserve rollforward) for a given calendar year is expressed as a percent of the beginning calendar year reserves, net of reinsurance. The ranges presented are significantly influenced by the facts and circumstances of each particular year and by the fact that only the last ten years are included in the range. Accordingly, these percentages are not intended to be a prediction of the range of possible future variability. For further discussion of the potential for variability in recorded loss reserves, see Preferred Reserving Methods by Line of Business and Impact of Key Assumptions on Reserves sections.

Range of Prior Accident Year Unfavorable (Favorable) Development for the Ten Years Ended December 31, 2020

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty [1]
Annual range of prior accident year unfavorable (favorable) development for the ten years ended December 31, 2020	**(1.3%) - 1.0%**	**(20.5%) - 8.3%**	**0.9% - 17.0%**	**(0.8%) - 2.4%**

[1]Excluding the reserve increases for asbestos and environmental reserves, over the past ten years, reserve re-estimates for total property and casualty insurance ranged from (1.5%) to 1.0%.

The potential variability of the Company’s property and casualty insurance product reserves would normally be expected to vary by segment and the types of loss exposures insured by those segments. Illustrative factors influencing the potential reserve variability for each of the segments are discussed under Critical Accounting Estimates for Property & Casualty Insurance Product Reserves and Asbestos and Environmental Reserves. See the section entitled Property & Casualty Other Operations, Annual Reserve Reviews about the impact that the A&E ADC retroactive reinsurance agreement with NICO may have on net reserve changes of asbestos and environmental reserves going forward.

The following table summarizes the effect of reserve re-estimates, net of reinsurance, on calendar year operations for the ten-year period ended December 31, 2020. The total of each column details the amount of reserve re-estimates made in the indicated calendar year and shows the accident years to which the re-estimates are applicable. The amounts in the total column on the far right represent the cumulative reserve re-estimates during the ten year period ended December 31, 2020 for the indicated accident year in each row. This table does not include Navigators Group reserve re-estimates for periods prior to the acquisition of the business on May 23, 2019.

Effect of Net Reserve Re-estimates on Calendar Year Operations

	Calendar Year										
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
By Accident Year											
2010 & Prior	$ 367	$ (40)	$ 25	$ 330	$ 350	$ 316	$ 87	$ (37)	$ 38	$ 499	$ 1,935
2011		36	148	(4)	12	(6)	6	11	(19)	(10)	174
2012			19	—	(55)	(35)	(12)	(15)	(15)	(25)	(138)
2013				(98)	(43)	(29)	(33)	(2)	(26)	(8)	(239)
2014					(14)	20	(19)	(54)	(29)	(25)	(121)
2015						191	(41)	(93)	19	(9)	67
2016							(29)	14	(11)	(29)	(55)
2017								9	(116)	(169)	(276)
2018									78	(268)	(190)
2019										(92)	(92)
Increase (decrease) in net reserves [1] [2]	**$ 367**	**$ (4)**	**$ 192**	**$ 228**	**$ 250**	**$ 457**	**$ (41)**	**$ (167)**	**$ (81)**	**$ (136)**	**$ 1,065**

[1]For the 2020 and 2019 calendar years, net favorable prior accident year development recognized in the Consolidated Statement of Operations was $(448) rather than $(136) and $65 rather than $81, respectively, as shown in this table as the Company recognized a $312 and $16 deferred gain on retroactive reinsurance. For additional information regarding the two adverse development cover reinsurance agreements, refer to Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

[2]For calendar years before 2017, the 2010 and prior accident year development includes adverse development for A&E reserves. Beginning with the 2017 calendar year, A&E reserve development has been ceded to NICO.

The commentary below explains, by accident year, the total prior accident year development recognized over the past 10 years.

Accident years 2010 and Prior

The net increases in estimates of ultimate losses for accident years 2010 and prior are driven mostly by increased reserves for asbestos and environmental reserves, and also by increased estimates for customs bonds, sexual molestation and sexual abuse and other mass torts claims. Partially offsetting these reserve increases was favorable development in general liability and personal automobile liability.

Accident year 2011

Unfavorable changes in estimates of ultimate losses on accident year 2011 were primarily related to workers' compensation and commercial automobile liability. Workers' compensation loss cost trends were higher than initially expected as an increase in frequency outpaced a moderation of severity trends. Unfavorable commercial automobile liability reserve re-estimates were driven by higher frequency of large loss bodily injury claims.

Accident years 2012 and 2013

Estimates of ultimate losses were decreased for accident years 2012 and 2013 due to favorable frequency and/or medical severity trends for workers’ compensation and favorable professional liability claim emergence. Favorable emergence of property lines of business, including catastrophes, for the 2013 accident year, is partially offset by increased reserves in automobile liability due to increased severity of large claims.

Accident years 2014 and 2015

Changes in estimates of ultimate losses for accident years 2014 and 2015 were largely driven by unfavorable frequency and severity trends for personal and commercial automobile liability, increased severity of liability claims on package business and increased estimated severity on the acquired Navigators Group book of business related to U.S. construction, premises liability, products liability and excess casualty offset by favorable frequency and medical severity trends for workers' compensation.

Accident year 2016

Estimates of ultimate losses were decreased for the 2016 accident year largely due to reserve decreases on short-tail lines of business, where results emerge more quickly, and workers’ compensation due to lower estimated claim severity, somewhat offset by unfavorable reserve estimates for higher hazard general liability exposures due to increased frequency and severity trends, higher estimated severity in middle & large commercial and on the acquired Navigators Group book of business related to U.S. construction, premises liability, products liability and excess casualty.

Accident year 2017

Ultimate loss estimates were decreased for the 2017 accident year mainly due to release of reserves related to catastrophes, lower reserve estimates in personal automobile liability due to emergence of lower estimated severity and lower reserve estimates for workers’ compensation related to lower than previously estimated claim severity , somewhat offset by increases in estimates of ultimate losses in general liability and bond. Partially offsetting was an increase to general liability reserves that was related to high hazard exposures which experienced increased frequency and severity trends. In addition, unfavorable bond reserve re-estimates were driven by large claims. On the Navigators Group book of business, reserve increases for professional liability were related to large syndicate D&O losses.

Accident year 2018

Ultimate loss estimates were decreased for the 2018 accident year mainly due to reduction in estimated catastrophe reserves for California wildfires and for various wind and hail events. Reserve estimates were also reduced, to a lesser extent, for personal automobile liability which decreased due to lower than previously expected claim severity. These reserve decreases were slightly offset by increases in commercial automobile liability, professional liability and general liability. Commercial automobile liability reserve increases were related to higher estimated severity on middle & large commercial. Increases in general liability reserves for middle market and complex liability claims were also largely due to higher than previously expected severity. On the Navigators Group book of business, reserve increases for professional liability were related to large loss activity and increased estimated severity on directors and officers reserves.

Accident year 2019

Ultimate loss estimates were decreased for the 2019 accident year mainly due to favorable emergence of property lines of business, mainly related to catastrophes, slightly offset by increases in commercial automobile liability reserves due to higher than expected large losses in middle & large commercial.

Group Benefit LTD Reserves, Net of Reinsurance

The Company establishes reserves for group life and accident & health contracts, including long-term disability coverage, for both reported claims and claims related to insured events that the Company estimates have been incurred but have not yet been reported. As long-term disability reserves are long-tail claim liabilities, they are discounted because the payment pattern and the ultimate costs are reasonably fixed and determinable on an individual claim basis. The Company held $6,494 and $6,616 of LTD unpaid losses and loss adjustment expenses, net of reinsurance, as of December 31, 2020 and 2019, respectively.

Reserving Methodology

How Reserves are Set - A Disabled Life Reserve ("DLR") is calculated for each LTD claim. The DLR for each claim is the expected present value of all future benefit payments starting with the known monthly gross benefit which is reduced for estimates of the expected claim recovery due to return to work or claimant death, offsets from other income including offsets from Social Security benefits, and discounting where the discount rate is tied to expected investment yield at the time the claim is incurred. Estimated future benefit payments represent the monthly income benefit that is paid until recovery, death or expiration of benefits. Claim recoveries are estimated based on claim characteristics such as age and diagnosis and represent an estimate of benefits that will terminate, generally as a result of the claimant returning to work or being deemed able to return to work. For claims recently closed due to recovery, a portion of the DLR is retained for the possibility that the claim reopens upon further evidence of disability. In addition, a reserve for estimated unpaid claim expenses is included in the DLR.

The DLR also includes a liability for potential payments to pending claimants beyond the elimination period who have not yet been approved for LTD. In these cases, the present value of future benefits is reduced for the likelihood of claim denial based on Company experience.

Estimates for incurred but not reported ("IBNR") claims are made by applying completion factors to expected emerged experience by line of business. Included within IBNR are bulk reserves for claims reported but still within the waiting period until benefits are paid, typically 3 or 6 months depending on the contract. Completion factors are derived from standard actuarial techniques using triangles that display historical claim count emergence by incurral month. These estimates are reviewed for reasonableness and are adjusted for current trends and other factors expected to cause a change in claim emergence. The reserves include an estimate of unpaid claim expenses, including a provision for the cost of initial set-up of the claim once reported.

For all products, including LTD, there is a period generally ranging from two to twelve months, depending on the product and line of business, where emerged claims for an incurral year are not yet credible enough to be a basis for estimating reserves. In these cases, the ultimate loss is estimated using earned premium multiplied by an expected loss ratio based on pricing assumptions of claim incidence, claim severity, and earned pricing.

Impact of Key Assumptions on Reserves

The key assumptions affecting our group life and accident & health reserves including disability include:

Discount Rate - The discount rate is the interest rate at which expected future claim cash flows are discounted to determine the present value. A higher selected discount rate results in a lower reserve. If the discount rate is higher than our future investment returns, our invested assets will not earn enough investment income to cover the discount accretion on our claim reserves which would negatively affect our profits. For each incurral year, the discount rates are estimated based on investment yields expected to be earned net of investment expenses. The incurral year is the year in which the claim is incurred and the estimated settlement pattern is determined. Once established, discount rates for each incurral year are unchanged except that LTD reserves assumed from the acquisition of Aetna's U.S. group life and disability business are all discounted using rates as of the November 1, 2017 acquisition date. The weighted average discount rate on LTD reserves was 3.4% in 2020 and 2019. Had the discount rate for each incurral year been 10 basis points lower at the time they were established, our LTD unpaid loss and loss adjustment expense reserves would be higher by $29, pretax, as of December 31, 2020.

Claim Termination Rates (inclusive of mortality, recoveries, and expiration of benefits) - Claim termination rates are an estimate of the rate at which claimants will cease receiving benefits during a given calendar year. Terminations result from a number of factors, including death, recoveries and expiration of benefits. The probability that benefits will terminate in each future month for each claim is estimated using a predictive model that uses past Company experience, contract provisions, job characteristics and other claimant-specific characteristics such as diagnosis, time since disability began, and age. Actual claim termination experience will vary from period to period. Over the past 9 years, claim termination rates for a single incurral year have generally increased and have ranged from 6% below to 7% above current assumptions over that time period. For a single recent incurral year (such as 2020), a one percent decrease in our assumption for LTD claim termination rates would increase our reserves by $9. For all incurral years combined, as of December 31, 2020, a one percent decrease in our assumption for our LTD claim termination rates would increase our Group Benefits unpaid losses and loss adjustment expense reserves by $22.

Impact of COVID-19 on 2020 Results of Operations

Within Group Benefits, the Company experienced excess mortality in its group life business of $239 in 2020, primarily caused by direct and indirect impacts of COVID-19. Within the group disability business, in 2020 the Company recognized $29 of COVID-19 direct losses from short-term disability claims, more than offset by $38 of favorable frequency on other short-term disability claims.

Current Trends Contributing to Reserve Uncertainty

We hedge our interest rate exposure over a three year period at the time we price and sell long-term disability policies and our weighted average discount rate assumption for the 2020 incurral year is up slightly from that of the 2019 incurral year.

While we have not seen a significant change in claim recovery patterns to date, in future periods, because of COVID-19, we could experience a delay in the Social Security Administration’s processing of disability claims and a delay in physicians approving a disability claimant’s ability to return to work, resulting in lower expected claim terminations or recoveries, including Social Security offsets. Also, due to the effects on the economy, including higher unemployment, we could experience an increase in claim incidence on long-term disability claims.

Evaluation of Goodwill for Impairment

Goodwill balances are reviewed for impairment at least annually, or more frequently if events occur or circumstances change that would indicate that a triggering event for a potential impairment has occurred. Effective January 1, 2020, the Company adopted updated accounting guidance on recognition and measurement of goodwill impairment, as required. The updated guidance requires recognition and measurement of goodwill impairment based on the excess of the carrying value of the reporting unit over its estimated fair value, up to the amount of the reporting unit’s goodwill.

The estimated fair value of each reporting unit incorporates multiple inputs into discounted cash flow calculations including assumptions that market participants would make in valuing the reporting unit. Assumptions include levels of economic capital, future business growth, earnings projections, assets under management for Hartford Funds and the weighted average cost of capital used for purposes of discounting. Decreases in business growth, decreases in earnings projections and increases in the weighted average cost of capital will all cause a reporting unit’s fair value to decrease, increasing the possibility of impairment.

A reporting unit is defined as an operating segment or one level below an operating segment. The Company’s reporting units, for which goodwill has been allocated consist of Commercial Lines, Personal Lines, Group Benefits and Hartford Funds.

The carrying value of goodwill was $1,911 as of December 31, 2020 and was comprised of $659 for Commercial Lines, $119 for Personal Lines, $861 for Group Benefits, and $272 for Hartford Funds.

The annual goodwill assessment for the reporting units was completed as of October 31, 2020, and resulted in no write-downs of goodwill for the year ended December 31, 2020. All reporting units passed the annual impairment test with a significant margin. For information regarding the 2019 and 2018 impairment tests see Note 11 - Goodwill & Other Intangible Assets of Notes to Consolidated Financial Statements.

Due to the continuing impacts in the economy because of the COVID-19 pandemic, near-term expected net cash flows over the forecast period reflect estimated COVID-19 claims and economic effects of the pandemic. Considering the impacts of COVID-19, if the weighted average cost of capital used for purposes of discounting increases significantly or if the economic downturn worsens or persists for an extended period and the Company's actual and forecasted operating results deteriorate, the Company may determine it is more likely than not that a reporting unit's fair value is below its carrying value, including goodwill, which could result in an impairment of goodwill.

Valuation of Investments and Derivative Instruments

Fixed Maturities, Equity Securities, Short-term Investments, and Derivatives

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources which are listed in priority order: quoted prices, prices from third-party pricing services, internal matrix pricing, and independent broker quotes. The fair value of derivative instruments are determined primarily using a discounted cash flow model or option model technique and incorporate counterparty credit risk. In some cases, quoted market prices for exchange-traded transactions and transactions cleared through central clearing houses ("OTC-cleared") may be used and in other cases independent broker quotes may be used. For further discussion, see the Fixed Maturities, Equity Securities, Short-term Investments and Derivatives section in Note 5 - Fair Value Measurements of Notes to Consolidated Financial Statements.

Evaluation of Credit Losses on Fixed Maturities, AFS and ACL on Mortgage Loans

Each quarter, a committee of investment and accounting professionals evaluates investments to determine if a credit loss is present for fixed maturities, AFS or an ACL is required for mortgage loans. This evaluation is a quantitative and qualitative process, which is subject to risks and uncertainties. For further discussion of the accounting policies, see the Significant Investment Accounting Policies Section in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements. For a discussion of credit losses recorded, see the Credit Losses on Fixed Maturities, AFS and Intent-to-Sell Impairments and ACL on Mortgage Loans sections within the Investment Portfolio Risks and Risk Management section of the MD&A.

Contingencies Relating to Corporate Litigation and Regulatory Matters

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes reserves for these contingencies at its “best estimate,” or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated reserve at the low end of the range of losses.

The Company has a quarterly monitoring process involving legal and accounting professionals. Legal personnel first identify outstanding corporate litigation and regulatory matters posing a reasonable possibility of loss. These matters are then jointly reviewed by accounting and legal personnel to evaluate the facts and changes since the last review in order to determine if a provision for loss should be recorded or adjusted, the amount that should be recorded, and the appropriate disclosure. The outcomes of certain contingencies currently being evaluated by the Company, which relate to corporate litigation and regulatory matters, are inherently difficult to predict, and the reserves that have been established for the estimated settlement amounts are subject to significant changes. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of the Company. In view of the uncertainties regarding the outcome of these matters, as well as the tax-deductibility of payments, it is possible that the ultimate cost to the Company of these matters could exceed the reserve by an amount that would have a material adverse effect on the Company’s consolidated results of operations and liquidity in a particular quarterly or annual period.

SEGMENT OPERATING SUMMARIES

COMMERCIAL LINES

Results of Operations

Underwriting Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Written premiums	$ 8,969	$ 8,452	$ 7,136	6 %	18 %
Change in unearned premium reserve	59	162	89	(64 %)	82 %
Earned premiums	8,910	8,290	7,047	7 %	18 %
Fee income	30	35	34	(14 %)	3 %
Losses and loss adjustment expenses					
Current accident year before catastrophes	5,488	4,913	4,037	12 %	22 %
Current accident year catastrophes [1]	397	323	275	23 %	17 %
Prior accident year development [1]	44	(44)	(200)	NM	78 %
Total losses and loss adjustment expenses	5,929	5,192	4,112	14 %	26 %
Amortization of DAC	1,397	1,296	1,048	8 %	24 %
Underwriting expenses	1,594	1,600	1,369	— %	17 %
Amortization of other intangible assets	28	18	4	56 %	NM
Dividends to policyholders	29	30	23	(3 %)	30 %
Underwriting (loss) gain	**(37)**	**189**	**525**	**(120 %)**	**(64 %)**
Net servicing income	4	2	2	100 %	— %
Net investment income [2]	1,160	1,129	997	3 %	13 %
Net realized capital gains (losses) [2]	(60)	271	(43)	(122 %)	NM
Loss on reinsurance transaction	—	(91)	—	100 %	NM
Other (expenses)	(35)	(38)	(2)	8 %	NM
Income before income taxes	**1,032**	**1,462**	**1,479**	**(29 %)**	**(1 %)**
Income tax expense [3]	176	270	267	(35 %)	1 %
Net income	**$ 856**	**$ 1,192**	**$ 1,212**	**(28 %)**	**(2 %)**

[1]For discussion of current accident year catastrophes and prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves Development, Net of Reinsurance and Note 12- Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.
[2]For discussion of consolidated investment results, see MD&A - Investment Results.
[3]For discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.

Premium Measures

	2020	2019	2018
Small Commercial:			
Net new business premium	$ 557	$ 646	$ 600
Policy count retention	84 %	83 %	82 %
Renewal written price increases	2.0 %	1.8 %	2.5 %
Renewal earned price increases	2.3 %	1.9 %	3.8 %
Premium retention	84 %	85 %	84 %
Policies in-force as of end of period (in thousands)	1,283	1,291	1,271
Middle Market [1]:			
Net new business premium	$ 479	$ 584	$ 540
Policy count retention	78 %	80 %	78 %
Renewal written price increases	7.4 %	3.8 %	2.0 %
Renewal earned price increases	6.4 %	2.7 %	1.7 %
Premium retention	77 %	84 %	83 %
Policies in-force as of end of period (in thousands)	59	62	64
Global Specialty:			
Global specialty gross new business premium [2]	$ 752		
U.S. global specialty renewal written price increases	17.6 %		
U.S. global specialty renewal earned price increases	13.1 %		

[1]Middle market disclosures exclude loss sensitive and programs businesses.
[2]Excludes Global Re and Continental Europe Operations and is before ceded reinsurance.

Underwriting Ratios

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Loss and loss adjustment expense ratio					
Current accident year before catastrophes	61.6	59.3	57.3	2.3	2.0
Current accident year catastrophes	4.5	3.9	3.9	0.6	—
Prior accident year development	0.5	(0.5)	(2.8)	1.0	2.3
Total loss and loss adjustment expense ratio	66.5	62.6	58.4	3.9	4.2
Expense ratio	33.5	34.7	33.9	(1.2)	0.8
Policyholder dividend ratio	0.3	0.4	0.3	(0.1)	0.1
Combined ratio	**100.4**	**97.7**	**92.6**	**2.7**	**5.1**
Impact of current accident year catastrophes and prior year development	(5.0)	(3.4)	(1.1)	(1.6)	(2.3)
Impact of current accident year change in loss reserves upon acquisition of a business [1]	—	(0.3)	—	0.3	(0.3)
Underlying combined ratio	**95.5**	**94.0**	**91.5**	**1.5**	**2.5**

[1]Upon acquisition of Navigators Group and a review of Navigators Insurers reserves, the year ended December 31, 2019 included $68 of prior accident year reserve increases and $29 of current accident year reserve increases which were excluded for the purposes of the underlying combined ratio calculation.

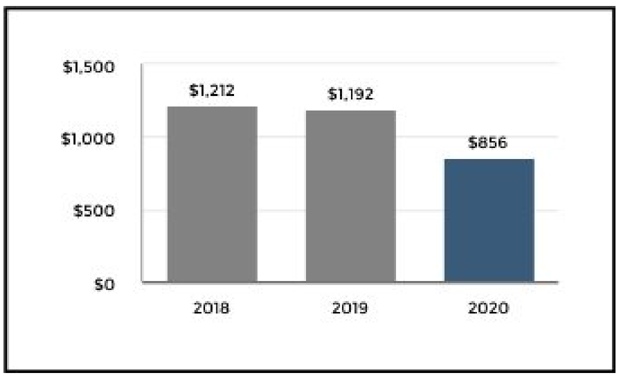
2021 Outlook

The Company expects higher Commercial Lines written premiums in 2021, with growth across small commercial, middle & large commercial, and global specialty. In small commercial, policy retention is expected to remain strong with new business growth across all lines of business. Assuming the economy recovers with the rollout of vaccines, we expect an increase in insured exposures, including from higher payrolls on workers' compensation policies. In middle & large commercial, assuming a continued economic recovery, we expect written premium growth in our general industries book of business driven by new business growth and an increase in insured exposures and that we will generate new business growth in specialized industries as well as with large and complex solutions. In global specialty, premium growth in 2021 is expected primarily in wholesale and financial lines benefiting from written pricing increases.

In 2021, management expects positive renewal written pricing in all lines of business except workers' compensation, with workers' compensation pricing expected to be flat to slightly positive in middle market and down in small commercial. In small commercial and middle & large commercial, high-single digit rate increases are expected to continue in commercial auto, general liability and property. In global specialty, in 2021, we expect written pricing increases in the high teens in international, low double-digits in wholesale and high single digits in US financial lines. Written pricing increases in 2021 in lines other than workers' compensation are driven by a number of factors including the effects of social inflation, increased catastrophe losses due to changing weather patterns, and a prolonged low interest rate environment, that puts added pressure on the need for underwriting profits to make up for the lost investment yield.

The Company expects the Commercial Lines combined ratio will be between approximately 93.5 and 95.5 for 2021, compared to 100.4 in 2020, primarily due to lower current accident year catastrophe losses expected in 2021 and lower COVID-19 incurred claims. The underlying combined ratio is expected to be lower as fewer COVID-19 claims are expected in 2021 as we emerge from the pandemic. Apart from lower expected COVID-19 claims, earned pricing increases in excess of moderate increases in loss costs in most lines will be partially offset by continued margin compression in small commercial workers' compensation, while the expense ratio is expected to improve by nearly a point. Current accident year catastrophes are assumed to be 3.1 points of the combined ratio in 2021 compared to 4.5 points in 2020.

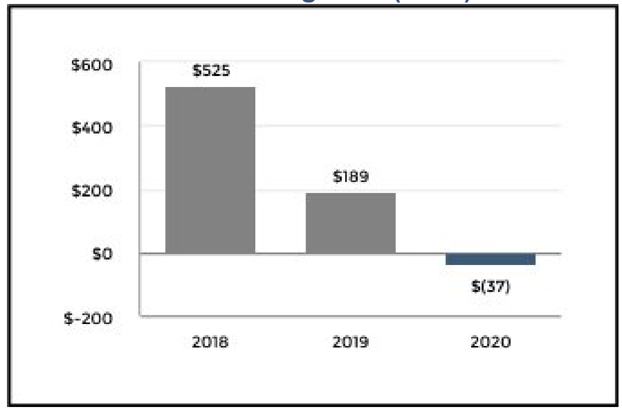
Net Income



Year ended December 31, 2020 compared to the year ended December 31, 2019

Net income decreased primarily due to a change from an underwriting gain in 2019 to an underwriting loss in 2020 and a change from net realized capital gains in 2019 to net realized capital losses in 2020, partially offset by higher net investment income. Also partially offsetting the decline in net income was $91 before tax of ADC ceded premium in the prior year period. For further discussion of investment results, see MD&A - Investment Results.

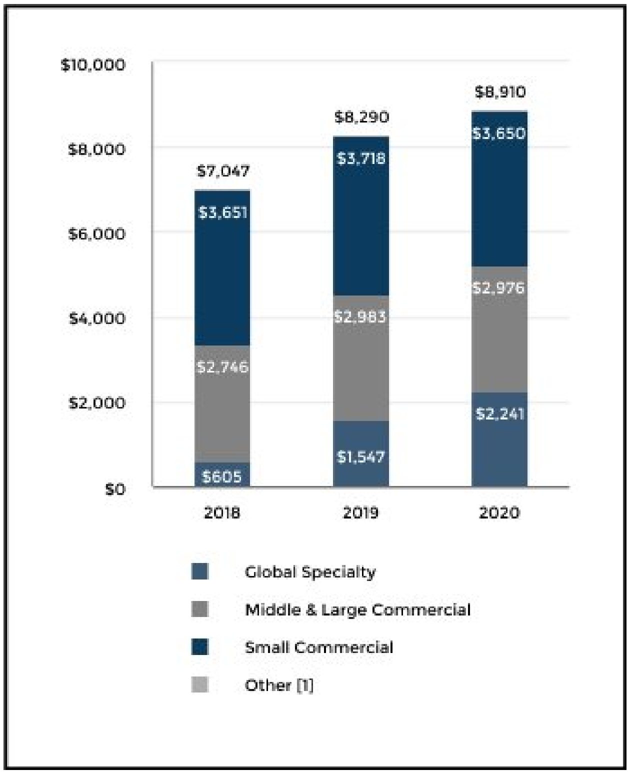
Underwriting Gain (Loss)



Year ended December 31, 2020 compared to the year ended December 31, 2019

Underwriting loss in 2020 compared with an underwriting gain in 2019 with the underwriting loss in 2020 primarily due to COVID-19 incurred losses in property, workers' compensation and financial and other lines, higher current accident year catastrophes, a change from net favorable prior accident year development in 2019 to net unfavorable prior accident year development in 2020 and the effect of lower earned premiums excluding the effect of the Navigators acquisition. Underwriting expenses were down slightly as a decrease in incentive compensation, benefits costs, commissions and travel costs were largely offset by the inclusion of Navigators for a full twelve months in 2020, an increase in the ACL on premiums receivable in 2020 due to the economic impacts of COVID-19 and the effect of a reduction in state taxes and assessments in 2019. In 2020, the acquisition of Navigators Group contributed to an increase in earned premiums with a corresponding increase to losses and loss adjustment expenses, amortization of DAC and underwriting expenses.

Earned Premiums



[1]Other of $43, $42, and $45 for 2020, 2019, and 2018, respectively, is included in the total.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Earned premiums increased in 2020 with the increase in reflecting a full twelve months of premium from the acquisition of Navigators Group. Excluding Navigators, earned premiums declined in 2020, with decreases in both small commercial and in middle & large commercial.

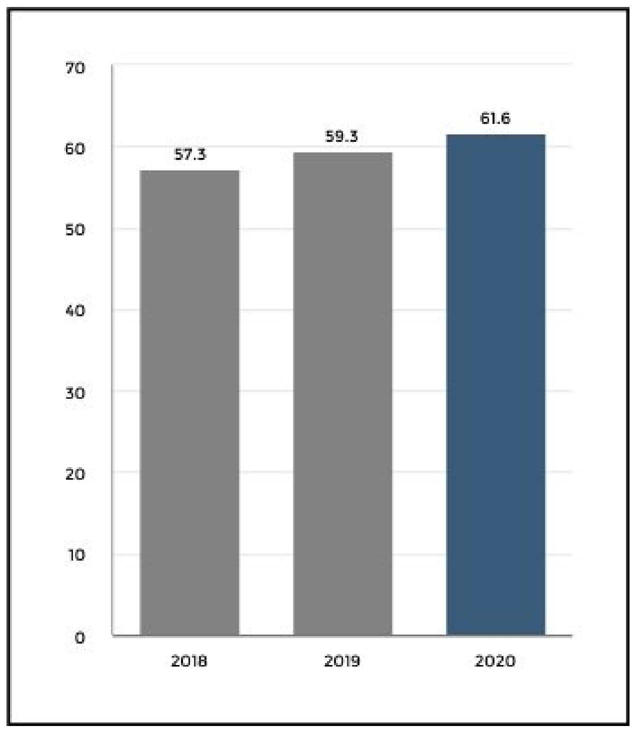
Written premiums increased in 2020 with the growth attributable to the acquisition of Navigators Group. Excluding Navigators, written premiums declined in 2020 due to the economic impacts of COVID-19, including lower new business across most lines as well as reductions in estimated audit premiums and endorsements reducing premium in workers' compensation due to a declining exposure base, partially offset by continued written pricing increases in all lines except workers' compensation.

In small commercial, renewal written price increases were slightly higher in 2020 than 2019, with mid-single digit to high single-digit rate increases in most lines, largely offset by written pricing decreases in workers' compensation. In middle market, higher written pricing increases in 2020 were mostly due to double digit rate increases in middle market automobile and specialty excess liability lines and mid-single digit to high single-digit rate increases in most other middle market lines. In global specialty, our US wholesale book achieved an approximate 25% renewal written price increase, led by excess casualty, property and automobile. The international lines also achieved strong price increases, led by D&O.

New business premium decreased in 2020 in most lines driven by lower quote volume due to the economic effects of COVID-19 and a competitive pricing environment, though to a lesser extent in the second half of 2020. Also contributing to the decrease in new business in small commercial was the effect of new business from the 2018 Foremost renewal rights agreement in 2019.

- Small commercial written premium declined in 2020 driven by a decrease in workers compensation, partially offset by growth in package business.
- Middle & large commercial written premium decreased in 2020 driven by lower new business and premium retention across all lines, partially offset by the acquisition of Navigators Group. Middle & large commercial premium decreases in 2020 were primarily driven by declines in general industries, driven by underwriting actions to improve the profitability of that book, as well as in industry verticals and national accounts, partially offset by growth in specialty and commercial excess lines.
- Global specialty written premium increased in 2020 with the increase driven by the acquisition of Navigators Group. Apart from Navigators Group, written premium decreased slightly in 2020 due to a decline in wholesale and bond business, partially offset by growth in professional liability.

Current Accident Year Loss and LAE Ratio before Catastrophes



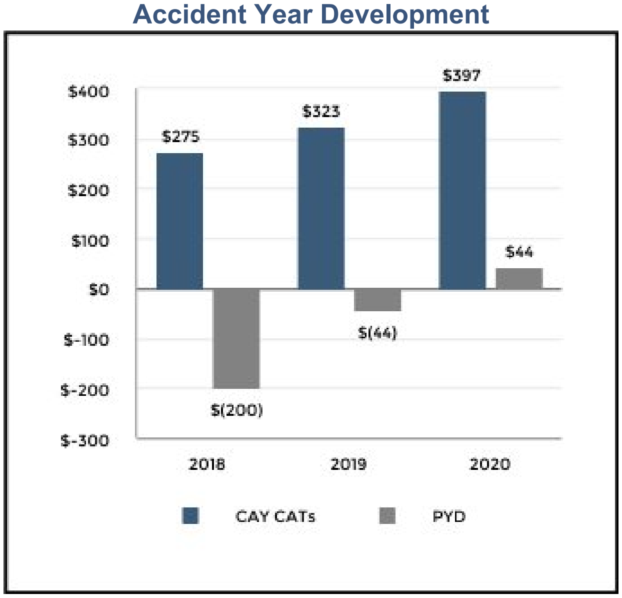
Year ended December 31, 2020 compared to the year ended December 31, 2019

Current Accident Year Loss and LAE ratio before catastrophes increased in 2020, primarily due to COVID-19 incurred losses, net of favorable non-COVID-19 workers' compensation frequency as well as a slightly higher loss ratio in small commercial workers' compensation, partially offset by lower non-catastrophe property losses and margin improvement in the Navigators book, primarily in wholesale and global re.

2020 included COVID-19 incurred losses of $278 before tax, including losses of $141 in property, $66 in workers' compensation, net of favorable frequency on other workers' compensation claims, and $71 in financial and other lines.

Included in the $141 of COVID-19 property incurred losses and loss adjustment expenses in 2020 were $101 of losses arising from a small number of property policies that do not require direct physical loss or damage and from policies intended to cover specific business needs, including crisis management and performance disruption. In addition, we recorded a reserve of $40 for legal defense costs in 2020. Workers' compensation COVID-19 incurred losses in 2020 were driven by claims in both states with presumptive coverage and in other states where the claimant must prove their COVID-19 illness was contracted at work. Financial lines COVID-19 claims in 2020 were primarily driven by exposures in D&O, E&O and employment practices liability and the recessionary impacts on the surety book of business.

Catastrophes and Unfavorable (Favorable) Prior Accident Year Development



Year ended December 31, 2020 compared to the year ended December 31, 2019

Current accident year catastrophe losses for 2020 were primarily from civil unrest, a number of hurricanes and tropical storms, Pacific Coast wildfires, and Northeast windstorms as well as tornado, wind and hail events in the South, Midwest and Central Plains. Catastrophe losses for 2019 were primarily from tornado, wind and hail events in various areas of the Midwest, Mountain West and Southeast and, to a lesser extent, winter storms in the northern plains, Midwest and Northeast.

Prior accident year development was a net unfavorable $44 before tax in 2020 compared to a net favorable $44 before tax in the comparable 2019 period. Net unfavorable reserve development for 2020 included reserve increases for general liability driven primarily by increases in reserves for sexual molestation and sexual abuse claims, and increases in commercial automobile liability reserves, partially offset by net reserve decreases for catastrophes, workers' compensation and package business. Favorable development on prior year catastrophe reserves in 2020 was due to recognizing a $29 before tax subrogation benefit from a settlement with PG&E over certain of the 2017 and 2018 California wildfires and a reduction in estimated catastrophe losses from a number of wind and hail events that occurred in 2017, 2018 and 2019. Prior accident year development in 2020 also included $102 of reserve increases related to Navigators Group on 2018 and prior accident years that was economically ceded to NICO but for which the benefit was not recognized in earnings as it has been recorded as a deferred gain on retroactive reinsurance. Net reserve decreases for 2019 were primarily related to lower loss reserve estimates for workers' compensation claims, package business reserves and catastrophes, partially offset by a $68 before tax increase to Navigators Group reserves upon acquisition of the business and increases in reserves for automobile liability and general liability. The increase in Navigators Group reserves upon acquisition of the business principally related to higher reserve estimates for general liability, professional liability and marine.

PERSONAL LINES

Results of Operations

Underwriting Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Written premiums	$ 2,936	$ 3,131	$ 3,276	(6 %)	(4 %)
Change in unearned premium reserve	(72)	(67)	(123)	(7 %)	46 %
Earned premiums	3,008	3,198	3,399	(6 %)	(6 %)
Fee income	34	37	40	(8 %)	(8 %)
Losses and loss adjustment expenses					
Current accident year before catastrophes	1,695	2,087	2,249	(19 %)	(7 %)
Current accident year catastrophes [1]	209	140	546	49 %	(74 %)
Prior accident year development [1]	(438)	(42)	(32)	NM	(31 %)
Total losses and loss adjustment expenses	1,466	2,185	2,763	(33 %)	(21 %)
Amortization of DAC	244	259	275	(6 %)	(6 %)
Underwriting expenses	591	625	611	(5 %)	2 %
Amortization of other intangible assets	4	6	4	(33 %)	50 %
Underwriting gain (loss)	**737**	**160**	**(214)**	**NM**	**175 %**
Net servicing income [2]	14	13	16	8 %	(19 %)
Net investment income [3]	157	179	155	(12 %)	15 %
Net realized capital gains (losses) [3]	(5)	43	(7)	(112 %)	NM
Other expenses	(1)	(1)	(1)	— %	— %
Income (loss) before income taxes	**902**	**394**	**(51)**	**129 %**	**NM**
Income tax expense (benefit) [4]	184	76	(19)	142 %	NM
Net income (loss)	**$ 718**	**$ 318**	**$ (32)**	**126 %**	**NM**

[1]For discussion of current accident year catastrophes and prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves, Net of Reinsurance.
[2]Includes servicing revenues of $81, $83, and $84 for 2020, 2019, and 2018, respectively and includes servicing expenses of $67, $70, and $68 for 2020, 2019, and 2018, respectively.
[3]For discussion of consolidated investment results, see MD&A - Investment Results.
[4]For discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.

Written and Earned Premiums

Written Premiums	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Product Line					
Automobile	$ 2,003	$ 2,176	$ 2,273	(8 %)	(4 %)
Homeowners	933	955	1,003	(2 %)	(5 %)
Total	**$ 2,936**	**$ 3,131**	**$ 3,276**	**(6 %)**	**(4 %)**
Earned Premiums					
Product Line					
Automobile	$ 2,058	$ 2,221	$ 2,369	(7 %)	(6 %)
Homeowners	950	977	1,030	(3 %)	(5 %)
Total	**$ 3,008**	**$ 3,198**	**$ 3,399**	**(6 %)**	**(6 %)**

Premium Measures

	2020	2019	2018
Policies in-force end of period (in thousands)			
Automobile	1,369	1,422	1,510
Homeowners	826	877	927
New business written premium			
Automobile	$ 223	$ 220	$ 169
Homeowners	$ 63	$ 73	$ 46
Policy count retention			
Automobile	86 %	85 %	82 %
Homeowners	86 %	85 %	83 %
Renewal written price increase			
Automobile	2.4 %	4.6 %	7.2 %
Homeowners	6.4 %	6.5 %	9.7 %
Renewal earned price increase			
Automobile	3.4 %	5.5 %	9.6 %
Homeowners	5.7 %	8.4 %	9.3 %
Premium retention			
Automobile [1]	82 %	87 %	85 %
Homeowners	91 %	89 %	90 %

[1] Premium retention for automobile decreased in the twelve months ended December 31, 2020 largely due to $81 of premium credits given to automobile policyholders. Excluding the impact of the premium credits, automobile premium retention would have been 86% in the twelve month period ended December 31, 2020.

Underwriting Ratios

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Loss and loss adjustment expense ratio					
Current accident year before catastrophes	56.3	65.3	66.2	(9.0)	(0.9)
Current accident year catastrophes	6.9	4.4	16.1	2.5	(11.7)
Prior accident year development	(14.6)	(1.3)	(0.9)	(13.3)	(0.4)
Total loss and loss adjustment expense ratio	48.7	68.3	81.3	(19.6)	(13.0)
Expense ratio	26.8	26.7	25.0	0.1	1.7
Combined ratio	**75.5**	**95.0**	**106.3**	**(19.5)**	**(11.3)**
Impact of current accident year catastrophes and prior year development	7.7	(3.1)	(15.2)	10.8	12.1
Underlying combined ratio	**83.1**	**91.9**	**91.2**	**(8.8)**	**0.7**

Product Combined Ratios

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Automobile					
Combined ratio	85.5	96.6	98.6	(11.1)	(2.0)
Underlying combined ratio	88.0	97.9	98.2	(9.9)	(0.3)
Homeowners					
Combined ratio	54.2	91.7	124.3	(37.5)	(32.6)
Underlying combined ratio	72.5	78.3	75.1	(5.8)	3.2

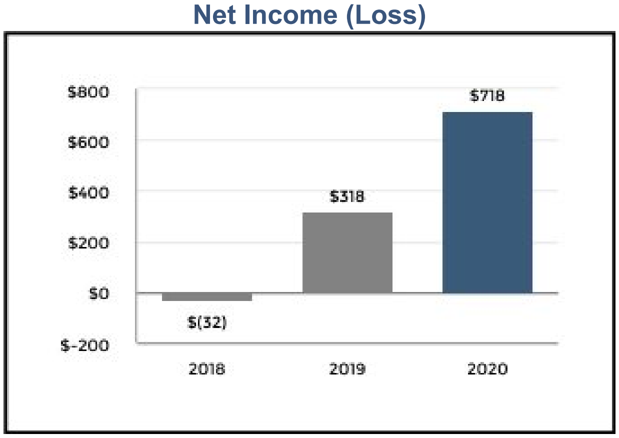
2021 Outlook

Written premium is expected to be relatively flat in 2021 compared with 2020 despite $81 of premium credits issued in 2020 as non-renewal of premium more than offsets new business. While new business conversions are expected to increase, new business premium is expected to be relatively flat as the Company begins to transition from 12-month automobile policies to 6-month automobile policies for AARP members as we roll out our new automobile and homeowners products in certain states.

In 2021, the Company expects written pricing increases in 2021 to be in the low single digits for automobile and high-single digits for homeowners. Rate increases in automobile will likely continue to moderate as lower claim frequency due to shelter-in-place guidelines during the pandemic is reflected in rate filings.

The Company expects the combined ratio for Personal Lines will be between approximately 94.0 and 96.0 for 2021 compared to 75.5 in 2020 as 2020 benefited from lower claim frequency due to fewer miles driven as a result of the pandemic as well as from favorable prior accident year development. The underlying combined ratio for Personal Lines is expected to be higher due to an increase in the current accident year loss and loss adjustment expense ratio before catastrophes in both automobile and homeowners. Current accident year catastrophes are assumed to be 7.2 points of the combined ratio in 2021 compared with 6.9 points in 2020. For automobile, we expect the underlying combined ratio to increase as automobile claim frequency rises again as we emerge from the pandemic. The underlying combined ratio for homeowners is also expected to increase in 2021, primarily driven by a return to a higher, more normal, level of non-catastrophe weather loss experience, partially offset by the effect of earned pricing increases.

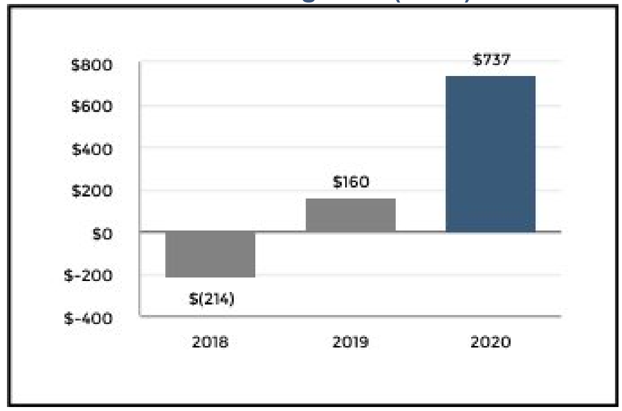
Net Income (Loss)



Year ended December 31, 2020 compared to the year ended December 31, 2019

Net income increased by $400, primarily due to favorable prior accident year catastrophe reserve development in the 2020 period, lower non-catastrophe current accident year losses in automobile and homeowners, and lower underwriting expenses, partially offset by an increase in current accident year catastrophes, a reduction in earned premium, including the effect of $81 in premium credits given to automobile policyholders in the second quarter of 2020, a change to net realized capital losses in the 2020 period and lower net investment income.

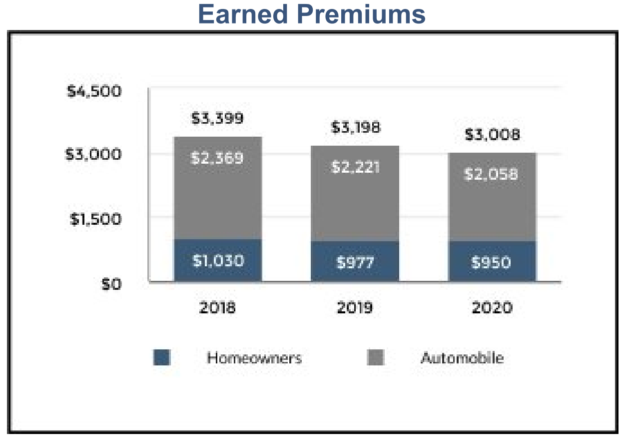
Underwriting Gain (Loss)



Year ended December 31, 2020 compared to the year ended December 31, 2019

Underwriting gain in 2020 increased primarily due to favorable prior accident year development in the 2020 period driven by a reduction in prior year catastrophe reserves, lower current accident year losses in automobile due to effects of the COVID-19 pandemic, a reduction in non-catastrophe weather losses in homeowners, and lower underwriting expenses, partially offset by a reduction in earned premium, including the effect of $81 in premium credits given to automobile policyholders in the second quarter of 2020.

Earned Premiums



Year ended December 31, 2020 compared to the year ended December 31, 2019

Earned premiums decreased in 2020, reflecting a decline in written premium over the prior twelve months in both Agency and in AARP Direct and, the effect of $81 of premium credits given to automobile policyholders in the second quarter of 2020 in recognition of shelter-in-place guidelines that have resulted in a decline in miles driven.

Written premiums decreased in 2020 in AARP Direct and Agency. For automobile, written premium in 2020 included a reduction for the $81 of premium credits given to policyholders in the second quarter. Written premium for both automobile and homeowners declined as the amount of non-renewed premium exceeded the new business premium. New business increased slightly in automobile and declined in homeowners.

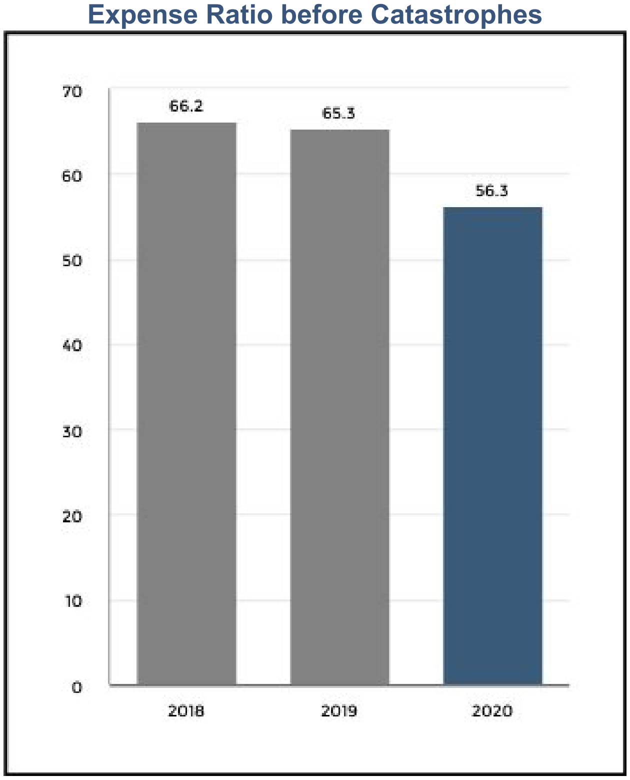
Renewal written pricing increases were lower in 2020 in automobile in response to moderating loss cost trends. For homeowners, while written pricing increases had moderated during the first half of 2020, written pricing increases were higher in the second half of 2020 due to the rate need arising from catastrophe and other property claims experience.

Policy count retention increased for both automobile and homeowners reflecting the effect of moderating renewal written price increases during all of 2020 for automobile and during the first six months of 2020 for homeowners.

Premium retention for automobile decreased in 2020 mostly due to the $81 of automobile premium credits given to policyholders in the second quarter of 2020. Premium retention for homeowners improved in 2020 driven by renewal rate increases, partially offset by a decline in policy count retention in the second half of 2020.

Policies in-force decreased in 2020 in both automobile and homeowners, driven by not generating enough new business to offset the loss of non-renewed policies.

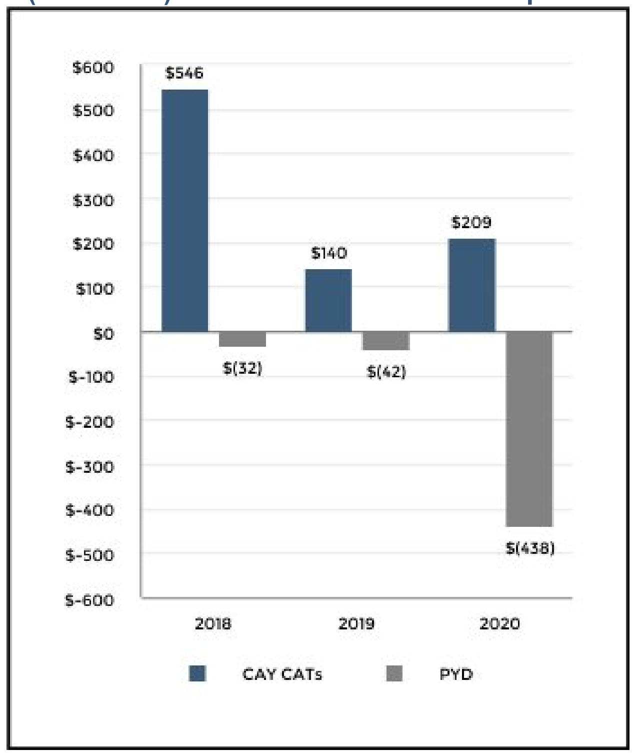
Current Accident Year Loss and Loss Adjustment Expense Ratio before Catastrophes



Year ended December 31, 2020 compared to the year ended December 31, 2019

Current accident year loss and LAE ratio before catastrophes decreased in 2020 in both automobile and homeowners. For automobile, the loss and loss adjustment expense ratio benefited from earned pricing increases and from lower claim frequency, primarily driven by shelter-in-place guidelines due to the COVID-19 pandemic. For homeowners, the primary driver was fewer non-catastrophe weather claims.

Current Accident Year Catastrophes and Unfavorable (Favorable) Prior Accident Year Development



Year ended December 31, 2020 compared to the year ended December 31, 2019

Current accident year catastrophe losses for the year ended December 31, 2020 were primarily from a number of hurricanes and tropical storms, Pacific Coast wildfires and Northeast windstorms as well as tornado, wind and hail events in the South, Midwest and Central Plains. Catastrophe losses for 2019 primarily included winter storms across the country and tornado, wind and hail events in the South, Midwest, and Mountain West.

Prior accident year development was favorable in 2020, principally due to a reduction in catastrophe loss reserves and, to a lesser extent, lower than previously expected AARP Direct automobile liability claim severity for the 2017 to 2019 accident years. The reduction in catastrophe loss reserves was driven by lower estimated losses for the 2017 and 2018 California wildfires, including a $260 subrogation benefit from PG&E, as well as a reduction in losses for various 2017, 2018 and 2019 wind and hail events. Prior accident year development was favorable in 2019 primarily due to a decrease in automobile liability reserves for the 2017 accident year.

PROPERTY & CASUALTY OTHER OPERATIONS

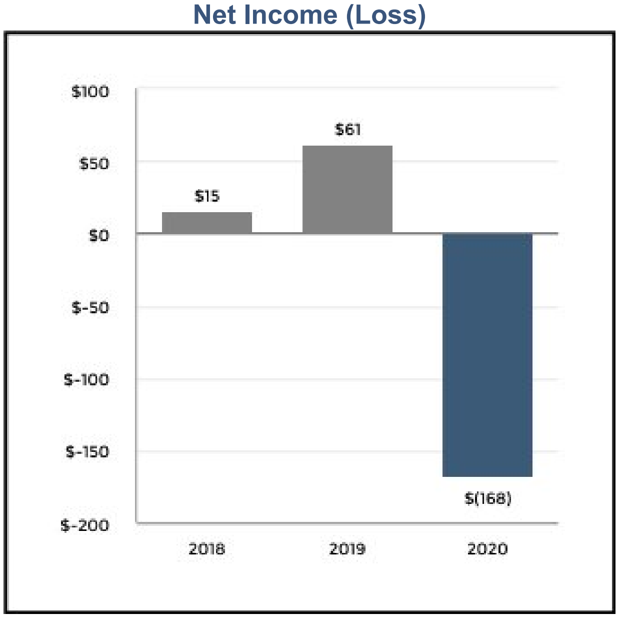
Results of Operations

Underwriting Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Written Premiums	$ —	$ —	$ (4)	— %	100 %
Change in unearned premium reserve	—	(2)	(4)	100 %	50 %
Earned premiums	—	2	—	(100 %)	NM
Losses and loss adjustment expenses					
Prior accident year development [1]	258	21	65	NM	(68 %)
Total losses and loss adjustment expenses	258	21	65	NM	(68 %)
Underwriting expenses	11	12	12	(8 %)	— %
Underwriting loss	**(269)**	**(31)**	**(77)**	**NM**	**60 %**
Net investment income [2]	55	84	90	(35 %)	(7 %)
Net realized capital gains (losses) [2]	(1)	20	(4)	(105 %)	NM
Other income (expenses)	1	—	(1)	NM	100 %
Income (loss) before income taxes	**(214)**	**73**	**8**	**NM**	**NM**
Income tax expense (benefit) [3]	(46)	12	(7)	NM	NM
Net income (loss)	**$ (168)**	**$ 61**	**$ 15**	**NM**	**NM**

[1]For discussion of prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves, Net of Reinsurance.
[2]For discussion of consolidated investment results, see MD&A - Investment Results.
[3]For discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.

Net Income (Loss)



Year ended December 31, 2020 compared to the year ended December 31, 2019

Net loss in 2020 changed from net income in 2019, primarily due to an increase in net unfavorable prior accident year development, a decrease in net investment income and a change from net realized capital gains to net realized capital losses.

Unfavorable prior accident year development in 2020 primarily included a $208 charge for increases in A&E reserves and a $35 increase in ULAE reserves which was largely driven by the higher estimate for A&E claims. Before NICO reinsurance, A&E reserves were increased by $236 in P&C Other Operations, including $130 for asbestos and $106 for environmental. Cumulative adverse A&E reserve development on both ongoing operations and P&C Other Operations totaled $860 through December 31, 2020 and since this amount exceeds ceded premium paid for the A&E ADC of $650, the Company recognized a $210 deferred gain on retroactive reinsurance in 2020, all recognized within P&C Other Operations.

Asbestos Reserves prior accident year development in 2020 before NICO reinsurance of $130 was primarily due to a higher rate of claim settlements, particularly with certain larger, national defendants, higher than expected average settlement values and defense costs, and an increase in the Company's estimated share of liability under pending or potential cost sharing agreements and settlements.

Environmental Reserves prior accident year development in 2020 before NICO reinsurance of $106 was primarily due to an increasing number of claims and suits alleging contamination from or exposure to per & polyfluoroalkyl substances ("PFAS"), and increased defense and cleanup costs associated with Superfund sites.

GROUP BENEFITS

Results of Operations

Operating Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Premiums and other considerations	$ 5,536	$ 5,603	$ 5,598	(1 %)	— %
Net investment income [1]	448	486	474	(8 %)	3 %
Net realized capital gains (losses) [1]	22	34	(47)	(35 %)	172 %
Total revenues	**6,006**	**6,123**	**6,025**	**(2 %)**	**2 %**
Benefits, losses and loss adjustment expenses	4,137	4,055	4,214	2 %	(4 %)
Amortization of DAC	50	54	45	(7 %)	20 %
Insurance operating costs and other expenses	1,308	1,311	1,282	— %	2 %
Amortization of other intangible assets	40	41	60	(2 %)	(32 %)
Total benefits, losses and expenses	**5,535**	**5,461**	**5,601**	**1 %**	**(2 %)**
Income before income taxes	**471**	**662**	**424**	**(29 %)**	**56 %**
Income tax expense [2]	88	126	84	(30 %)	50 %
Net income	**$ 383**	**$ 536**	**$ 340**	**(29 %)**	**58 %**

[1]For discussion of consolidated investment results, see MD&A - Investment Results.
[2]For discussion of income taxes, see Note 17 - Income Taxes of Notes to the Consolidated Financial Statements.

Premiums and Other Considerations

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Fully insured — ongoing premiums	$ 5,305	$ 5,416	$ 5,418	(2 %)	— %
Buyout premiums	56	7	5	NM	40 %
Fee income	175	180	175	(3 %)	3 %
Total premiums and other considerations	**$ 5,536**	**$ 5,603**	**$ 5,598**	**(1 %)**	**— %**
Fully insured ongoing sales, excluding buyouts	**$ 717**	**$ 647**	**$ 704**	**11 %**	**(8 %)**

Ratios, Excluding Buyouts

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Group disability loss ratio	66.1 %	67.3 %	73.1 %	(1.2)	(5.8)
Group life loss ratio	87.5 %	79.5 %	78.4 %	8.0	1.1
Total loss ratio	**74.5 %**	**72.3 %**	**75.3 %**	**2.2**	**(3.0)**
Expense ratio [1]	**25.2 %**	**24.5 %**	**24.0 %**	**0.7**	**0.5**

[1] Integration and transaction costs related to the acquisition of Aetna's U.S. group life and disability business are not included in the expense ratio.

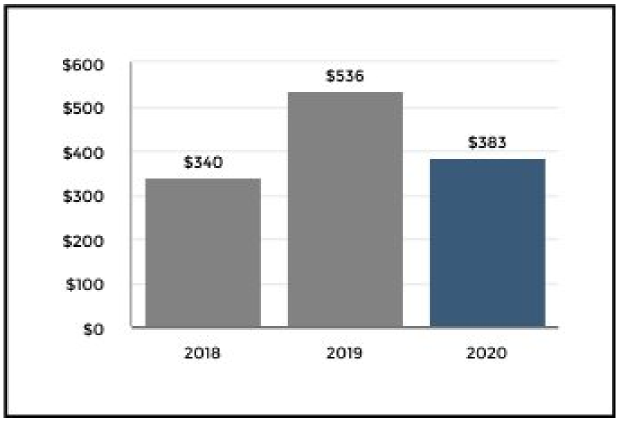
Margin

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Net income margin	**6.4 %**	**8.8 %**	**5.6 %**	**(2.4)**	**3.2**
Adjustments to reconcile net income margin to core earnings margin:					
Net realized capital losses (gains) excluded from core earnings, before tax	(0.4 %)	(0.5 %)	0.9 %	0.1	(1.4)
Integration and transaction costs associated with acquired business, before tax	0.3 %	0.6 %	0.8 %	(0.3)	(0.2)
Income tax benefit	— %	— %	(0.3 %)	0.0	0.3
Impact of excluding buyouts from denominator of core earnings margin	0.1 %	— %	— %	0.1	0.0
Core earnings margin	**6.4 %**	**8.9 %**	**7.0 %**	**(2.5)**	**1.9**

2021 Outlook

The Company expects Group Benefits fully insured ongoing premiums to increase modestly in 2021 due to modestly higher book persistency and continued strong sales which is expected to offset continued lagging employment levels as a result of the pandemic. In 2021, the segment's net income margin is expected to be between 3.5% and 4.5%, compared to a net income margin of 6.4% in 2020. The expected decrease in net income margin largely reflects downward pressure on pricing due to recent historical favorable claim incidence, an expectation of less favorable claim incidence and recoveries on long-term disability claims in 2021 and lower expected investment yields, partially offset by an expectation of lower excess mortality caused by COVID-19 though that is subject to significant uncertainty. The expected net income margin of 3.5% to 4.5% assumes excess mortality of $160 before tax, largely in the first half of 2021 with the most significant portion in the first quarter of 2021. Margins on long-term disability business are expected to decline as the favorable long-term disability loss trends begin to reverse due to economic factors and as price competition intensifies, partly driven by customer behavior to seek multiple bids for renewal. Margins on group life business in 2021 will largely depend on how long COVID-19 infections continue in 2021 pending the timing of distribution and citizen acceptance of vaccines. Management expects that the 2021 core earnings margin, which does not include the effect of net realized capital gains (losses) or integration costs associated with the acquired business, will be in the range of 3.7% to 4.7%, down from a 2020 core earnings margin of 6.4%.

Net Income

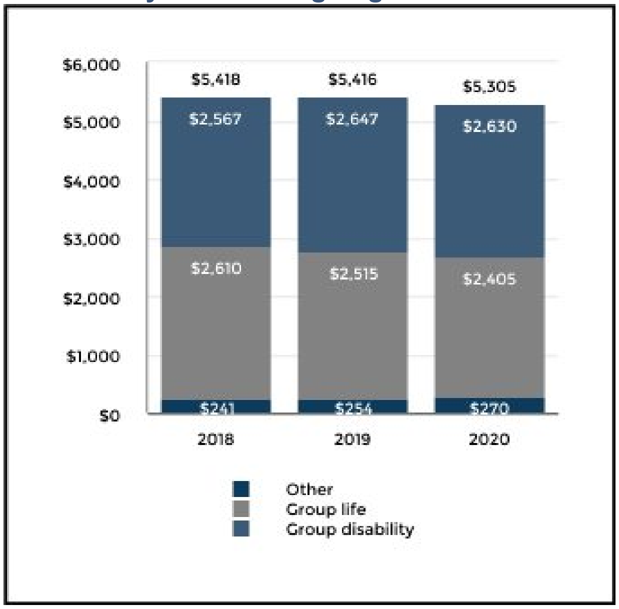


Year ended December 31, 2020 compared to the year ended December 31, 2019

Net income decreased primarily due to higher mortality in group life, and, to a lesser extent, lower net investment income, and lower net realized capital gains, partially offset by modestly higher recoveries and lower claim incidence on group disability claims. The increased mortality in group life included $239 of claims deemed to be excess mortality due to direct and indirect impacts of COVID-19. Lower net investment income was primarily driven by lower reinvestment rates and, to a lesser extent, lower income from limited partnership and other alternative investments.

Insurance operating costs and other expenses were relatively flat in 2020 as higher information technology ("IT") and other costs related to improving the customer experience were largely offset by lower incentive compensation, employee benefits, travel costs, and lower integration costs.

Fully Insured Ongoing Premiums

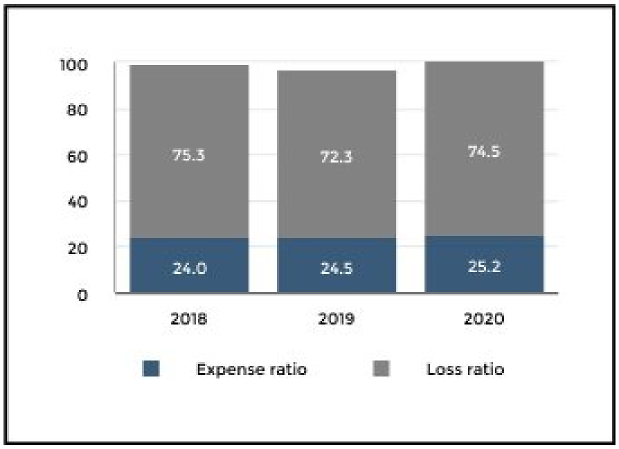


Year ended December 31, 2020 compared to the year ended December 31, 2019

Fully insured ongoing premiums decreased in 2020 with a decrease in both group disability and group life with the declines resulting primarily from lower insured exposure on in-force policies. Premiums for voluntary business increased primarily due to strong sales and persistency.

Fully insured ongoing sales, excluding buyouts increased in 2020 with increases in both group disability and group life.

Ratios



Year ended December 31, 2020 compared to the year ended December 31, 2019

Total loss ratio increased 2.2 points in 2020 reflecting a higher group life loss ratio, partially offset by a lower group disability loss ratio. The group life loss ratio increased 8.0 points primarily due to a higher current incurral year loss ratio driven by higher mortality, including $239 of excess mortality due to the direct and indirect effects of COVID-19. Prior incurral year development for group life was more favorable due to favorable mortality emergence on the prior incurral year recognized in the three month period ended March 31, 2020, partially offset by the reserve assumption update related to late reported death claims. The group disability loss ratio decreased 1.2 points with a 0.6 point improvement in the current incurral year loss ratio and 0.3 points of more favorable prior incurral year development. The current incurral year group disability loss ratio improved 0.6 points as lower claim incidence more than offset 1.0 points ($29) of COVID-19 short-term disability and New York Paid Family Leave claims. The more favorable prior incurral year development in group disability was driven by higher claim recoveries and continued improving claim incidence, partially offset by the favorable impacts in 2019 from the long term disability reserve assumption update.

Expense ratio increased 0.7 points in 2020. The expense ratio increased largely due to the decline in premiums and other considerations as higher IT and other costs related to improving the customer experience was largely offset by lower incentive compensation, employee benefits, and travel costs.

HARTFORD FUNDS

Results of Operations

Operating Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Fee income and other revenue	$ 989	$ 999	$ 1,032	(1 %)	(3 %)
Net investment income	4	7	5	(43 %)	40 %
Net realized capital gains (losses)	8	5	(4)	60 %	NM
Total revenues	**1,001**	**1,011**	**1,033**	**(1 %)**	**(2 %)**
Amortization of DAC	14	12	16	17 %	(25 %)
Operating costs and other expenses	773	813	831	(5 %)	(2 %)
Total benefits, losses and expenses	**787**	**825**	**847**	**(5 %)**	**(3 %)**
Income before income taxes	**214**	**186**	**186**	**15 %**	**— %**
Income tax expense [1]	44	37	38	19 %	(3 %)
Net income	**$ 170**	**$ 149**	**$ 148**	**14 %**	**1 %**
Daily average total Hartford Funds segment AUM	**$ 120,908**	**$ 117,914**	**$ 116,876**	**3 %**	**1 %**
Return on Assets ("ROA") [2]	**14.1**	**12.5**	**12.6**	**1.6**	**(0.1)**
Adjustments to reconcile ROA to ROA, core earnings:					
Effect of net realized capital (gains) losses, excluded from core earnings, before tax	(0.7)	(0.3)	0.4	(0.4)	(0.7)
Effect of income tax expense (benefit)	0.1	—	(0.1)	0.1	0.1
Return on Assets ("ROA"), core earnings [2]	**13.5**	**12.2**	**12.9**	**1.3**	**(0.7)**

[1]For discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.
[2]Represents annualized earnings divided by a daily average of assets under management, as measured in basis points.

Hartford Funds Segment AUM

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Mutual Fund and ETP AUM - beginning of period	**$ 112,533**	**$ 91,557**	**$ 99,090**	23 %	(8 %)
Sales - mutual fund	28,604	22,479	22,198	27 %	1 %
Redemptions - mutual fund	(31,412)	(23,624)	(23,888)	(33 %)	1 %
Net flows - ETP	(276)	1,332	1,404	(121 %)	(5 %)
Net Flows - mutual fund and ETP	**(3,084)**	**187**	**(286)**	**NM**	**165 %**
Change in market value and other	15,178	20,789	(7,247)	(27 %)	NM
Mutual Fund and ETP AUM - end of period	**124,627**	**112,533**	**91,557**	**11 %**	**23 %**
Talcott Resolution life and annuity separate account AUM [1]	**14,809**	**14,425**	**13,283**	**3 %**	**9 %**
Hartford Funds AUM - end of period	**$ 139,436**	**$ 126,958**	**$ 104,840**	**10 %**	**21 %**

[1]Represents AUM of the life and annuity business sold in May 2018 that is still managed by the Company's Hartford Funds segment.

Mutual Fund AUM by Asset Class

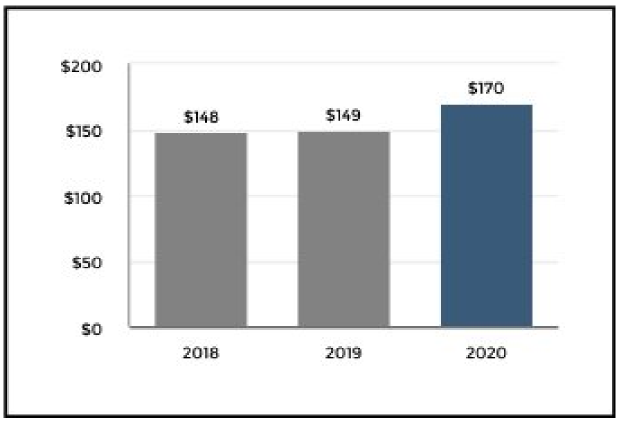
	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Equity	$ 82,123	$ 71,629	$ 56,986	15 %	26 %
Fixed Income	17,034	16,130	14,467	6 %	11 %
Multi-Strategy Investments [1]	22,645	21,332	18,233	6 %	17 %
Exchange-traded products	2,825	3,442	1,871	(18 %)	84 %
Mutual Fund and ETP AUM	**$ 124,627**	**$ 112,533**	**$ 91,557**	**11 %**	**23 %**

[1]Includes balanced, allocation, and alternative investment products.

2021 Outlook

Assuming continued growth in equity markets in 2021, the Company expects net income for Hartford Funds to increase from 2020 to 2021. From its diversified lineup of mutual funds and ETFs, the Company expects strong sales, though net flows are more uncertain given market volatility and historical redemption rates.

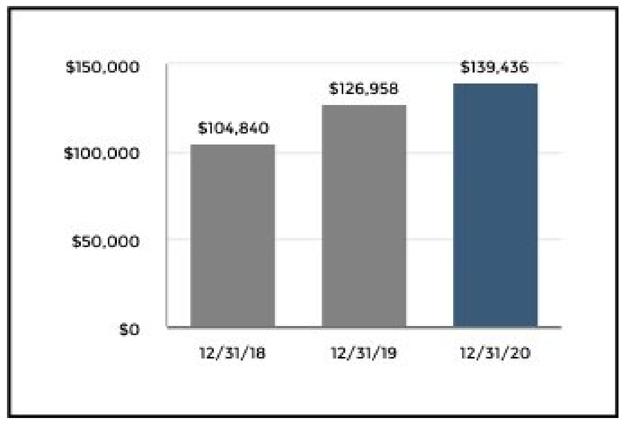
Net Income



Year ended December 31, 2020 compared to the year ended December 31, 2019

Net income increased primarily due to lower operating costs and other expenses driven by a $12 before tax decrease in Lattice contingent consideration in 2020, a $7 before tax increase in Lattice contingent consideration in 2019 and a reduction in travel costs. Fee income and other revenues decreased slightly as the effect of a continued shift to lower fee generating assets was largely offset by higher daily average assets under management. See Note 5 - Fair Value Measurements of Notes to Consolidated Financial Statements for additional information on the Lattice contingent consideration.

Hartford Funds AUM



December 31, 2020 compared to December 31, 2019

Hartford Funds AUM increased compared to the prior year due to an increase in market values, partially offset by net outflows, along with the continued runoff of AUM related to the Talcott Resolution life and annuity separate account AUM.

CORPORATE

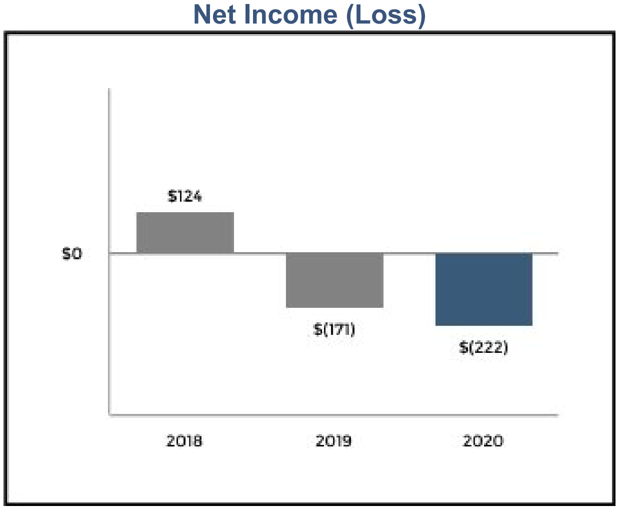
Results of Operations

Operating Summary

	2020	2019	2018	Increase (Decrease) From 2019 to 2020	Increase (Decrease) From 2018 to 2019
Fee income	$ 49	$ 50	$ 32	(2 %)	56 %
Net investment income	22	66	59	(67 %)	12 %
Net realized capital gains (losses)	22	22	(7)	— %	NM
Other revenue	53	96	21	(45 %)	NM
Total revenues	**146**	**234**	**105**	**(38 %)**	**123 %**
Benefits, losses and loss adjustment expenses [1]	15	19	11	(21 %)	73 %
Insurance operating costs and other expenses	76	83	83	(8 %)	— %
Loss on extinguishment of debt [2]	—	90	6	(100 %)	NM
Interest expense [2]	236	259	298	(9 %)	(13 %)
Restructuring and other costs	104	—	—	NM	— %
Total benefits, losses and expenses	**431**	**451**	**398**	**(4 %)**	**13 %**
Loss before income taxes	**(285)**	**(217)**	**(293)**	**(31 %)**	**26 %**
Income tax benefit [3]	(63)	(46)	(95)	(37 %)	52 %
Loss from continuing operations, net of tax	**(222)**	**(171)**	**(198)**	**(30 %)**	**14 %**
Income from discontinued operations, net of tax	—	—	322	— %	(100 %)
Net income (loss)	**(222)**	**(171)**	**124**	**(30 %)**	**NM**
Preferred stock dividends	21	21	6	— %	NM
Net income (loss) available to common stockholders	**$ (243)**	**$ (192)**	**$ 118**	**(27 %)**	**NM**

[1]Includes benefits expense on life and annuity business previously underwritten by the Company.
[2]For discussion of debt, see Note 14 - Debt of Notes to Consolidated Financial Statements.
[3]For discussion of income taxes, see Note 17 - Income Taxes of Notes to Consolidated Financial Statements.

Net Income (Loss)

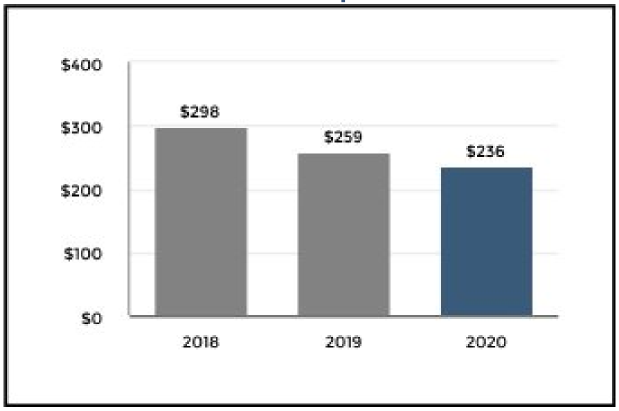


Year ended December 31, 2020 compared to the year ended December 31, 2019

Net loss increased in 2020 compared to 2019 primarily due to restructuring costs of $104 before tax, lower net investment income, lower transition services revenue, and lower income from the Company's retained equity interest in the former life and annuity operations, partially offset by a $90 before tax loss on extinguishment of debt in 2019, transaction costs incurred in 2019 in connection with the acquisition of Navigators Group and lower interest expense.

Income before tax from the Company's retained equity interest in the former life and annuity operations was $42 and $66 for the years ended December 31, 2020 and 2019, respectively. Net investment income was lower in 2020 than 2019 primarily due to a lower yield on short-term investments as well as lower asset levels.

Interest Expense



Year ended December 31, 2020 compared to the year ended December 31, 2019

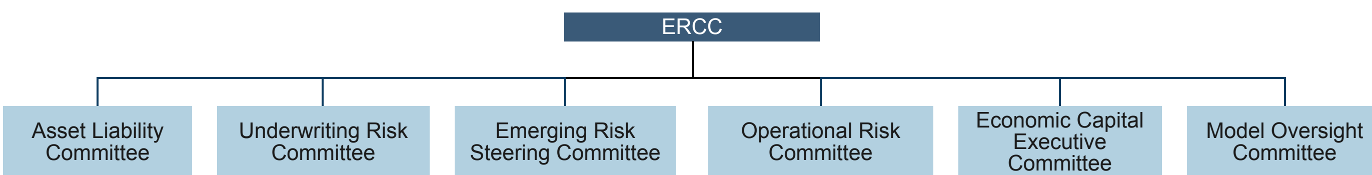
Interest expense decreased primarily due to the repayment of our 5.5% senior notes in March of 2020. For additional information, see Note 14 - Debt of Notes to the Consolidated Financial Statements.

ENTERPRISE RISK MANAGEMENT

The Company's Board of Directors has ultimate responsibility for risk oversight, as described more fully in our Proxy Statement, while management is tasked with the day-to-day management of the Company's risks.

The Company manages and monitors risk through risk policies, controls and limits. At the senior management level, an Enterprise Risk and Capital Committee ("ERCC") oversees the risk profile and risk management practices of the Company. As illustrated below, a number of functional committees sit underneath the ERCC, providing oversight of specific risk areas and recommending risk mitigation strategies to the ERCC.

ERCC Members
CEO (Chair)
President
Chief Financial Officer
Chief Investment Officer
Chief Risk Officer
Chief Underwriting Officer
General Counsel
Others as deemed necessary by the Committee Chair



The Company's enterprise risk management ("ERM") function supports the ERCC and functional committees, and is tasked with, among other things:

- risk identification and assessment;
- the development of risk appetites, tolerances, and limits;
- risk monitoring; and
- internal and external risk reporting.

The Company categorizes its main risks as insurance risk, operational risk and financial risk, each of which is described in more detail below.

Insurance Risk

Insurance risk is the risk of losses of both a catastrophic and non-catastrophic nature on the P&C and Group Benefits products the Company has sold. Catastrophe insurance risk is the exposure arising from both natural (e.g., weather, earthquakes, wildfires, pandemics) and man-made catastrophes (e.g., terrorism, cyber-attacks) that create a concentration or aggregation of loss across the Company's insurance or asset portfolios.

Sources of Insurance Risk Non-catastrophe insurance risks exist within each of the Company's segments except Hartford Funds and include:

- **Property-** Risk of loss to personal or commercial property from automobile related accidents, weather, explosions, smoke, shaking, fire, theft, vandalism, inadequate installation, faulty equipment, collisions and falling objects, and/or machinery mechanical breakdown resulting in physical damage and other covered perils.
- **Liability-** Risk of loss from automobile related accidents, uninsured and underinsured drivers, lawsuits from accidents, defective products, breach of warranty, negligent acts by professional practitioners, environmental claims, latent exposures, fraud, coercion, forgery, failure to fulfill obligations per contract surety, liability from errors and omissions, losses from political and credit coverages, losses from derivative lawsuits, and other securities actions and covered perils.
- **Mortality-** Risk of loss from unexpected trends in insured deaths impacting timing of payouts from group life insurance, personal or commercial automobile related accidents, and death of employees or executives during the course of employment, while on disability, or while collecting workers compensation benefits.
- **Morbidity-** Risk of loss to an insured from illness incurred during the course of employment or illness from other covered perils.
- **Disability-** Risk of loss incurred from personal or commercial automobile related losses, accidents arising outside of the workplace, injuries or accidents incurred during the course of employment, or from equipment, with each loss resulting in short term or long-term disability payments.
- **Longevity-** Risk of loss from increased life expectancy trends among policyholders receiving long-term benefit payments.
- **Cyber Insurance**- Risk of loss to property, breach of data and business interruption from various types of cyber-attacks.

Catastrophe risk primarily arises in the property, automobile, workers' compensation, casualty, group life, and group disability lines of business. Not all insurance losses arising from catastrophe risk are categorized as catastrophe losses within the segment operating results. For example, losses arising from the COVID-19 pandemic were not categorized as catastrophe losses within either the P&C or Group Benefits segments as the pandemic was not identified as a catastrophe event by the Property Claim Service in the U.S. See the term Current Accident Year Catastrophe Ratio within the Key Performance Measures section of MD&A for an explanation of how the Company defines catastrophe losses in its financial reporting.

Impact Non-catastrophe insurance risk can arise from unexpected loss experience, underpriced business and/or underestimation of loss reserves and can have significant effects on the Company’s earnings. Catastrophe insurance risk can arise from various unpredictable events and can have significant effects on the Company's earnings and may result in losses that could constrain its liquidity.

Management The Company's policies and procedures for managing these risks include disciplined underwriting protocols, exposure controls, sophisticated risk-based pricing, risk modeling, risk transfer, and capital management strategies. The Company has established underwriting guidelines for both individual risks, including individual policy limits, and risks in the aggregate, including aggregate exposure limits by geographic zone and peril. The Company uses both internal and third-party models to estimate the potential loss resulting from various catastrophe events and the potential financial impact those events would have on the Company's financial position and results of operations across its businesses.

In addition, certain insurance products offered by The Hartford provide coverage for losses incurred due to cyber events and the Company has assessed and modeled how those products would respond to different events in order to manage its aggregate exposure to losses incurred under the insurance policies we sell. The Company models numerous deterministic scenarios including losses caused by malware, data breach, distributed denial of service attacks, intrusions of cloud environments and attacks of power grids.

Among specific risk tolerances set by the Company, risk limits are set for natural catastrophes, terrorism risk and pandemic risk.

Risk	Definition	Details and Company Limits
Natural catastrophe	Exposure arising from natural phenomena (e.g., earthquakes, wildfires, etc.) that create a concentration or aggregation of loss across the Company's insurance or asset portfolios and the inherent volatility of weather or climate pattern changes.	The Company generally limits its estimated pre-tax loss as a result of natural catastrophes for property & casualty exposures from a single 250-year event to less than 30% of the reported capital and surplus of the property and casualty insurance subsidiaries prior to reinsurance and to less than 15% of the reported capital and surplus of the property and casualty insurance subsidiaries after reinsurance. From time to time the estimated loss to natural catastrophes from a single 250-year event prior to reinsurance may fluctuate above or below these limits due to changes in modeled loss estimates, exposures or statutory surplus. [2] - The estimated 250 year pre-tax probable maximum loss from earthquake events is estimated to be $1.2 billion before reinsurance and $0.6 billion net of reinsurance. [1] - The estimated 250 year pre-tax probable maximum losses from hurricane events are estimated to be $1.8 billion before reinsurance and $0.9 billion net of reinsurance. [1]
Terrorism	The risk of losses from terrorist attacks, including losses caused by single-site and multi-site conventional attacks, as well as the potential for attacks using nuclear, biological, chemical or radiological weapons (“NBCR”).	Enterprise limits for terrorism apply to aggregations of risk across property-casualty, group benefits and specific asset portfolios and are defined based on a deterministic, single-site conventional terrorism attack scenario. The Company manages its potential estimated loss from a conventional terrorism loss scenario, up to $2.0 billion net of reinsurance and $2.5 billion gross of reinsurance, before coverage under the Terrorism Risk Insurance Program established under “TRIPRA”. In addition, the Company monitors exposures monthly and employs both internally developed and vendor-licensed loss modeling tools as part of its risk management discipline. Our modeled exposures to conventional terrorist attacks around landmark locations may fluctuate above and below our stated limits.
Pandemic	The exposure to loss arising from widespread influenza or other pathogens or bacterial infections that create an aggregation of loss across the Company's insurance or asset portfolios.	The Company generally limits its estimated pre-tax loss from a single 250 year pandemic event to less than 18% of the aggregate reported capital and surplus of the property and casualty and group benefits insurance subsidiaries. In evaluating these scenarios, the Company assesses the impact on group life, short-term disability, long-term disability and property & casualty claims. While ERM has a process to track and manage these limits, from time to time, the estimated loss for pandemics may fluctuate above or below these limits due to changes in modeled loss estimates, exposures, or statutory surplus. In addition, the Company assesses losses in the investment portfolio associated with market declines in the event of a widespread pandemic. [2]

[1]The loss estimates represent total property losses for hurricane events and property and workers compensation losses for earthquake events resulting from a single event. The estimates provided are based on 250-year return period loss estimates that have a 0.4% likelihood of being exceeded in any single year. The net loss estimates provided assume that the Company is able to recover all losses ceded to reinsurers under its reinsurance programs. The Company also manages natural catastrophe risk for group life and group disability, which in combination with property and workers compensation loss estimates are subject to separate enterprise risk management net aggregate loss limits as a percent of enterprise surplus.

[2]For U.S. insurance subsidiaries, reported capital and surplus is equal to actual U.S. statutory capital and surplus. For Navigators Insurers in non-U.S. jurisdictions, reported capital and surplus is equal to U.S. GAAP equity of those subsidiaries less certain assets such as goodwill and intangible assets.

Reinsurance as a Risk Management Strategy

The Company uses reinsurance to transfer certain risks to reinsurance companies based on specific geographic or risk concentrations. A variety of traditional reinsurance products are used as part of the Company's risk management strategy, including excess of loss occurrence-based products that reinsure property and workers' compensation exposures, and individual risk (including facultative reinsurance) or quota share arrangements, that reinsure losses from specific classes or lines of business. The Company has no significant finite risk contracts in place and the statutory surplus benefit from all such prior year contracts is immaterial. The Hartford also participates in governmentally administered reinsurance facilities such as the Florida Hurricane Catastrophe Fund (“FHCF”), the Terrorism Risk Insurance Program (“TRIPRA”) and other reinsurance programs relating to particular risks or specific lines of business.

Reinsurance for Catastrophes- The Company utilizes various reinsurance programs to mitigate catastrophe losses including excess of loss occurrence-based treaties covering property and workers' compensation, and an aggregate property catastrophe treaty. The aggregate property catastrophe treaty covers the aggregate of catastrophe events designated by the Property Claim Services office of Verisk and, for international business, net losses arising from two or more risks involved in the same loss occurrence totaling at least $500 thousand, in excess of a $700 retention. The occurrence-based property catastrophe treaties respond in excess of $100 per occurrence for all perils other than named storm and earthquake (subject to a $50 annual aggregate deductible). Our per occurrence property catastrophe treaties and workers' compensation catastrophe treaty incepting January 1, 2020 did not exclude pandemic losses from coverage and did not require a pandemic to be designated as a catastrophe event by PCS for coverage. Accordingly, we would have the opportunity for recovery if COVID-19 related losses were to exceed the retentions and fall within the terms and conditions of the contracts, including that losses are sustained by the Company during a defined period of time, commonly referred to as an hours clause. Based on current estimates of ultimate incurred losses from the pandemic, we have not booked a recovery under our per occurrence property or workers' compensation catastrophe treaties. Our aggregate property catastrophe program requires a PCS catastrophe designation for events in the U.S. and since the pandemic has not been designated a PCS event, COVID-19 losses would not be covered by the aggregate program. In addition to catastrophe reinsurance, the Company has per risk and quota share reinsurance that would respond to certain COVID-19 related losses. The reinsurance market has shifted to require communicable disease exclusions and, as such, our per occurrence property catastrophe treaty and workers' compensation catastrophe treaty incepting January 1, 2021 do not cover pandemic losses. The Company has reinsurance in place to cover individual group life losses in excess of $1 per person. With respect to civil unrest, losses relating to civil unrest that in 2020 was designated by the Property Claim Services office of Verisk as a catastrophe event will cede to our property catastrophe aggregate cover. Such losses are not expected to be covered by the property catastrophe occurrence treaties because the unrest occurred in non-contiguous areas though the Company has property per risk and property quota share reinsurance that would cover certain losses related to the civil unrest. For our property catastrophe treaty incepting January 1, 2021, losses from most cyber events are not covered.

Primary Catastrophe Treaty Reinsurance Coverages as of January 1, 2021

	Portion of losses reinsured	Portion of losses retained by The Hartford
Per Occurrence Property Catastrophe Treaty from 1/1/2021 to 12/31/2021 [1] [2]		
Losses of $0 to $100	None	100% retained
Losses of $100 to $350 for earthquakes and named hurricanes and tropical storms [6]	None	100% retained
Losses of $100 to $350 from one event other than earthquakes and named hurricanes and tropical storms (subject to a $50 Annual Aggregate Deductible ("AAD")) [6]	70% of $250 in excess of $100	30% co-participation
Losses of $350 to $500 from one event (all perils)	75% of $150 in excess of $350	25% co-participation
Losses of $500 to $1.1 billion from one event [3] (all perils)	90% of $600 in excess $500	10% co-participation
Aggregate Property Catastrophe Treaty for 1/1/2021 to 12/31/2021 [4]		
$0 to $700 of aggregate losses	None	100% retained
$700 to $900 of aggregate losses	100%	None
Workers' Compensation Catastrophe Treaty for 1/1/2021 to 12/31/2021		
Losses of $0 to $100 from one event	None	100% retained
Losses of $100 to $450 from one event [5]	80% of $350 in excess of $100	20% co-participation

[1] These treaties do not cover the assumed reinsurance business which purchases its own retrocessional coverage.

[2]In addition to the Per Occurrence Property Catastrophe Treaty, for Florida wind events, The Hartford has purchased the mandatory FHCF reinsurance for the annual period starting at June 1, 2020. Retention and coverage varies by writing company. The writing company with the largest coverage under FHCF is Hartford Insurance Company of the Midwest, with coverage estimated at approximately $55 of per event losses in excess of a $24 retention (estimates are based on best available information at this time and are periodically updated as information is made available by Florida).

[3]Portions of this layer of coverage extend beyond a traditional one year term.

[4]The aggregate treaty is not limited to a single event; rather, it is designed to provide reinsurance protection for the aggregate of all catastrophe events (up to $350 per event), either designated by the Property Claim Services office of Verisk or, for international business, net losses arising from two or more risks involved in the same loss occurrence totaling at least $500 thousand. All catastrophe losses apply toward satisfying the $700 attachment point under the aggregate treaty.

[5]In addition to the limits shown, the workers' compensation reinsurance includes a non-catastrophe, industrial accident layer, providing coverage for 80% of $30 in per event losses in excess of a $20 retention.

[6]Named hurricanes and tropical storms are defined as any storm or storm system declared to be a hurricane or tropical storm by the US National Hurricane Center, US Weather Prediction Center, or their successor organizations (being divisions of the US National Weather Service).

In addition to the property catastrophe reinsurance coverage described in the above table, the Company has other reinsurance agreements that cover property catastrophe losses. The Per Occurrence Property Catastrophe Treaty, and Workers' Compensation Catastrophe Treaty include a provision to reinstate one limit in the event that a catastrophe loss exhausts limits on one or more layers under the treaties.

Reinsurance for Terrorism- For the risk of terrorism, private sector catastrophe reinsurance capacity is generally limited and largely unavailable for terrorism losses caused by nuclear, biological, chemical or radiological attacks. As such, the Company's principal reinsurance protection against large-scale terrorist attacks is the coverage currently provided through TRIPRA to the end of 2027.

TRIPRA provides a backstop for insurance-related losses resulting from any "act of terrorism", which is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General, for losses that exceed a threshold of industry losses of $200. Under the program, in any one calendar year, the federal government will pay a percentage of losses incurred from a certified act of terrorism after an insurer's losses exceed 20% of the Company's eligible direct commercial earned premiums of the prior calendar year up to a combined annual aggregate limit for the federal government and all insurers of $100 billion. The percentage of losses paid by the federal government is 80% . The Company's estimated deductible under the program is $1.6 billion for 2021. If an act of terrorism or acts of terrorism result in covered losses exceeding the $100 billion annual industry aggregate limit, Congress would be responsible for determining how additional losses in excess of $100 billion will be paid.

Reinsurance for A&E and Navigators Group Reserve Development - The Company has two adverse development cover (“ADC”) reinsurance agreements in place, both of which are accounted for as retroactive reinsurance. One agreement covers substantially all A&E reserve development for 2016 and prior accident years (the “A&E ADC”) and the other covers substantially all reserve development of Navigators Insurance Company and certain of its affiliates for 2018 and prior accident years (“Navigators ADC”). For more information on the A&E ADC and the Navigators ADC, see Note 1, Basis of Presentation and Significant Accounting Policies, and Note 12, Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements.

Reinsurance Recoverables

Property and Casualty insurance product reinsurance recoverables represent loss and loss adjustment expense recoverables from a number of entities, including reinsurers and pools. A portion of the total gross reinsurance recoverables balance relates to the Company’s participation in various mandatory (assigned) and involuntary risk pools and the value of annuity contracts held under structured settlement agreements.

Group Benefits and Corporate reinsurance recoverables represent reserves for future policy benefits and unpaid loss and loss adjustment expenses and other policyholder funds and benefits payable that are recoverable from a number of reinsurers.

The table below shows the gross and net reinsurance recoverables reported in the Property and Casualty and Group Benefits reporting segments as well as Corporate.

To manage reinsurer credit risk, a reinsurance security review committee evaluates the credit standing, financial performance, management and operational quality of each potential reinsurer.
In placing reinsurance, the Company considers the nature of the risk reinsured, including the expected liability payout duration, and establishes limits tiered by reinsurer credit rating. Where its contracts permit, the Company secures future claim obligations with various forms of collateral or other credit enhancement, including irrevocable letters of credit, secured trusts, funds held accounts and group wide offsets. As part of its reinsurance recoverable review, the Company analyzes recent developments in commutation activity between reinsurers and cedants, recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers and the overall credit quality of the Company’s reinsurers. For further discussion on reinsurance recoverables, including details of recoverables by AM Best credit rating, see Note 9 – Reinsurance of Notes to Consolidated Financial Statements.

Annually, the Company completes evaluations of the reinsurance recoverable asset associated with older, long-term casualty liabilities reported in the Property & Casualty Other Operations and Group Benefits reporting segments as well as recoverables in Corporate, and the allowance for uncollectible reinsurance reported in the Commercial Lines reporting segment. For a discussion regarding the results of these evaluations, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves, Net of Reinsurance and Group Benefit LTD Reserves, Net of Reinsurance.

Reinsurance Recoverables as of December 31

	Property and Casualty		Group Benefits		Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Paid loss and loss adjustment expenses	$ 269	$ 249	$ 6	$ 6	$ —	$ —	$ 275	$ 255
Unpaid loss and loss adjustment expenses	5,297	4,819	239	247	308	320	5,844	5,386
Gross reinsurance recoverables	**5,566**	**5,068**	**245**	**253**	**308**	**320**	**6,119**	**5,641**
Allowance for uncollectible reinsurance	(105)	(114)	(1)	—	(2)	—	(108)	(114)
Net reinsurance recoverables	**$ 5,461**	**$ 4,954**	**$ 244**	**$ 253**	**$ 306**	**$ 320**	**$ 6,011**	**$ 5,527**

Guaranty Funds and Other Insurance-related Assessments

As part of its risk management strategy, the Company regularly monitors the financial strength of other insurers and, in particular, activity by insurance regulators and various state guaranty associations in the U.S. relating to troubled insurers. In all states, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error, or from external events.

Sources of Operational Risk Operational risk is inherent in the Company's business and functional areas. Operational risks include: compliance with laws and regulation, cybersecurity, business disruption, technology failure, inadequate execution or process management, reliance on model and data analytics, internal fraud, external fraud, third party dependency and attraction and retention of talent.

Impact Operational risk can result in financial loss, disruption of our business, regulatory actions or damage to our reputation.

Management Responsibility for day-to-day management of operational risk lies within each business unit and functional area. ERM provides an enterprise-wide view of the Company's operational risk on an aggregate basis. ERM is responsible for establishing, maintaining and communicating the framework, principles and guidelines of the Company's operational risk management program. Operational risk mitigation strategies include the following:

- Establishing policies and monitoring risk tolerances and exceptions;
- Conducting business risk assessments and implementing action plans where necessary;
- Validating existing crisis management protocols;
- Identifying and monitoring emerging risks; and
- Purchasing insurance coverage.

In response to COVID-19 the Company has implemented a number of mitigation strategies to address potential operational impacts, including:

- Activated our cross-functional Crisis Management Team ("CMT") comprising representatives from areas such as the Business Resiliency Office, IT, Corporate Health & Well-being, Employee Relations, Security, Facilities and Communications ;
- Enabled the vast majority of employees to work from home with no material impacts to operations; for employees in the office, various protocols have been implemented to promote employee health and safety including, but not limited to, the use of personal protective equipment, practicing social distancing and enhanced cleaning;
- Strengthened technology infrastructure and expanded policies for accessing the Company's network remotely;
- Actively worked with sourcing partners to ensure they were implementing their business continuity plans; and
- Provided support to employees through our Corporate, Health & Well-being team composed of healthcare professionals to identify and isolate employees with potential COVID-19 exposure.

Cybersecurity Risk

The Hartford has implemented an information protection program with established governance routines that promote an adaptive approach for assessing and managing risks. The Hartford employs a 'defense-in-depth' strategy that uses multiple security measures to protect the integrity of the Company's information assets. This 'defense-in-depth' strategy aligns to the National Institute of Standards and Technology ("NIST") Cyber Security Framework and provides preventative, detective and responsive measures that collectively protects the Company. Various cyber assurance methods, including security metrics, third party security assessments, external penetration testing, red team exercises, and cyber war game exercises are used to test the effectiveness of the overall cybersecurity control environment.

The Hartford, like many other large financial services companies, blocks attempted cyber intrusions on a daily basis. In the event of a cyber intrusion, the Company invokes its Cyber Incident Response Program (the "Program") commensurate with the nature of the intrusion. While the actual methods employed differ based on the event, our approach uses internal teams and outside advisors with specialized skills to support the response and recovery efforts and requires elevation of issues, as necessary, to senior management. In addition, we have procedures to ensure timely notification of critical cybersecurity incidents pursuant to the Program to help identify employees who may have material non-public information and to implement blackout restrictions on trading the Company's securities during the investigation and assessment of such cybersecurity incidents.

From a governance perspective, senior members of our Enterprise Risk Management, Information Protection and Internal Audit functions provided detailed, regular reports on cybersecurity matters in 2020 to the Board, including the Finance, Investment, and Risk Management Committee ("FIRMCo"), a committee consisting of all directors and the Audit Committee, which oversees controls for the Company's major risk exposures, and has principal responsibility for oversight of cybersecurity risk. The topics covered by these updates include the Company's activities, policies and procedures to prevent, detect and respond to cybersecurity incidents, as well as lessons learned from cybersecurity incidents and internal and external testing of our cyber defenses.

Financial Risk

Financial risks include direct and indirect risks to the Company's financial objectives from events that impact financial market conditions and the value of financial assets. Some events may cause correlated movement in multiple risk factors. The primary sources of financial risks are the Company's invested assets.

Consistent with its risk appetite, the Company establishes financial risk limits to control potential loss on a U.S. GAAP, statutory, and economic basis. Exposures are actively monitored and managed, with risks mitigated where appropriate. The Company uses various risk management strategies, including limiting aggregation of risk, portfolio re-balancing and hedging with over-the-counter and exchange-traded derivatives with counterparties meeting the appropriate regulatory and due diligence requirements. Derivatives are utilized to achieve the following Company-approved objectives: hedging risk arising from interest rate, equity market, commodity market, credit spread and issuer default, price or currency exchange rate risk or volatility; managing liquidity; controlling transaction costs; and engaging in income generation covered call transactions and synthetic replication transactions. Derivative activities are monitored and evaluated by the Company's compliance and risk management teams and reviewed by senior management. The Company identifies different categories of financial risk, including liquidity, credit, interest rate, equity and foreign currency exchange.

Liquidity Risk

Liquidity risk is the risk to current or prospective earnings or capital arising from the Company's inability or perceived inability to meet its contractual funding obligations as they come due.

Sources of Liquidity Risk Sources of liquidity risk include funding risk, company-specific liquidity risk and market liquidity risk resulting from differences in the amount and timing of sources and uses of cash as well as company-specific and general market conditions. Stressed market conditions may impact the ability to sell assets or otherwise transact business and may result in a significant loss in value.

Impact Inadequate capital resources and liquidity could negatively affect the Company's overall financial strength and its ability to generate cash flows from its businesses, borrow funds at competitive rates and raise new capital to meet operating and growth needs.

Management The Company has defined ongoing monitoring and reporting requirements to assess liquidity across the enterprise under both current and stressed market conditions. The Company measures and manages liquidity risk exposures and funding needs within prescribed limits across legal entities, taking into account legal, regulatory and operational limitations to the transferability of liquid assets among legal entities. The Company also monitors internal and external conditions, and identifies material risk changes and emerging risks that may impact operating cash flows or liquid assets. The liquidity requirements of The Hartford Financial Services Group, Inc. ("HFSG Holding Company") have been and will continue to be met by the HFSG Holding Company's fixed maturities, short-term investments and cash, and dividends from its subsidiaries, principally its insurance operations, as well as the issuance of common stock, debt or other capital securities and borrowings from its credit facilities as needed. The Company maintains multiple sources of contingent liquidity including a revolving credit facility, an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates, and access to collateralized advances from the Federal Home Loan Bank of Boston ("FHLBB") for certain affiliates. The Company's CFO has primary responsibility for liquidity risk.

Refer to the Capital Resources & Liquidity section of MD&A for the discussion of what the Company is doing to manage liquidity during the COVID-19 pandemic.

Credit Risk and Counterparty Risk

Credit risk is the risk to earnings or capital due to uncertainty of an obligor's or counterparty's ability or willingness to meet its obligations in accordance with contractually agreed upon terms. Credit risk is comprised of three major factors: the risk of change in credit quality, or credit migration risk; the risk of default; and the risk of a change in value due to changes in credit spreads.

Sources of Credit Risk The majority of the Company's credit risk is concentrated in its investment holdings and use of derivatives, but it is also present in the Company's ceded reinsurance activities and various insurance products.

Impact A decline in creditworthiness is typically reflected as an increase in an investment's credit spread and an associated decline in the investment's fair value, potentially resulting in recording an ACL and an increased probability of a realized loss upon sale. In certain instances, counterparties may default on their obligations and the Company may realize a loss on default. Premiums receivable, including premiums for retrospectively rated plans, reinsurance recoverable and deductible losses recoverable are also subject to credit risk based on the counterparty's unwillingness or inability to pay.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Management The objective of the Company's enterprise credit risk management strategy is to identify, quantify, and manage credit risk in aggregate and to limit potential losses in accordance with the Company's credit risk management policy. The Company manages its credit risk by managing aggregations of risk, holding a diversified mix of issuers and counterparties across its investment, reinsurance, and insurance portfolios and limiting exposure to any specific reinsurer or counterparty. Potential credit losses can be mitigated through diversification (e.g., geographic regions, asset types, industry sectors), hedging and the use of collateral to reduce net credit exposure.

The Company manages credit risk through the use of various surveillance, analyses and governance processes. The investment, derivatives and reinsurance areas have formal policies and procedures for counterparty approvals and authorizations, which establish criteria defining minimum levels of creditworthiness and financial stability for eligible counterparties. Potential investments are subject to underwriting reviews and private securities are also subject to management approval. Mitigation strategies vary across the three sources of credit risk, but may include:

- Investing in a portfolio of high-quality and diverse securities;
- Selling investments subject to credit risk;
- Hedging through use of credit default swaps;
- Clearing derivative transactions through central clearing houses that require daily variation margin;
- Entering into derivative and reinsurance contracts only with strong creditworthy institutions
- Requiring collateral; and
- Non-renewing policies/contracts or reinsurance treaties.

The Company has developed credit exposure thresholds which are based upon counterparty ratings. Aggregate counterparty credit quality and exposure are monitored on a daily basis utilizing an enterprise-wide credit exposure information system that contains data on issuers, ratings, exposures, and credit limits. Exposures are tracked on a current and potential basis and aggregated by ultimate parent of the counterparty across investments, reinsurance receivables, insurance products with credit risk, and derivatives.

As of December 31, 2020, the Company had no investment exposure to any credit concentration risk of a single issuer or counterparty greater than 10% of the Company's stockholders' equity, other than the U.S. government and certain U.S. government agencies. For further discussion of concentration of credit risk in the investment portfolio, see the Concentration of Credit Risk section in Note 6 - Investments of Notes to Consolidated Financial Statements.

Assets and Liabilities Subject to Credit Risk

Investments Essentially all of the Company's invested assets are subject to credit risk. In 2020, net credit losses on fixed maturities, AFS and the increase (decrease) in ACL on mortgage loans were $28 and $19 respectively. In 2019. credit related impairments were $3 and there were no mortgage loans that had a valuation allowance. (See the Investment Portfolio Risk section of Financial Risk Management under “Credit Losses on Fixed Maturities, AFS and Intent-to-Sell Impairments" and "ACL on Mortgage Loans”).

Reinsurance recoverables Reinsurance recoverables, net of an allowance for uncollectible reinsurance, were $6,011 and $5,527 as of December 31, 2020 and 2019 respectively. (See the Enterprise Risk Management section of the MD&A under “Reinsurance as a Risk Management Strategy.”)

Premiums receivable and agents' balances Premiums receivable and agents’ balances, net of an ACL, were $4,268 and $4,384, as of December 31, 2020 and 2019, respectively. For a discussion regarding collectibility of these balances, see Note 8 - Premiums Receivable and Agents' Balances of Notes to Consolidated Financial Statements.

Credit Risk of Derivatives

The Company uses various derivative counterparties in executing its derivative transactions. The use of counterparties creates credit risk that the counterparty may not perform in accordance with the terms of the derivative transaction.

Downgrades to the credit ratings of the Company’s insurance operating companies may have adverse implications for its use of derivatives. In some cases, downgrades may give derivative counterparties for OTC derivatives and clearing brokers for OTC-cleared derivatives the right to cancel and settle outstanding derivative trades or require additional collateral to be posted. In addition, downgrades may result in counterparties and clearing brokers becoming unwilling to engage in or clear additional derivatives or may require additional collateralization before entering into any new trades.

Managing the Credit Risk of Counterparties to Derivative Instruments

The Company also has derivative counterparty exposure policies which limit the Company’s exposure to credit risk. The Company monitors counterparty exposure on a monthly basis to ensure compliance with Company policies and statutory limitations. The Company’s policies with respect to derivative counterparty exposure establishes market-based credit limits, favors long-term financial stability and creditworthiness of the counterparty and typically requires credit enhancement/credit risk reducing agreements, which are monitored and evaluated by the Company’s risk management team and reviewed by senior management.

The Company minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties primarily rated A or better. The Company also generally requires that OTC derivative contracts be governed by an International Swaps and Derivatives Association ("ISDA") Master Agreement, which is structured by legal entity and by counterparty and permits right of offset. The Company enters into credit support annexes in conjunction with the ISDA agreements, which require daily collateral settlement based upon agreed upon thresholds.

The Company also has derivative counterparty exposure policies which limit the Company’s exposure to credit risk. Credit exposures are generally quantified based on the prior business day’s net fair value, including income accruals, of all derivative positions transacted with a single counterparty for each separate legal entity. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and are not reflective of credit risk. The Company enters into collateral arrangements in connection with its derivatives positions and collateral is pledged to or held by, or on behalf of, the Company to the extent the exposure is greater than zero, subject to minimum transfer thresholds or negotiated thresholds, if applicable. In accordance with industry standards and the contractual requirements, collateral is typically settled on the same business day. For further discussion, see the Derivative Commitments section of Note 15 - Commitments and Contingencies of Notes to Consolidated Financial Statements.

Use of Credit Derivatives

The Company may also use credit default swaps to manage credit exposure or to assume credit risk to enhance yield.

Credit Risk Reduced Through Credit Derivatives

The Company uses credit derivatives to purchase credit protection with respect to a single entity or referenced index. The Company purchases credit protection through credit default swaps to economically hedge and manage credit risk of certain fixed maturity investments across multiple sectors of the investment portfolio. As of December 31, 2020 and 2019, the notional amount related to credit derivatives that purchase credit protection was $6 and $124, respectively, while the fair value was less than $(1) and $(3), respectively. These amounts do not include positions that are in offsetting relationships.

Credit Risk Assumed Through Credit Derivatives

The Company also enters into credit default swaps that assume credit risk as part of replication transactions. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company’s investment policies. These swaps primarily reference investment grade single corporate issuers and indexes. As of December 31, 2020 and 2019, the notional amount related to credit derivatives that assume credit risk was $675 and $500, respectively, while the fair value was $21 and $13, respectively. These amounts do not include positions that are in offsetting relationships.

For further information on credit derivatives, see Note 7 - Derivatives of Notes to Consolidated Financial Statements.

Credit Risk of Business Operations

A portion of the Company's Commercial Lines business is written with large deductibles or under retrospectively-rated plans. Under some commercial insurance contracts with a large deductible, the Company is obligated to pay the claimant the full amount of the claim and the Company is subsequently reimbursed by the policyholder for the deductible amount. As such, the Company is subject to credit risk until reimbursement is made. Retrospectively-rated policies are utilized primarily for workers' compensation coverage, whereby the ultimate premium is adjusted based on actual losses incurred. Although the premium adjustment feature of a retrospectively-rated policy substantially reduces insurance risk for the Company, it presents credit risk to the Company. The Company's results of operations could be adversely affected if a significant portion of such policyholders failed to reimburse the Company for the deductible amount or the amount of additional premium owed under retrospectively-rated policies. The Company manages these credit risks through credit analysis, collateral requirements, and regular monitoring. For more information, see Note 8- Premiums Receivable and Agents' Balances of Notes to the Consolidated Financial Statements.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities arising from movements in interest rates. Interest rate risk encompasses exposures with respect to changes in the level of interest rates, the shape of the term structure of rates and the volatility of interest rates. Interest rate risk does not include exposure to changes in credit spreads.

Sources of Interest Rate Risk The Company has exposure to interest rate risk arising from its fixed maturity investments, commercial mortgage loans we invest in as well as debt securities, preferred stock and similar securities issued by the Company and discount rate assumptions associated with the Company's claim reserves and pension and other post retirement benefit obligations as well as from assets that support the Company's pension and other post-retirement benefit plans.

Impact Changes in interest rates from current levels can have both favorable and unfavorable effects for the Company.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Change in Interest Rates	Favorable Effects	Unfavorable Effects
	Additional net investment income due to reinvesting at higher yields and higher yields on variable rate securities	Decrease in the fair value of the fixed income investment portfolio
		Higher interest expense on variable rate debt obligations
	Increase in the fair value of the fixed income investment portfolio	Lower net investment income due to reinvesting at lower yields and lower yields on variable rate securities
	Lower interest expense on variable rate debt obligations	Acceleration in paydowns and prepayments or calls of certain mortgage-backed and municipal securities

Management The Company manages its exposure to interest rate risk by constructing investment portfolios that seek to protect the firm from the economic impact associated with changes in interest rates by setting portfolio duration targets that are aligned with the duration of the liabilities that they support. The Company analyzes interest rate risk using various models including parametric models and cash flow simulation under various market scenarios of the liabilities and their supporting investment portfolios. Key metrics that the Company uses to quantify its exposure to interest rate risk inherent in its invested assets and the associated liabilities include duration, convexity and key rate duration.

The Company utilizes a variety of derivative instruments to mitigate interest rate risk associated with its investment portfolio or to hedge liabilities. Interest rate caps, floors, swaps, swaptions, and futures may be used to manage portfolio duration. Interest rate swaps are primarily used to convert interest receipts or payments to a fixed or variable rate. The use of such swaps enables the Company to customize contract terms and conditions to desired objectives and manage the duration profile within established tolerances. Interest rate swaps are also used to hedge the variability in the cash flows of a forecasted purchase or sale of fixed rate securities due to changes in interest rates. As of December 31, 2020 and 2019, notional amounts pertaining to derivatives utilized to manage interest rate risk, including offsetting positions, totaled $10.7 billion and $11.4 billion, respectively, and primarily relate to hedging invested assets. The fair value of these derivatives was $(69) and $(59) as of December 31, 2020 and 2019, respectively.

Assets and Liabilities Subject to Interest Rate Risk

Fixed income investments The fair value of fixed income investments, which include fixed maturities, commercial mortgage loans, and short-term investments, was $52.8 billion and $49.3 billion at December 31, 2020 and 2019, respectively. The weighted average duration of the portfolio, including derivative instruments, was approximately 4.9 years and 5.0 years as of December 31, 2020 and 2019, respectively. Changes in the fair value of fixed maturities due to changes in interest rates are reflected as a component of AOCI.

Long-term debt obligations The Company's variable rate debt obligations will generally result in increased interest expense as a result of higher interest rates; the inverse is true during a declining interest rate environment. Changes in the value of long-term debt as a result of changes in interest rates will impact the fair value of these instruments but not the carrying value in the Company's Consolidated Balance Sheets.

Group life and disability product liabilities The cash outflows associated with contracts issued by the Company's Group Benefits segment, primarily group life and short and long-term disability policy liabilities, are not interest rate sensitive but vary based on timing. Though the aggregate cash flow payment streams are relatively predictable, these products rely upon actuarial pricing assumptions (including mortality and morbidity) and have an element of cash flow uncertainty. As of December 31, 2020 and 2019, the Company had $8,653 and $8,667, respectively of reserves for group life and disability contracts. Changes in the value of the liabilities as a result of changes in interest rates will impact the fair value of these instruments but not the carrying value in the Company's Consolidated Balance Sheets.

Pension and other post-retirement benefit obligations

The Company's pension and other post-retirement benefit obligations are exposed to interest rate risk based upon the sensitivity of present value obligations to changes in liability discount rates as well as the sensitivity of the fair value of investments in the plan portfolios to changes in interest rates. The discount rate assumption is based upon an interest rate yield curve that reflects high-quality fixed income investments consistent with the maturity profile of the expected liability cash flows. The Company is exposed to the risk of having to make additional plan contributions if the plans' investment returns, including from investments in fixed maturities, are lower than expected. (For further discussion of discounting pension and other postretirement benefit obligations, refer to Note 19 - Employee Benefit Plans of Notes to Consolidated Financial Statements.) As of December 31, 2020 and 2019, the Company had $669 and $732, respectively, of unfunded liabilities for pension and post-retirement benefit obligations recorded within Other Liabilities in the accompanying Balance Sheets.

Interest Rate Sensitivity

Group Life and Disability Reserves and Invested Assets Supporting Them

Included in the following table is the before tax change in the net economic value of contracts issued by the Company's Group Benefits segment, primarily group life and disability, for which fixed valuation discount rate assumptions are established based upon investment returns assumed in pricing, along with the corresponding invested assets. Also included in this analysis are the interest rate sensitive derivatives used by the Company to hedge its exposure to interest rate risk in the investment portfolios supporting these contracts. This analysis does not include the assets and corresponding liabilities of other insurance products such as automobile, property, workers' compensation and general liability insurance. Certain financial instruments, such as limited partnerships and other alternative investments, have been omitted from the analysis as the interest rate sensitivity of these investments is generally lower and less predictable than fixed income investments. The calculation of the estimated hypothetical change in net economic value below assumes a 100 basis point upward and downward parallel shift in the yield curve.

The selection of the 100 basis point parallel shift in the yield curve was made only as an illustration of the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could differ materially from those illustrated below due to the nature of the estimates and assumptions used in the analysis. The Company's sensitivity analysis calculation assumes that the composition of invested assets and liabilities remain materially consistent throughout the year and that the current relationship between short-term and long-term interest rates will remain constant over time. As a result, these calculations may not fully capture the impact of portfolio re-allocations, significant product sales or non-parallel changes in interest rates.

Interest Rate Sensitivity of Group Benefits Short and Long-term Disability Reserves and Invested Assets Supporting Them

	Change in Net Economic Value as of December 31,			
	2020		2019 [1]	
Basis point shift	-100	+100	-100	+100
Increase (decrease) in economic value, before tax	$ 137	$ (133)	$ 138	$ (140)

[1] Prior year numbers have been updated to include the invested assets supporting the surplus associated with group benefits short and long-term disability reserves.

The carrying value of assets related to the businesses included in the table above was $12.1 billion and $12.0 billion, as of December 31, 2020 and 2019, respectively, and included fixed maturities, commercial mortgage loans and short-term investments. The assets are monitored and managed within set duration guidelines and are evaluated on a daily basis, as well as annually, using scenario simulation techniques in compliance with regulatory requirements.

Invested Assets not Supporting Group Life and Disability Reserves

The following table provides an analysis showing the estimated before tax change in the fair value of the Company's investments and related derivatives, excluding assets supporting group life and disability reserves which are included in the table above, assuming 100 basis point upward and downward parallel shifts in the yield curve as of December 31, 2020 and 2019. Certain financial instruments, such as limited partnerships and other alternative investments, have been omitted from the analysis as the interest rate sensitivity of these investments is generally lower and less predictable than fixed income investments.

Interest Rate Sensitivity of Invested Assets Not Supporting Group Benefits Short and Long-term Disability Reserves

	Change in Fair Value as of December 31,			
	2020		2019 [1]	
Basis point shift	-100	+100	-100	+100
Increase (decrease) in fair value, before tax	$ 2,054	$ (1,906)	$ 1,893	$ (1,800)

[1] Prior year numbers have been updated to exclude the invested assets supporting the surplus associated with group benefits short and long-term disability reserves.

The carrying value of fixed maturities, commercial mortgage loans and short-term investments related to the businesses included in the table above was $40.7 billion and $37.3 billion as of December 31, 2020 and 2019, respectively.

Long-term Debt

A 100 basis point parallel decrease in the yield curve would result in an increase in the fair value of long-term debt by $670 and $607 as of December 31, 2020 and 2019, respectively. A 100 basis point parallel increase in the yield curve would result in a decrease in the fair value of long-term debt by $551 and $499 as of December 31, 2020 and 2019, respectively. Changes in the value of long-term debt as a result of changes in interest rates will not impact the carrying value in the Company's Consolidated Balance Sheets.

Pension and Other Post-Retirement Plan Obligations

A 100 basis point parallel decrease in the yield curve would impact both the value of the underlying pension assets and the value of the liabilities, resulting in an increase in the unfunded liabilities for pension and other post-retirement plan obligations of $196 and $185 as of December 31, 2020 and 2019, respectively. A 100 basis point parallel increase in the yield curve would have the inverse effect and result in a decrease in the unfunded liabilities for pension and other post-retirement plan obligations of $148 and $138 as of December 31, 2020 and 2019, respectively. Gains or losses due to changes in interest rates on the pension and post-retirement plan obligations are recorded within AOCI and are amortized into the actuarial loss component of net periodic benefit cost when they exceed a threshold.

Discontinuation of LIBOR In July 2017, the U.K. Financial Conduct Authority ("FCA") announced that by the end of 2021 it intends to stop persuading or compelling banks to report information used to set LIBOR, which could result in LIBOR no longer being published after 2021 or a determination by regulators that LIBOR is no longer representative of its underlying market. The Company continues to monitor the potential impacts of the discontinuation of LIBOR, which is used as a benchmark or reference rate for certain investments and derivatives the Company owns and floating rate debt the Company has issued. In December 2020, based on feedback from the banks that report information used to set LIBOR, Intercontinental Exchange ("ICE") Benchmark Administration released a consultation on the potential for banks to continue to publish U.S. dollar LIBOR rates until the end of June 2023. Subject to the results of the consultation, it is possible that some U.S. dollar LIBOR rates will continue to be available for a limited period beyond the end of 2021.

The Company has identified three principal types of outstanding contracts that may be affected by the discontinuation of or transition from LIBOR to an alternative reference rate, including floating rate fixed maturity investments the Company holds in its investment portfolio; derivative instruments that hedge interest rate risk; and two classes of junior subordinated debentures that the Company has issued and are currently outstanding.

- Using our best estimate of expected future cash flows including prepayments and maturities, the book value of LIBOR referenced floating rate fixed maturities that the Company owns as of December 31, 2020 and that the Company expects to be outstanding at the end of 2021 is approximately $3.6 billion. The Company has performed a review of the LIBOR replacement language on these assets and believes that greater than 85% have language that supports a transition to a new standard benchmark rate. The Company will continue to assess the remaining holdings and work with counterparties, as appropriate, to determine LIBOR replacement language or manage the assets in other ways, such as through asset sales.
- The notional amount of derivative instruments as of December 31, 2020 with a floating rate component that references LIBOR that the Company expects to be outstanding at the end of 2021, considering maturities, is $9.6 billion, with $9.4 billion being cleared through an exchange or clearinghouse. The Company anticipates that substantially all existing derivatives referencing LIBOR, whether or not cleared through an exchange or clearing house, will transition from LIBOR to SOFR or other market alternative rates in line with new market standards currently being developed and adopted.
- The Company has issued $1.1 billion of junior subordinated debentures that mature after 2021 with LIBOR referenced floating interest rates. The Company is assessing options to manage the risk associated with the transition away from LIBOR related to these outstanding securities.

The uncertainty regarding the continued use and reliability of LIBOR, including the timing of such transition, could reduce the value of some of our floating rate fixed maturity investments and increase the interest the Company pays on the junior subordinated debentures.

There is also a risk that certain derivatives may no longer qualify for hedge accounting if reference rates change on derivative contracts but the reference interest rate of the instruments being hedged do not change in a substantially similar manner, particularly for cash flow hedges of floating rate investments the Company owns and junior subordinated debentures the Company has issued. The loss of hedge accounting could result in the recognition of gains or losses on derivatives in the income statement rather than in accumulated other comprehensive income. The Company has adopted the FASB's temporary guidance which allows The Hartford to account for contract modifications made solely due to rate reform (such as replacing LIBOR with another reference rate) as continuations of existing contracts and to maintain hedge accounting when the hedging effectiveness between the financial instrument and its hedge is only affected by the change to a replacement rate. The guidance expires for contract modifications made and hedge relationships entered into or evaluated after December 31, 2022, after which, there is uncertainty whether certain outstanding derivative contracts will continue to qualify for hedge accounting either because the replacement rate of the financial instrument being hedged is not sufficiently matched to the reference rate of the derivative contract or because replacement rate language for the hedged instrument has not been determined.

Equity Risk

Equity risk is the risk of financial loss due to changes in the value of global equities or equity indices.

Sources of Equity Risk The Company has exposure to equity risk from invested assets, assets that support the Company’s pension and other post-retirement benefit plans, and fee income derived from Hartford Funds assets under management. In addition, the Company has equity exposure through its 9.7% ownership interest in the limited partnership, Hopmeadow Holdings LP, that owns the life and annuity business sold in 2018. For further information, see Note 22 - Business Dispositions and Discontinued Operations of Notes to Consolidated Financial Statements.

Impact The investment portfolio is exposed to losses from market declines affecting equity securities and derivatives, which could negatively impact the Company's reported earnings. In addition, investments in limited partnerships and other alternative investments generally have a level of correlation to domestic equity market levels and can expose the Company to losses in earnings if valuations decline; however, earnings impacts are recognized on a lag as results from private equity investments and other funds are generally reported on a three-month delay. For assets supporting pension and other post-retirement benefit plans, the Company may be required to make additional plan contributions if equity investments in the plan portfolios decline in value. Hartford Funds earnings are also significantly influenced by the U.S. and other equity markets. Generally, declines in equity markets will reduce the value of average daily assets under management and the amount of fee income generated from those assets. Increases in equity markets will generally have the inverse impact.

For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

Management The Company uses various approaches in managing its equity exposure, including limits on the proportion of assets invested in equities, diversification of the equity portfolio, and, at times, hedging of changes in equity indices. For assets supporting pension and other post-retirement benefit plans, the asset allocation mix is reviewed on a periodic basis. In order to minimize risk, the pension plans maintain a listing of permissible and prohibited investments and impose concentration limits and investment quality requirements on permissible investment options.

Assets and Liabilities Subject to Equity Risk

Investment portfolio The investment portfolio is exposed to losses from market declines affecting equity securities and derivatives, and certain alternative assets and limited partnerships. Generally, declines in equity markets will reduce the value of these types of investments and could negatively impact the Company's earnings while increases in equity will have the inverse impact. For equity securities, the changes in fair value are reported in net realized capital gains and losses. For alternative assets and limited partnerships, the Company's share of earnings for the period is recorded in net investment income, though typically on a delay based on the availability of the underlying financial statements. For a discussion of equity sensitivity, see below.

Assets supporting pension and other post-retirement benefit plans The Company may be required to make additional plan contributions if equity investments in the plan portfolios decline in value. For a discussion of equity sensitivity, see below.
Declines in value are recognized as unrealized losses in AOCI. Increases in equity markets are recognized as unrealized gains in AOCI. Unrealized gains and losses in AOCI are amortized into the actuarial loss component of net periodic benefit cost when they exceed a threshold. For further discussion of equity risk associated with the pension plans, see Note 19 - Employee Benefit Plans of Notes to Consolidated Financial Statements.

Assets under management Assets under management in Hartford Funds may decrease in value during equity market declines, which would result in lower earnings because fee income is earned based upon the value of assets under management.

Equity Sensitivity

Investment portfolio and the assets supporting pension and other post-retirement benefit plans

Included in the following tables are the estimated before tax change in the economic value of the Company's invested assets and assets supporting pension and other post-retirement benefit plans with sensitivity to equity risk. The calculation of the hypothetical change in economic value below assumes a 20% upward and downward shock to the Standard & Poor's 500 Composite Price Index ("S&P 500"). For limited partnerships and other alternative investments, the movement in economic value is calculated using a beta analysis largely derived from historical experience relative to the S&P 500.

The selection of the 20% shock to the S&P 500 was made only as an illustration of the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could differ materially from those illustrated below due to the nature of the estimates and assumptions used in the analysis. These calculations do not capture the impact of portfolio re-allocations.

Equity Sensitivity [1]

	As of December 31, 2020			As of December 31, 2019		
		Shock to S&P 500			Shock to S&P 500	
(Before tax)	Fair Value	+20%	-20%	Fair Value	+20%	-20%
Investment Portfolio	$ 3,520	$ 397	$ (397)	$ 3,295	$ 440	$ (407)
Assets supporting pension and other post-retirement benefit plans	$ 1,573	$ 240	$ (240)	$ 1,372	$ 230	$ (230)

[1]Table excludes the Company's investment in Hopmeadow Holdings LP which is reported in other assets on the Company's Consolidated Balance Sheets.

Hartford Funds assets under management

Hartford Funds earnings are significantly influenced by the U.S. and other equity markets. If equity markets were to hypothetically decline 20% and remain depressed for one year, the estimated before tax impact on reported earnings for that one year period is approximately $60 as of December 31, 2020. The selection of the 20% shock to the S&P 500 was made only as an illustration of the potential hypothetical impact of such an event and should not be construed as a prediction of future market events. Actual results could differ materially due to the nature of the estimates and assumptions used in the analysis.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk of financial loss due to changes in the relative value between currencies.

Sources of Currency Risk The Company has foreign currency exchange risk in non-U.S. dollar denominated cash, fixed maturities, equities, and derivative instruments. In addition, the Company has non-U.S. subsidiaries, some with functional currencies other than U.S. dollar, and which transact business in multiple currencies resulting in assets and liabilities denominated in foreign currencies.

Impact Changes in relative values between currencies can create variability in cash flows and realized or unrealized gains and losses on changes in the fair value of assets and liabilities. The impact on the fair value of fixed maturities, AFS due to changes in foreign currency exchange rates, in relation to functional currency, is reported in unrealized gains or losses as part of other comprehensive income. The realization of gains or losses resulting from investment sales or from changes in investments that record changes in fair value through the income statement due to changes in foreign currency exchange rates is reflected through net realized capital gains and losses.

In regards to insurance and reinsurance contracts that the Company enters into for which we are obligated to pay losses in a foreign currency, the impact of changes in foreign currency exchange rates on assets and liabilities related to these contracts is reflected through net realized capital gains and losses. These assets or liabilities include, but are not limited to, cash and cash equivalents, premiums receivable, reinsurance recoverables, and unpaid losses and loss adjustment expenses. Additionally, the Company translates the assets, liabilities, and income of non-U.S. dollar functional currency legal entities into U.S. dollar. This translation amount is reported as a component of other comprehensive income.

Management The Company manages its foreign currency exchange risk primarily through asset-liability matching and through the use of derivative instruments. However, legal entity capital is invested in local currencies in order to satisfy regulatory requirements and to support local insurance operations. The foreign currency exposure of non-U.S. dollar denominated investments will most commonly be reduced through the sale of the assets or through hedges using foreign currency swaps and forwards.

Assets and Liabilities Subject to Foreign Currency Exchange Risk

Investment portfolio The Company is exposed to foreign exchange risk affecting non-U.S. dollar denominated cash, fixed maturities, equities and derivative instruments. Changes in relative values between currencies can positively or negatively impact net realized capital gains and losses or unrealized gains (losses) as part of other comprehensive income.

Assets supporting pension plan Changes in relative values between currencies can positively or negatively impact unrealized gains and losses in AOCI. Unrealized gains and losses in AOCI are amortized into the actuarial loss component of net periodic benefit cost when they exceed a threshold. As of December 31, 2020 and 2019, the Company had pension plan assets of $95 and $83, respectively, of non-U.S. dollar investments in multiple currencies. These amounts are excluded from the sensitivity analysis below.

Insurance contract related assets and liabilities The Company has non-U.S. dollar denominated insurance contracts and associated premiums receivable, reinsurance recoverables and unpaid losses and loss adjustment expenses, that are exposed to foreign exchange risk. For contracts that are within U.S, dollar functional currency legal entities, changes in foreign currency exchange rates can positively or negatively impact net realized capital gains and losses. For contracts within non-U.S. dollar functional currency legal entities, changes in foreign currency exchange rates can positively or negatively impact other comprehensive income.

Foreign Currency Sensitivity

For the Company’s primary currencies that create foreign exchange risk, the following table provides the estimated impact of a hypothetical 10% unfavorable change in exchange rates. Actual results could differ materially due to the nature of the estimates and assumptions used in the analysis. The amounts presented are in U.S. dollars and before-tax.

Foreign Currency Sensitivity [1]

	GBP	CAD	10% Unfavorable Change
December 31, 2020			
Net assets (liabilities)	$ 296	$ 189	$ (44)
December 31, 2019			
Net assets (liabilities)	$ 336	$ 173	$ (46)

[1]Amount excludes currencies where the value of net assets in U.S. dollar equivalent is less than 1% of total net assets of the Company.

Financial Risk on U.S. Statutory Capital

U.S. Statutory surplus amounts and RBC ratios may increase or decrease in any period depending upon a variety of factors and may be compounded in extreme scenarios or if multiple factors occur at the same time. At times the impact of changes in certain market factors or a combination of multiple factors on RBC ratios can be counterintuitive. Factors include:

- A decrease in the value of certain fixed-income and equity securities in our investment portfolio, due in part to credit spreads widening or a decline in equity market levels, may result in a decrease in statutory surplus and RBC ratios.
- A decline in interest rates may reduce our net investment income, which may result in a decrease in statutory surplus and RBC ratios.
- Decreases in the value of certain derivative instruments that do not get hedge accounting, may reduce statutory surplus and RBC ratios.
- Non-market factors can also impact the amount and volatility of either our actual or potential obligation, as well as the related statutory surplus and RBC ratios.

Most of these factors are outside of the Company's control. Among other factors, rating agencies consider the level of statutory capital and surplus of our U.S. insurance subsidiaries as well as the level of a measure of GAAP capital held by the Company in determining the Company's financial strength and credit ratings. Rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of capital we must hold in order to maintain our current ratings.

Investment Portfolio Risk

The following table presents the Company's fixed maturities, AFS, by credit quality. The credit ratings referenced throughout this section are based on availability and are generally the midpoint of the available ratings among Moody's, S&P, and Fitch. If no rating is available from a rating agency, then an internally developed rating is used. Accrued interest receivable related to fixed maturities are recorded in other assets on the Consolidated Balance Sheets and are not included in the amortized cost or fair value of the fixed maturities. For further information refer to Note 6 - Investments.

Fixed Maturities, AFS by Credit Quality

	December 31, 2020			December 31, 2019		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
United States Government/Government agencies	$ 4,872	$ 5,214	11.6 %	$ 5,478	$ 5,644	13.4 %
AAA	6,482	6,848	15.2 %	6,412	6,617	15.7 %
AA	7,840	8,453	18.8 %	7,746	8,146	19.3 %
A	10,500	11,595	25.7 %	10,144	10,843	25.7 %
BBB	9,831	10,856	24.1 %	8,963	9,530	22.6 %
BB & below	2,036	2,069	4.6 %	1,335	1,368	3.3 %
Total fixed maturities, AFS	**$ 41,561**	**$45,035**	**100.0 %**	**$ 40,078**	**$42,148**	**100.0 %**

The fair value of fixed maturities, AFS increased as compared to December 31, 2019, primarily due to net additions of corporate securities and an increase in valuations as a result of a decline in interest rates.

Fixed Maturities, AFS by Type

	December 31, 2020						December 31, 2019				
	Amortized Cost	ACL [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value
Asset-backed securities ("ABS")											
Consumer loans	$ 1,396	$ —	$ 35	$ —	$ 1,431	3.2 %	$ 1,350	$ 16	$ (3)	$ 1,363	3.2 %
Other	129	—	4	—	133	0.3 %	111	2	—	113	0.3 %
Collateralized loan obligations ("CLOs")	2,780	—	7	(7)	2,780	6.2 %	2,186	5	(8)	2,183	5.2 %
CMBS											
Agency [2]	1,779	—	117	(6)	1,890	4.2 %	1,878	43	(7)	1,914	4.5 %
Bonds	2,160	—	159	(13)	2,306	5.1 %	2,108	86	(4)	2,190	5.2 %
Interest only	280	—	10	(2)	288	0.6 %	224	12	(2)	234	0.6 %
Corporate											
Basic industry	727	—	69	(1)	795	1.8 %	539	31	(1)	569	1.4 %
Capital goods	1,488	—	148	(11)	1,625	3.6 %	1,495	72	(9)	1,558	3.7 %
Consumer cyclical	1,434	(1)	108	(1)	1,540	3.4 %	991	57	(1)	1,047	2.5 %
Consumer non-cyclical	2,878	—	314	(4)	3,188	7.1 %	2,372	137	(3)	2,506	5.9 %
Energy	1,474	(1)	147	(4)	1,616	3.6 %	1,550	96	(3)	1,643	3.9 %
Financial services	4,523	(21)	398	(4)	4,896	10.9 %	3,977	192	(4)	4,165	9.9 %
Tech./comm.	2,651	—	370	(3)	3,018	6.7 %	2,360	208	—	2,568	6.1 %
Transportation	747	—	85	(3)	829	1.8 %	743	44	—	787	1.9 %
Utilities	1,999	—	250	—	2,249	5.0 %	2,019	132	(4)	2,147	5.1 %
Other	480	—	37	—	517	1.1 %	389	17	—	406	1.0 %
Foreign govt./govt. agencies	842	—	77	—	919	2.0 %	1,057	66	—	1,123	2.7 %
Municipal bonds											
Taxable	1,084	—	109	(1)	1,192	2.6 %	815	45	(1)	859	2.0 %
Tax-exempt	7,480	—	831	—	8,311	18.5 %	7,948	692	(1)	8,639	20.5 %
RMBS											
Agency	1,829	—	92	(2)	1,919	4.3 %	2,409	57	(1)	2,465	5.8 %
Non-agency	1,755	—	41	(1)	1,795	4.0 %	1,786	17	(2)	1,801	4.2 %
Alt-A	27	—	2	—	29	0.1 %	40	3	—	43	0.1 %
Sub-prime	355	—	9	—	364	0.8 %	540	20	—	560	1.3 %
U.S. Treasuries	1,264	—	141	—	1,405	3.1 %	1,191	75	(1)	1,265	3.0 %
Total fixed maturities, AFS	**$ 41,561**	**$ (23)**	**$ 3,560**	**$ (63)**	**$ 45,035**	**100.0 %**	**$ 40,078**	**$ 2,125**	**$ (55)**	**$ 42,148**	**100.0 %**

[1]Represents the ACL recorded following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements.
[2]Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

The fair value of fixed maturities, AFS increased as compared with December 31, 2019, primarily due to net additions of corporate securities and an increase in valuations as a result of a decline in interest rates. The Company increased holdings in consumer cyclical and non-cyclical, financial services and technology/communication corporate bonds as well as in CLOs and taxable municipal bonds, while reducing holdings in tax-exempt municipal bonds, RMBS, and foreign government/government agencies.

Energy Exposure

Oil prices came under significant pressure during the first half of 2020, particularly during March and April, largely due to the unprecedented reduction in demand stemming from the global pandemic as well as a decision by Saudi Arabia to raise production despite declining demand. The uncertain outlook caused credit spreads to widen for corporate and sovereign issuers that participate in the exploration, production, transportation and refining of oil and gas. Subsequently, OPEC Plus' agreement to reduce production in combination with recovering demand from economic re-openings has contributed to a strong recovery in oil prices to average levels for the post 2014 cycle. With the stabilization of oil prices, credit spreads have recovered meaningfully. Ultimately, the impact of price volatility in the Company’s energy sector investments will be determined by the durability of the recovery in energy prices and the ability of issuers to maintain liquidity, manage indebtedness, and navigate changing regulations and growing consolidation trends within the industry.

The Company's direct exposure within its investment portfolio to the energy sector totals approximately 3% of invested assets as of December 31, 2020 and is primarily comprised of investment grade corporate debt. These investments are diversified by issuer and different sub-sectors of the energy market, with the highest exposure to the midstream industry and the lowest to refining services. The following table summarizes the Company's exposure to the energy sector by security type and credit quality.

Exposure to Energy

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Corporate securities, AFS and Equity securities, at fair value				
Investment grade	$ 1,170	$ 1,307	$ 1,425	$ 1,516
Below investment grade	304	309	125	127
Equity securities, at fair value	21	21	45	45
Total corporate, AFS and equity securities, at fair value	**1,495**	**1,637**	**1,595**	**1,688**
Foreign govt./govt agencies				
Investment grade	189	214	232	254
Below investment grade	—	—	9	10
Total foreign govt./govt. agencies, AFS	**189**	**214**	**241**	**264**
Other	5	6	20	21
Total energy exposure	**$ 1,689**	**$ 1,857**	**$ 1,856**	**$ 1,973**

The Company manages the credit risk associated with the energy sector within the investment portfolio on an on-going basis using macroeconomic analysis and issuer credit analysis. The Company considers alternate scenarios including oil prices remaining at low levels for an extended period and/or declining significantly below current levels. For additional details regarding the Company’s management of credit risks, see the Credit Risk Section of this MD&A. The Company has evaluated available-for-sale securities with exposure to energy for a potential ACL as of December 31, 2020 and concluded that for all but one of the securities in an unrealized loss position, it is more likely than not that the Company will recover the entire amortized cost basis of the securities. In addition, no other securities in the table above have been identified as intent-to-sell, nor is the Company required to sell. For additional details regarding the Company’s credit loss assessment process, see the Credit Losses on Fixed Maturities, AFS and Intent-to-Sell Impairments section below.

Commercial & Residential Real Estate

The following table presents the Company’s exposure to CMBS and RMBS by current credit quality included in the preceding Fixed Maturities, AFS by Type table.

Exposure to CMBS and RMBS as of December 31, 2020

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
CMBS												
Agency [1]	$ 1,771	$ 1,882	$ 8	$ 8	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,779	$ 1,890
Bonds	1,009	1,101	541	582	423	430	170	179	17	14	2,160	2,306
Interest Only	177	183	90	93	8	7	4	4	1	1	280	288
Total CMBS	**2,957**	**3,166**	**639**	**683**	**431**	**437**	**174**	**183**	**18**	**15**	**4,219**	**4,484**
RMBS												
Agency	1,807	1,894	22	25	—	—	—	—	—	—	1,829	1,919
Non-Agency	1,034	1,063	371	380	313	315	36	36	1	1	1,755	1,795
Alt-A	—	—	3	3	2	2	2	2	20	22	27	29
Sub-Prime	1	1	25	26	114	116	102	105	113	116	355	364
Total RMBS	**2,842**	**2,958**	**421**	**434**	**429**	**433**	**140**	**143**	**134**	**139**	**3,966**	**4,107**
Total CMBS & RMBS	**$ 5,799**	**$ 6,124**	**$ 1,060**	**$ 1,117**	**$ 860**	**$ 870**	**$ 314**	**$ 326**	**$ 152**	**$ 154**	**$ 8,185**	**$ 8,591**

Exposure to CMBS and RMBS as of December 31, 2019

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
CMBS												
Agency [1]	$ 1,878	$ 1,914	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,878	$ 1,914
Bonds	1,013	1,055	561	576	416	438	118	121	—	—	2,108	2,190
Interest Only	150	158	67	70	—	—	5	5	2	1	224	234
Total CMBS	**3,041**	**3,127**	**628**	**646**	**416**	**438**	**123**	**126**	**2**	**1**	**4,210**	**4,338**
RMBS												
Agency	2,386	2,441	23	24	—	—	—	—	—	—	2,409	2,465
Non-Agency	1,215	1,226	300	304	257	257	13	13	1	1	1,786	1,801
Alt-A	—	—	8	8	4	4	8	9	20	22	40	43
Sub-Prime	9	9	56	57	167	173	164	171	144	150	540	560
Total RMBS	**3,610**	**3,676**	**387**	**393**	**428**	**434**	**185**	**193**	**165**	**173**	**4,775**	**4,869**
Total CMBS & RMBS	**$ 6,651**	**$ 6,803**	**$ 1,015**	**$ 1,039**	**$ 844**	**$ 872**	**$ 308**	**$ 319**	**$ 167**	**$ 174**	**$ 8,985**	**$ 9,207**

[1]Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

The Company also has exposure to commercial mortgage loans. These loans are collateralized by real estate properties that are diversified both geographically throughout the United States and by property type. These commercial loans are originated by the Company as high quality whole loans, and the Company may sell participation interests in one or more loans to third parties. A loan participation interest represents a pro-rata share in interest and principal payments generated by the participated loan, and the relationship between the Company as loan originator, lead participant and servicer and the third party as a participant are governed by a participation agreement.

As of December 31, 2020, mortgage loans had an amortized cost of $4.5 billion and carrying value of $4.5 billion, with an ACL of $38. As of December 31, 2019, mortgage loans had an amortized cost of $4.2 billion and carrying value of $4.2 billion with no valuation allowance. The increase in the allowance is attributable to both the recognition of an ACL in connection with the adoption of accounting guidance for credit losses on January 1, 2020 and the result of the COVID-19 pandemic and its impacts on the economic forecasts, as well as lower estimated property values and operating income as compared to the prior year. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements.

The Company funded $647 of commercial mortgage loans with a weighted average loan-to-value (“LTV”) ratio of 59% and a weighted average yield of 3.2% during the twelve months ended December 31, 2020. The Company continues to originate commercial mortgage loans in high growth markets across the country focusing primarily on institutional-quality industrial and multi-family properties with strong LTV ratios. There were no mortgage loans held for sale as of December 31, 2020 or December 31, 2019.

Municipal Bonds

The following table presents the Company's exposure to municipal bonds by type and weighted average credit quality included in the preceding Securities by Type table.

Available For Sale Investments in Municipal Bonds

	December 31, 2020			December 31, 2019		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$ 1,082	$ 1,232	AA+	$ 1,157	$ 1,268	AA
Pre-refunded [1]	889	940	AAA	936	985	AAA
Revenue						
Transportation	1,441	1,636	A+	1,509	1,675	A+
Health Care	1,273	1,407	A+	1,360	1,454	A+
Leasing [2]	905	985	AA-	781	842	AA-
Education	732	824	AA	784	853	AA
Water & Sewer	644	694	AA	660	700	AA
Sales Tax	394	464	AA	456	517	AA
Power	401	450	A+	339	374	A
Housing	102	109	AA+	114	117	AA+
Other	701	762	A+	667	713	AA-
Total Revenue	6,593	7,331	AA-	6,670	7,245	AA-
Total Municipal	**$ 8,564**	**$ 9,503**	**AA-**	**$ 8,763**	**$ 9,498**	**AA-**

[1]Pre-refunded bonds are bonds for which an irrevocable trust containing sufficient U.S. treasury, agency, or other securities has been established to fund the remaining payments of principal and interest.

[2]Leasing revenue bonds are generally the obligations of a financing authority established by the municipality that leases facilities back to a municipality. The notes are typically secured by lease payments made by the municipality that is leasing the facilities financed by the issue. Lease payments may be subject to annual appropriation by the municipality or the municipality may be obligated to appropriate general tax revenues to make lease payments.

As of December 31, 2020, the largest issuer concentrations were the New York Dormitory Authority, the Commonwealth of Massachusetts, and the New York City Municipal Water Finance Authority, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and revenue bonds. As of December 31, 2019, the largest issuer concentrations were the New York Dormitory Authority, the New York City Transitional Finance Authority, and the Commonwealth of Massachusetts, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and revenue bonds. In total, municipal bonds make up 17% of the fair value of the Company's investment portfolio. While COVID-19 has had an impact on many municipal issuers, the average credit quality of the Company's holdings is AA-, and the Company believes the issuers in which it invests have multiple levers to maintain the strength of their credit profile.

Limited Partnerships and Other Alternative Investments

The following table presents the Company's investments in limited partnerships and other alternative investments which include hedge funds, real estate funds, and private equity funds. Real estate funds consist of investments primarily in real estate joint ventures and, to a lesser extent, equity funds. Private equity funds primarily consist of investments in funds whose assets typically consist of a diversified pool of investments in small to mid-sized non-public businesses with high growth potential, and strong owner sponsorship, as well as limited exposure to public markets.

Income or losses on investments in limited partnerships and alternative investments are recognized on a lag as results from private equity investments and other funds are generally reported on a three-month delay.

Limited Partnerships and Other Alternative Investments - Net Investment Income

	Year Ended December 31,					
	2020		2019		2018	
	Amount	Yield	Amount	Yield	Amount	Yield
Hedge funds	$ 9	7.1 %	$ 5	7.2 %	$ 4	9.3 %
Real estate funds	85	20.3 %	70	17.0 %	58	12.0 %
Private equity funds	106	12.4 %	126	16.6 %	144	22.5 %
Other alternative investments [1]	22	5.4 %	31	8.2 %	(1)	(0.2 %)
Total	**$ 222**	**12.3 %**	**$ 232**	**14.4 %**	**$ 205**	**13.2 %**

Investments in Limited Partnerships and Other Alternative Investments

	December 31, 2020		December 31, 2019	
	Amount	Percent	Amount	Percent
Hedge funds	$ 158	7.6 %	$ 94	5.3 %
Real estate funds	563	27.0 %	407	23.2 %
Private equity and other funds	944	45.4 %	851	48.4 %
Other alternative investments [1]	417	20.0 %	406	23.1 %
Total	**$ 2,082**	**100.0 %**	**$ 1,758**	**100.0 %**

[1]Consists of an insurer-owned life insurance policy which is primarily invested in fixed income, private equity, and hedge funds.

Fixed Maturities, AFS — Unrealized Loss Aging

The total gross unrealized losses were $63 as of December 31, 2020, and have increased $8 from December 31, 2019, primarily due to wider credit spreads within higher yielding corporates and CMBS. As of December 31, 2020, $49 of the gross unrealized losses were associated with fixed maturities, AFS depressed less than 20% of amortized cost. The remaining $14 of gross unrealized losses were associated with fixed maturities, AFS depressed greater than 20%. The fixed maturities, AFS depressed more than 20% were primarily related to one variable-rate coupon corporate issuer with a long-dated maturity date as well as commercial real estate securities that were purchased at tighter credit spreads.

As part of the Company's ongoing investment monitoring process, the Company has reviewed its fixed maturities, AFS in an unrealized loss position and concluded that these fixed maturities are temporarily depressed and are expected to recover in value as the investments approach maturity or as market spreads tighten. For these fixed maturities in an unrealized loss position where an ACL has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the investment. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these investments. For further information regarding the Company's ACL analysis, see the Credit Losses on Fixed Maturities, AFS and Intent-to-Sell Impairments section below.

Unrealized Loss Aging for Fixed Maturities, AFS

	December 31, 2020					December 31, 2019			
Consecutive Months	**Items**	**Amortized Cost**	**ACL [1]**	**Unrealized Loss**	**Fair Value**	**Items**	**Amortized Cost**	**Unrealized Loss**	**Fair Value**
Three months or less	102	$ 625	$ —	$ (3)	$ 622	347	$ 2,529	$ (15)	$ 2,514
Greater than three to six months	46	367	—	(5)	362	114	712	(8)	704
Greater than six to nine months	8	6	—	(1)	5	50	190	(2)	188
Greater than nine to eleven months	186	1,275	(1)	(27)	1,247	15	24	(1)	23
Twelve months or more	205	994	—	(27)	967	345	1,440	(29)	1,411
Total	**547**	**$ 3,267**	**$ (1)**	**$ (63)**	**$ 3,203**	**871**	**$ 4,895**	**$ (55)**	**$ 4,840**

[1]Represents the ACL recorded following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

Unrealized Loss Aging for Fixed Maturities, AFS Continuously Depressed Over 20%

	December 31, 2020				December 31, 2019			
Consecutive Months	Items	Amortized Cost	Unrealized Loss	Fair Value	Items	Amortized Cost	Unrealized Loss	Fair Value
Three months or less	2	$ 2	$ (1)	$ 1	—	$ —	$ —	$ —
Greater than three to six months	—	—	—	—	5	2	(1)	1
Greater than six to nine months	1	46	(10)	36	—	—	—	—
Greater than nine to eleven months	2	5	(1)	4	—	—	—	—
Twelve months or more	24	5	(2)	3	32	10	(4)	6
Total	**29**	**$ 58**	**$ (14)**	**$ 44**	**37**	**$ 12**	**$ (5)**	**$ 7**

Credit Losses on Fixed Maturities, AFS and Intent-to-Sell Impairments

For the year ended December 31, 2020

The Company recorded net credit losses on fixed maturities, AFS of $28. The losses were primarily attributable to corporate fixed maturities, mainly one private regional and commercial aircraft lessor and to a lesser extent, one tax-exempt municipal bond impacted by COVID-19. Unrealized losses on securities with ACL recognized in other comprehensive income were $1. For further information, refer to Note 6 - Investments of Notes to Consolidated Financial Statements.

Intent-to-sell impairments of $5 were primarily related to one corporate issuer in the energy sector and one issuer with exposure to India.

The Company incorporates its best estimate of future performance using internal assumptions and judgments that are informed by economic and industry specific trends, as well as our expectations with respect to security specific developments.

Future intent-to-sell impairments or credit losses may develop as the result of changes in our intent to sell specific securities that are in an unrealized loss position or if modeling assumptions, such as macroeconomic factors or security specific developments, change unfavorably from our current modeling assumptions, resulting in lower cash flow expectations. For a discussion of impacts resulting from the COVID-19 pandemic, refer to the Impact of COVID-19 on our financial condition, results of operations and liquidity section of this MD&A.

For the year ended December 31, 2019

Impairments recognized in earnings were comprised of credit impairments of $3 primarily related to two corporate securities experiencing issuer-specific financial difficulties.

Non-credit impairments recognized in other comprehensive income were $3.

ACL on Mortgage Loans

The Company reviews mortgage loans on a quarterly basis to estimate the ACL with changes in the ACL recorded in net realized capital gains and losses. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. For further information, refer to Note 6 - Investments of Notes to Consolidated Financial Statements.

For the year-ended December 31, 2020, the Company recorded an increase in the ACL on mortgage loans of $19. The increase in the allowance was due to the effects of the COVID-19 pandemic and its impacts on the economic forecasts, as well as lower estimated property values and operating income as compared to the prior year. The Company did not record an ACL on any individual mortgage loans.

CAPITAL RESOURCES AND LIQUIDITY

The following section discusses the overall financial strength of The Hartford and its insurance operations including their ability to generate cash flows from each of their business segments, borrow funds at competitive rates and raise new capital to meet operating and growth needs over the next twelve months.

SUMMARY OF CAPITAL RESOURCES AND LIQUIDITY

Capital available to the holding company as of December 31, 2020:

- $1.8 billion in fixed maturities, short-term investments, investment sales receivable and cash at the HFSG Holding Company.
- A senior unsecured five-year revolving credit facility that provides for borrowing capacity up to $750 of unsecured credit through March 29, 2023. As of December 31, 2020, there were no borrowings outstanding.
- An intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes. As of December 31, 2020, there were no borrowings outstanding.

2021 expected dividends and other sources of capital:

The future payment of dividends from our subsidiaries is dependent on several factors including the extent to which COVID-19 impacts our business, results of operations, financial condition and liquidity

- **P&C -** The Company's U.S. property and casualty insurance subsidiaries have dividend capacity of $1.7 billion for 2021, with $850 to $900 of net dividends expected in 2021.
- **Group Benefits -** HLA has dividend capacity of $295 in 2021 with $250 to $295 of dividends expected in 2021.
- **Hartford Funds** - HFSG Holding Company expects to receive $125 to $150 in dividends from Hartford Funds in 2021.

Expected liquidity requirements for the next twelve months as of December 31, 2020:

- $215 of interest on debt.
- $21 dividends on preferred stock, subject to the discretion of the Board of Directors.
- $500 of common stockholders' dividends, subject to the discretion of the Board of Directors and before share repurchases.

Equity repurchase program:

In December, 2020, the Company announced a $1.5 billion share repurchase authorization by the Board of Directors, which is effective from January 1, 2021 through December 31, 2022. The Company's 2019 share repurchase program expired on December 31, 2020.

Liquidity Requirements and Sources of Capital

The Hartford Financial Services Group, Inc. ("HFSG Holding Company")

The liquidity requirements of the holding company of The Hartford Financial Services Group, Inc. will primarily be met by HFSG Holding Company's fixed maturities; short-term investments and cash; and dividends, principally from its subsidiaries.

The Company maintains sufficient liquidity and has a variety of contingent liquidity resources to manage liquidity across a range of economic scenarios. To date, the impact of the pandemic and resulting economic downturn on net operating cash flows have been relatively modest. The amount of such impacts will ultimately depend on the length and severity of the pandemic and its effects on the economy. We continue to expect to successfully manage our liquidity throughout the pandemic.

In parts of the second and third quarters of 2020, the Company waived late payment fees for a period of time for business and personal insurance customers and temporarily suspended the policy cancellation process for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments. Due to those actions and the economic effects of the pandemic, we experienced an increase in uncollectible premiums receivable and, accordingly, increased our current expected credit loss allowance on premiums receivable by $40 before tax for the year ended December 31, 2020.

The HFSG Holding Company expects to continue to receive dividends from its operating subsidiaries in the future and manages capital in its operating subsidiaries to be sufficient under significant economic stress scenarios . Dividends from subsidiaries and other sources of funds at the holding company may be used to repurchase shares under the authorized share repurchase program at the discretion of management.

Under significant economic stress scenarios that could arise due to the COVID-19 pandemic, the Company has the ability to meet short-term cash requirements, if needed, by borrowing under its revolving credit facility or by having its insurance subsidiaries take collateralized advances under a facility with the Federal Home Loan Bank of Boston ("FHLBB"). The Company could also choose to have its insurance subsidiaries sell certain highly liquid, high quality fixed maturities or the Company could issue debt in the public markets under its shelf registration. No borrowings or advances have occurred to date.

During the second quarter of 2020, fixed maturities, with a value of $63 as of December 31, 2020, were deposited by Hartford Fire Insurance Company into a Lloyd's trust account to provide required capital to The Hartford's Lloyd's Syndicate. During the fourth quarter of 2020, additional fixed maturities, with a value of $112 as of December 31, 2020, were deposited by Hartford Fire Insurance Company into this trust account. This transaction provided required capital to The Hartford's Lloyd's syndicate, by which we reduced the amount of letters of credit under the Lloyd's Letter of Credit Facility supporting Lloyd's capital requirements. This was in accordance with the Lloyd's requirements reducing the maximum amount of letters of credit permitted to support Lloyd's capital requirements as of the end of 2020. As of December 31, 2020, a total of $175 of fixed maturities were held by Hartford Fire Insurance Company in this trust account.

In July 2020, the Company contributed €18 million to Navigators Holdings (Europe) N.V., a Belgium holding company.

In September 2020, the Company received a $30 dividend from its retained equity interest in the legal entity that acquired the life and annuity business sold in May 2018.

Through December 30, 2020, HFSG Holding Company received cash tax receipts of $533, including realization of net operating losses and refunds of prior period AMT credits.

Debt

On March 30, 2020, The Hartford repaid at maturity the $500 principal amount of its 5.5% senior notes.

For additional information on Debt, see Note 14 - Debt of Notes to Consolidated Financial Statements.

Equity

In December, 2020, the Company announced a $1.5 billion share repurchase authorization by the Board of Directors which is effective from January 1, 2021 through December 31, 2022.

During the period from January 1, 2021 through February 18, 2021, the Company repurchased 1.1 million shares for $56. The timing of any future repurchases will be dependent upon several factors, including the market price of the Company's securities, the Company's capital position, consideration of the effect of any repurchases on the Company's financial strength or credit ratings, and other considerations.

Under the previous $1.0 billion share repurchase authorization that was effective through December 31, 2020, the Company repurchased 2.7 million and 3.4 million shares for $150 and $200 during the years ended 2020 and 2019, respectively. The Company's 2019 share repurchase program expired on December 31, 2020.

For further information, see Note 16 - Equity of Notes to Consolidated Financial Statements.

Dividends

The Hartford's Board of Directors declared the following quarterly dividends since October 1, 2020:

Common Stock Dividends

Declared	Record	Payable	Amount per share
October 21, 2020	December 1, 2020	January 5, 2021	$ 0.325
February 4, 2021	March 1, 2021	April 2, 2021	$ 0.35

Preferred Stock Dividends

Declared	Record	Payable	Amount per share
October 21, 2020	February 1, 2021	February 16, 2021	$ 375.00
February 18, 2021	May 1, 2021	May 17, 2021	$ 375.00

There are no current restrictions on HFSG Holding Company's ability to pay dividends to its stockholders.

For a discussion of restrictions on dividends to HFSG Holding Company from its insurance subsidiaries, see the following "Dividends from Subsidiaries" discussion. For a discussion of potential restrictions on the HFSG Holding Company's ability to pay dividends, see Part I, Item 1A, — Risk Factors for the risk factor "Our ability to declare and pay dividends is subject to limitations."

Dividends from Subsidiaries

Dividends to HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. Upon the acquisition of Navigators Group, the Company's principal insurance subsidiaries are domiciled in the United States, the United Kingdom and Belgium.

The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's statutory policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner.

Property casualty insurers domiciled in New York, including Navigators Insurance Company ("NIC") and Navigators Specialty Insurance Company ("NSIC"), generally may not, without notice to and approval by the state insurance commissioner, pay dividends out of earned surplus in any twelve-month period that exceeds the lesser of (i) 10% of the insurer's statutory policyholders' surplus as of the most recent financial statement on file, or (ii) 100% of its adjusted net investment income, as defined, for the same twelve month period. As part of the New York state insurance commissioner's approval of the Navigators Group acquisition, and as is common practice, any dividend from NIC and NSIC before May 2021 will require prior approval from the state insurance commissioner.

The insurance holding company laws of the other jurisdictions in which The Hartford's insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances more restrictive) limitations on the payment of dividends. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiaries, regulatory capital requirements and liquidity requirements of the individual operating company.

Corporate members of Lloyd's Syndicates may pay dividends to its parent to the extent of available profits that have been distributed from the syndicate in excess of the Funds at Lloyd's ("FAL") capital requirement. The FAL is determined based on the syndicate's solvency capital requirement under the Solvency II capital adequacy model, the current regulatory framework governing UK domiciled insurers, plus a Lloyd's specific economic capital assessment.

Insurers domiciled in the United Kingdom may pay dividends to their parent out of their statutory profits subject to restrictions imposed under U.K. Company law and Solvency II. Belgium domiciled insurers may only pay dividends if, at the end of their previous fiscal year, the total amount of their assets, as reduced by its provisions and debts, are in excess of certain minimum capital thresholds calculated under Belgian law.

In 2020, HFSG Holding Company received $350 of dividends from HLA and $127 from Hartford Funds. In addition, HFSG Holding Company received $900 of net dividends from P&C subsidiaries in 2020 which excludes $50 of P&C dividends that were subsequently contributed to a run-off P&C subsidiary and $78 of P&C dividends related to interest payments on an intercompany note owed by Hartford Holdings, Inc. ("HHI") to Hartford Fire Insurance Company.

Other Sources of Capital for the HFSG Holding Company

The Hartford endeavors to maintain a capital structure that provides financial and operational flexibility to its insurance subsidiaries, ratings that support its competitive position in the financial services marketplace (see the "Ratings" section below for further discussion), and stockholder returns. As a result, the Company may from time to time raise capital from the issuance of debt, common equity, preferred stock, equity-related debt or other capital securities and is continuously evaluating strategic opportunities. The issuance of debt, common equity, equity-related debt or other capital securities could result in the dilution of stockholder interests or reduced net income due to additional interest expense.

Shelf Registrations

The Hartford filed an automatic shelf registration statement with the Securities and Exchange Commission ("the SEC") on May 17, 2019 that permits it to offer and sell debt and equity securities during the three-year life of the registration statement.

For further information regarding Shelf Registrations, see Note 14 - Debt of Notes to Consolidated Financial Statements.

Revolving Credit Facilities

The Company has a senior unsecured five-year revolving credit facility (the "Credit Facility") that provides up to $750 of unsecured credit through March 29, 2023. As of December 31, 2020, no borrowings were outstanding, no letters of credit were issued under the Credit Facility and the Company was in compliance with all financial covenants.

Commercial Paper

On December 17, 2020, the Board of Directors terminated the HFSG Holding Company's commercial paper program, under which the maximum borrowings available were $750. The Company maintains sufficient liquidity and continues to have a variety of other contingent liquidity resources to meet its short-term liquidity requirements.

Intercompany Liquidity Agreements

The Company has $2.0 billion available under an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes. The Connecticut Department of Insurance ("CTDOI") granted approval for certain affiliated insurance companies that are parties to the agreement to treat receivables from a parent, including the HFSG Holding Company, as admitted assets for statutory accounting purposes.

As of December 31, 2020, there were no amounts outstanding at the HFSG Holding Company.

Collateralized Advances with Federal Home Loan Bank of Boston

The Company's subsidiaries, Hartford Fire Insurance Company ("Hartford Fire") and HLA, are members of the Federal Home Loan Bank of Boston ("FHLBB"). Membership allows these subsidiaries access to collateralized advances, which may be short- or long-term with fixed or variable rates. Advances may be used to support general corporate purposes, which would be presented as short- or long-term debt, or to earn incremental investment income, which would be presented in other liabilities consistent with other collateralized financing transactions. As of December 31, 2020, there were no advances outstanding. The Connecticut Department of Insurance permits Hartford Fire and HLA to pledge up to $1.2 billion and $0.6 billion in qualifying assets, respectively, without prior approval, to secure FHLBB advances in 2021. For further information regarding the Company's collateralized advances with Federal Home Loan Bank of Boston, see Note 14 - Debt of Notes to Consolidated Financial Statements.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford had two letter of credit facility agreements: the Club Facility and the Bilateral Facility, which were used to provide a portion of the capital requirements at Lloyd's. As of September 30, 2020, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million, or $78, were outstanding under the Club Facility and £18 million, or $23, was outstanding under the $25 Bilateral Facility. These agreements terminated on November 5, 2020.

On November 5, 2020, The Hartford entered into a new committed credit facility agreement with a syndicate of lenders (the "Club Facility"). The Club Facility has two tranches with one tranche extending a $104 commitment and the other tranche extending a £85 million ($116 as of December 31, 2020) commitment. In addition, on November 5, 2020, The Hartford entered into a new non-committed $25 credit facility with a lender (the "Bilateral Facility"). The term of both of these facilities is two years. The purpose of these facilities is to issue letters of credit to provide Funds at Lloyd's to support underwriting capacity provided by the Navigators Corporate Underwriters Limited to the Lloyd's Syndicate for the 2021 and 2022 underwriting years of account (and prior open years). As of December 31, 2020, letters of credit with an aggregate face amount of $104 and £85 million, or $116, were outstanding under the Club Facility and no letters of credit were outstanding under the Bilateral Facility.

Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding The Hartford's consolidated net worth and financial leverage and that limit the amount of letters of credit that can support Funds at Lloyd's, consistent with Lloyd's requirements. As of December 31, 2020, The Hartford was in compliance with all financial covenants of both facilities.

Pension Plans and Other Postretirement Benefits

While the Company has significant discretion in making voluntary contributions to the U. S. qualified defined benefit pension plan, minimum contributions are mandated in certain circumstances pursuant to the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, the Worker, Retiree, and Employer Recovery Act of 2008, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, the Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21) and Internal Revenue Code regulations. The Company made contributions to the U. S. qualified defined benefit pension plan of approximately $70, $70 and $101 in 2020, 2019 and 2018, respectively. No contributions were made to the other postretirement plans in 2020, 2019 and 2018. The Company's 2020, 2019 and 2018 required minimum funding contributions were immaterial. The Company does not have a 2021 required minimum funding contribution for the U.S. qualified defined benefit pension plan and the funding requirements for all pension plans are expected to be immaterial. The Company has not determined whether, and to what extent, contributions may be made to the U.S. qualified defined benefit pension plan in 2021. The Company will monitor the funded status of the U.S. qualified defined benefit pension plan during 2021 to make this determination.

Derivative Commitments

Certain of the Company’s derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity’s financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. For further information, refer to Note 15 - Commitments and Contingencies of Notes to Consolidated Financial Statements.

As of December 31, 2020, no derivative positions would be subject to immediate termination in the event of a downgrade of one level below the current financial strength ratings. This could change as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated.

Insurance Operations

While subject to variability period to period, underwriting and investment cash flows continue to provide sufficient liquidity to meet anticipated demands over the next twelve months. For information about the impact of COVID-19 on the Company's cash flows see Part I, Item 1A, Risk Factors of this Annual Report on Form 10-K. For a discussion and tabular presentation of the Company’s current contractual obligations by period, refer to Off-Balance Sheet Arrangements and Aggregate Contractual Obligations within the Capital Resources and Liquidity section of the MD&A.

The principal sources of operating funds are premiums, fees earned from assets under management and investment income, while investing cash flows primarily originate from maturities and sales of invested assets. The primary uses of funds are to pay claims, claim adjustment expenses, commissions and other underwriting and insurance operating costs, to pay taxes, to purchase new investments and to make dividend payments to the HFSG Holding Company.

The Company’s insurance operations consist of property and casualty insurance products (collectively referred to as “Property & Casualty Operations”) and Group Benefits.
The Company's insurance operations hold fixed maturity securities including a significant short-term investment position (securities with maturities of one year or less at the time of purchase) to meet liquidity needs. Liquidity requirements that are unable to be funded by the Company's insurance operations' short-term investments would be satisfied with current operating funds, including premiums or investing cash flows, which includes proceeds received through the sale of invested assets. A sale of invested assets could result in significant realized capital losses.

The following tables represent the fixed maturity holdings, including the aforementioned cash and short-term investments available to meet liquidity needs, for each of the Company’s insurance operations.

Property & Casualty

		As of December 31, 2020
Fixed maturities	$	34,173
Short-term investments		1,086
Cash		120
Less: Derivative collateral		77
Total	**$**	**35,302**

Group Benefits Operations

		As of December 31, 2020
Fixed maturities	$	10,521
Short-term investments		254
Cash		13
Less: Derivative collateral		42
Total	**$**	**10,746**

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

The Company does not have any off-balance sheet arrangements that are reasonably likely to have a material effect on the financial condition, results of operations, liquidity, or capital resources of the Company, except for unfunded commitments to purchase investments in limited partnerships and other alternative investments, private placements, and mortgage loans as disclosed in Note 15 - Commitments and Contingencies of Notes to Consolidated Financial Statements.

Aggregate Contractual Obligations as of December 31, 2020

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Property and casualty obligations [1]	$ 29,989	$ 7,157	$ 7,865	$ 3,901	$ 11,066
Group life and disability obligations [2]	10,407	1,403	3,457	1,514	4,033
Operating lease obligations [3]	243	47	81	52	63
Long-term debt obligations [4]	9,371	215	427	427	8,302
Purchase obligations [5]	2,814	2,233	444	127	10
Other liabilities reflected on the balance sheet [6]	45	45	—	—	—
Total	**$ 52,869**	**$ 11,100**	**$ 12,274**	**$ 6,021**	**$ 23,474**

[1]The following points are significant to understanding the cash flows estimated for obligations (gross of reinsurance) under property and casualty contracts:

- *Reserves for Property & Casualty unpaid losses and loss adjustment expenses include IBNR and case reserves. While payments due on claim reserves are considered contractual obligations because they relate to insurance policies issued by the Company, the ultimate amount to be paid to settle both case reserves and IBNR is an estimate, subject to significant uncertainty. The actual amount to be paid is not finally determined until the Company reaches a settlement with the claimant. Final claim settlements may vary significantly from the present estimates, particularly since many claims will not be settled until well into the future.*
- *In estimating the timing of future payments by year, the Company has assumed that its historical payment patterns will continue. However, the actual timing of future payments could vary materially from these estimates due to, among other things, changes in claim reporting and payment patterns and large unanticipated settlements. In particular, there is significant uncertainty over the claim payment patterns of asbestos and environmental claims. In addition, the table does not include future cash flows related to the receipt of premiums that may be used, in part, to fund loss payments.*
- *Under U.S. GAAP, the Company is only permitted to discount reserves for losses and loss adjustment expenses in cases where the payment pattern and ultimate loss costs are fixed and determinable on an individual claim basis. For the Company, these include claim settlements with permanently disabled claimants. As of December 31, 2020, the total property and casualty reserves in the above table are gross of a reserve discount of $367.*
- *Amounts shown do not consider $5.7 billion of reinsurance and other recoverables the Company expects to collect related to property and casualty obligations.*

[2] Estimated group life and disability obligations are based on assumptions comparable with the Company's historical experience, modified for recent observed trends. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results. As of December 31, 2020, the total group life and disability obligations in the above table are gross of a reserve discount of $1.4 billion.

[3]Includes undiscounted lease payments on operating lease agreements, including leases that have not yet commenced. See Note 21 - Leases of Notes to Consolidated Financial Statements for additional discussion on lease commitments.

[4] Long-term debt obligations include payments of contractual principal and interest through final maturity. Contractual interest payments are based on stated rates for fixed rate notes and based on prevailing rates at December 31, 2020 for the period of time the Company's junior subordinated debentures have floating rates. Interest payments do not consider the impact of future rate movements. Payments exclude amounts associated with an interest rate swap of the Company's $500 junior subordinated debenture. See Note 14 - Debt of Notes to Consolidated Financial Statements for additional discussion of long-term debt obligations.

[5]Includes $1.1 billion in commitments to purchase investments including approximately $804 of limited partnership and other alternative investments, $79 of private debt and equity securities, and $236 of mortgage loans. Of the $1.1 billion in commitments to purchase investments, $149 are related to mortgage loan commitments which the Company can cancel unconditionally. Outstanding commitments under these limited partnerships and mortgage loans are included in payments due in less than 1 year since the timing of funding these commitments cannot be reliably estimated. In addition, $904 relates to commitments to purchase investments which are reflected on the Company's Consolidated Balance Sheets. The remaining balance relates to contractual commitments to purchase various goods and services such as maintenance, human resources, and information technology in the normal course of business, as well as unfunded tax credit investments. Purchase obligations exclude contracts that are cancellable without penalty or contracts that do not specify minimum levels of goods or services to be purchased.

[6]Includes cash collateral of $30 which the Company has accepted in connection with the Company's derivative instruments. Since the timing of the return of the collateral is uncertain, the return of the collateral has been included in the payments due in less than 1 year.

Capitalization

Capital Structure

	December 31, 2020	December 31, 2019	Change
Short-term debt (includes current maturities of long-term debt)	$ —	$ 500	(100%)
Long-term debt	4,352	4,348	—%
Total debt	**4,352**	**4,848**	**(10%)**
Common stockholders' equity, excluding AOCI, net of tax	17,052	15,884	7%
Preferred stock	334	334	—%
AOCI, net of tax	1,170	52	NM
Total stockholders' equity	**$ 18,556**	**$ 16,270**	**14%**
Total capitalization	**$ 22,908**	**$ 21,118**	8%
Debt to stockholders' equity	23 %	30 %	
Debt to capitalization	19 %	23 %	

Total capitalization increased $1,790, or 8%, as of December 31, 2020 compared to December 31, 2019 primarily due to an increase in AOCI and net income in excess of stockholder dividends, partially offset by a paydown of debt.

For additional information on AOCI, net of tax, including unrealized capital gains from securities, see Note 18 - Changes in and Reclassifications From Accumulated Other Comprehensive Income (Loss) and Note 6 - Investments of Notes to Consolidated Financial Statements. For additional information on debt, see Note 14 - Debt of Notes to Consolidated Financial Statements.

Cash Flow [1][2]

	2020	2019	2018
Net cash provided by operating activities	$ 3,871	$ 3,489	$ 2,843
Net cash used for investing activities	$ (2,066)	$ (2,148)	$ (1,962)
Net cash used for financing activities	$ (1,778)	$ (1,191)	$ (1,467)
Cash and restricted cash— end of year	$ 239	$ 262	$ 121

[1]Cash activities in 2018 include cash flows from Discontinued Operations; see Note 22 - Business Dispositions and Discontinued Operations of Notes to Consolidated Financial Statements for information on cash flows from Discontinued Operations.

[2]Cash activities in 2020 include cash flows related to Continental Europe Operations classified as held for sale beginning in the third quarter of 2020. See Note 2 - Business Acquisition and Disposition of Notes to Consolidated Financial Statements for discussion of this transaction.

Year ended December 31, 2020 compared to the year ended December 31, 2019

Net cash provided by operating activities increased as compared to the prior year period primarily driven by the inclusion of Navigators Group for the full year in 2020, subrogation benefit distributions collected of $227 arising from the PG&E settlement agreement, a decrease in claims paid for Group Benefits and P&C excluding Navigators, lower operating expenses paid and the deferral of paying payroll taxes as a result of the Coronavirus Aid, Relief and Economic Security (“CARES”) Act, partially offset by lower P&C premiums received excluding Navigators and a lower refund of AMT credits.

Cash used for investing activities decreased primarily due to the acquisition of Navigators Group for $1.9 billion in 2019, an increase in net proceeds from equity securities, and a decrease in net payments from mortgage loans, partially offset by a change from net proceeds to net payments from short-term investments, and an increase in net purchases of partnerships and fixed maturities.

Cash used for financing activities increased primarily due to a decrease in proceeds from issuing debt and a larger net decrease in securities loaned or sold under agreements to repurchase, partially offset by a decrease in repayments of debt.

Operating cash flows for the year ended December 31, 2020 have been adequate to meet liquidity requirements.

Equity Markets

For a discussion of the potential impact of the equity markets on capital and liquidity, see the Financial Risk on Statutory Capital and Liquidity Risk section in this MD&A.

Ratings

Ratings are an important factor in establishing a competitive position in the insurance marketplace and impact the Company's ability to access financing and its cost of borrowing. There can be no assurance that the Company’s ratings will continue for any given period of time, or that they will not be changed. In the event the Company’s ratings are downgraded, the Company’s competitive position, ability to access financing, and its cost of borrowing, may be adversely impacted.

On June 19, 2020, A.M. Best raised its financial strength rating on Hartford Life and Accident Insurance Company ("HLA") to A+ from A. The upgrade is reflective of the support provided by The Hartford, as well as the group benefits business' growing contribution to consolidated revenue and earnings and the overall diversification it provides.

Insurance Financial Strength Ratings as of February 18, 2021

	A.M. Best	Standard & Poor's	Moody's
Hartford Fire Insurance Company	A+	A+	A1
Hartford Life and Accident Insurance Company	A+	A+	A2
Navigators Insurance Company	A+	A	Not Rated
Other Ratings:			
The Hartford Financial Services Group, Inc.:			
Senior debt	a-	BBB+	Baa1

These ratings are not a recommendation to buy, sell or hold any of The Hartford’s securities and they may be revised or revoked at any time at the sole discretion of the rating organization. Each agency’s rating should be evaluated independently of any other agency’s rating. The system and the number of rating categories can vary across rating agencies.

Among other factors, rating agencies consider the level of statutory capital and surplus of our U.S. insurance subsidiaries as well as the level of a measure of GAAP capital held by the Company in determining the Company's financial strength and credit ratings. Rating agencies may implement changes to their capital formulas that have the effect of increasing the amount of capital we must hold in order to maintain our current ratings. See Part I, Item 1A. Risk Factors — “Downgrades in our financial strength or credit ratings may make our products less attractive, increase our cost of capital and inhibit our ability to refinance our debt.”

Statistical Capital

U.S. Statutory Capital Rollforward for the Company's Insurance Subsidiaries

	Property and Casualty Insurance Subsidiaries [1] [2]	Group Benefits Insurance Subsidiary	Total
U.S. statutory capital at January 1, 2020	**$ 10,208**	$ 2,644	$ 12,852
Statutory income	1,598	310	1,908
Contributions from (dividends to) parent [3]	(898)	(350)	(1,248)
Other items	(113)	(3)	(116)
Net change to U.S. statutory capital	587	(43)	544
U.S. statutory capital at December 31, 2020	**$ 10,795**	**$ 2,601**	**$ 13,396**

[1]The statutory capital for property and casualty insurance subsidiaries in this table does not include the value of an intercompany note owed by HHI to Hartford Fire Insurance Company.
[2]Excludes insurance operations in the U.K. and Continental Europe.
[3]P&C insurance subsidiaries dividends to Parent of $898 includes $900 of net dividends from P&C subsidiaries, offset by $2 related to the interest on the HHI note.

Stat to GAAP Differences

Significant differences between U.S. GAAP stockholders' equity and aggregate statutory capital prepared in accordance with U.S. STAT include the following:

- U.S. STAT excludes equity of non-insurance and foreign insurance subsidiaries not held by U.S. insurance subsidiaries.
- Costs incurred by the Company to acquire insurance policies are deferred under U.S. GAAP while those costs are expensed immediately under U.S. STAT.
- Temporary differences between the book and tax basis of an asset or liability which are recorded as deferred tax assets are evaluated for recoverability under U.S. GAAP while these amounts are then subject to further admissibility tests under U.S. STAT.
- The assumptions used in the determination of Group Benefits reserves (i.e. for Group Benefits contracts) are prescribed under U.S. STAT, while the assumptions used under U.S. GAAP are generally the Company's best estimates.
- The difference between the amortized cost and fair value of fixed maturity and other investments, net of tax, is recorded as an increase or decrease to the carrying value of the related asset and to equity under U.S. GAAP, while, under U.S. STAT, most investments are carried at amortized cost with only certain securities carried at fair value, such as equity securities and certain lower rated bonds required by the NAIC to be recorded at the lower of amortized cost or fair value.
- U.S. STAT for life insurance companies like HLA establishes a formula reserve for realized and unrealized losses due to default and equity risks associated with certain invested assets (the Asset Valuation Reserve), while U.S. GAAP does not. Also, for those realized gains and losses caused by changes in interest rates, U.S. STAT for life insurance companies defers and amortizes the gains and losses, caused by changes in interest rates, into income over the original life to maturity of the asset sold (the Interest Maintenance Reserve) while U.S. GAAP does not.
- Goodwill arising from the acquisition of a business is tested for recoverability on an annual basis (or more frequently, as necessary) for U.S. GAAP, while under U.S. STAT goodwill is amortized over a period not to exceed 10 years and the amount of goodwill admitted as an asset is limited.
- The deferred gain on retroactive reinsurance for losses ceded to the Navigators and A&E ADC agreements is recognized within a special category of surplus under U.S. STAT but is recognized within other liabilities under U.S. GAAP.

In addition, certain assets, including a portion of premiums receivable and fixed assets, are non-admitted (recorded at zero value and charged against surplus) under U.S. STAT. U.S. GAAP generally evaluates assets based on their recoverability.

Risk-Based Capital

The Company's U.S. insurance companies' states of domicile impose RBC requirements. The requirements provide a means of measuring the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations based on its size and risk profile. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. All of the Company's U.S. operating insurance subsidiaries had RBC ratios in excess of the minimum levels required by the applicable insurance regulations.

Similar to the RBC ratios that are employed by U.S. insurance regulators, regulatory authorities in the international jurisdictions in which the Company operates generally establish minimum solvency requirements for insurance companies. All of the Company's international insurance subsidiaries expect to maintain capital levels in excess of the minimum levels required by the applicable regulatory authorities.

Sensitivity

In any particular period, statutory capital amounts and RBC ratios may increase or decrease depending upon a variety of factors. The amount of change in the statutory capital or RBC ratios can vary based on individual factors and may be compounded in extreme scenarios or if multiple factors occur at the same time. At times the impact of changes in certain market factors or a combination of multiple factors on RBC ratios can be counterintuitive. For further discussion on these factors, see

MD&A - Enterprise Risk Management, Financial Risk on Statutory Capital.

Statutory capital at the insurance subsidiaries has been maintained at capital levels commensurate with the Company's desired RBC ratios and ratings from rating agencies. The amount of statutory capital can increase or decrease depending on a number of factors affecting insurance results including, among other factors, the level of catastrophe claims incurred, the amount of reserve development, the effect of changes in interest rates on investment income and the discounting of loss reserves, and the effect of realized gains and losses on investments.

Contingencies

Legal Proceedings

For a discussion regarding contingencies related to The Hartford's legal proceedings, see the information

contained under “Litigation” and “Run-off Asbestos and Environmental Claims,” in Note 15 - Commitments and Contingencies of the Notes to Consolidated Financial Statements and Part I, Item 3 Legal Proceedings, which are incorporated herein by reference.

Legislative and Regulatory Developments

COVID-19 Global Pandemic

State and federal retroactive business interruption coverage and other insurance regulatory relief initiatives - State and federal lawmakers are continuing to consider legislation and regulation in response to COVID-19. There have been proposals to impose retroactive coverage of COVID-19 claims under existing business interruption coverage provisions. If such proposals were enacted, they could represent a material exposure for the Company. Further, some states have adopted, or are considering incorporating, a presumption that if certain workers become infected with COVID-19, such infection would constitute an occupational disease triggering workers’ compensation coverage. In addition, state insurance regulators, including California, New Jersey and New York, have encouraged (and in some cases required) insurers to offer immediate relief to policyholders including refunding and offering discounts for drivers, incorporating flexible payment solutions for families, individuals, and businesses, providing additional time to make payments, waiving insurance premium late fees, pausing cancellation of coverage for personal and commercial policies due to non-payment and policy expiration, and suspending personal automobile exclusions for restaurant employees who are transitioning to meal delivery services using their personal automobile policy as coverage. The Hartford has offered consumer financial relief including a 15 percent refund on policyholders’ April and May 2020 personal automobile insurance premiums, waived late payments fees for a period of time for business and personal insurance customers and temporarily suspended policy cancellations for policyholders of our Commercial Lines, Personal Lines and Group Benefits segments. As the COVID-19 global pandemic continues, regulators may require us to or we may elect to provide additional consumer and/or business financial relief. The duration and scope of such regulatory/Company actions are uncertain, and the impacts of such actions could adversely affect the Company’s insurance business.

Federal pandemic risk insurance - Congress is considering possible action for future pandemic risk insurance coverage through a risk sharing mechanism between insurers and the federal government. Timing for any Congressional action with respect to these efforts is uncertain at this time. If such a program were to be enacted, it could represent a significant obligation for the company in terms of deductible and co-share obligations.

Federal emergency leave legislation - On March 18, 2020, the Families First Coronavirus Response Act ("FFCRA") was signed into law by the President, and was effective from April 1, 2020 to December 31, 2020. This legislation included a number of funding provisions and worker protections including mandated emergency paid sick leave and paid family and medical leave programs. For private employers with fewer than 500 employees, and most public employers, new programs were put in place to guarantee individuals 10 days of paid sick leave, and up to 10 weeks of paid family and medical leave to deal directly with COVID-19. Eligible employers have access to a tax credit to reimburse for costs related to the emergency leave programs. On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into law and included a bipartisan COVID-19 relief bill. Although the mandatory paid leave provisions from the FFCRA expired on December 31, 2020, the new law extends FFCRA tax credits through March 31, 2021, for covered employers that voluntarily continue to offer paid leave under the FFCRA framework. The Hartford is providing support for the administration of the family and medical leave component of the FFCRA for our Group Benefits customers. Congress also approved a $2 trillion Coronavirus Aid, Relief and Economic Security ("CARES") Act. The bill, signed into law on March 27, 2020, focused on providing financial support for small businesses, individuals, emergency workers, airlines and other industries of national security. The CARES Act included several technical corrections to the emergency leave programs and created advance refunding credits, which allow the U.S. Treasury to develop regulations or guidance to permit advancement of the tax credit for both the emergency paid sick leave and paid family and medical leave. While any further Congressional action could trigger a significant increase in claims volume and compliance requirements for Group Benefits, the timing of additional legislation is unclear at this time.

Federal tax legislation - In response to the COVID-19 Global Pandemic, Congress, various states and other global jurisdictions have passed various pieces of legislation which contain various changes to the tax laws in order to aid impacted businesses and individuals, as well as provide economic stimulus. The Company deferred the employer’s portion of the Social Security tax on wages from March 27, 2020 to year-end 2020. Such deferred amounts would be due and payable over a two-year period, 50% by December 31, 2021 and 50% by December 31, 2022. Refer to Note 13 of Notes to Consolidated Financial Statements for information about the impact of these new tax laws on the Company. The U.S. Treasury and IRS continue to develop guidance implementing these new tax law provisions, and Congress may consider additional technical corrections to these laws. Tax proposals and regulatory initiatives which have been or are being considered by Congress and/or the U.S. Treasury Department could have a material effect on the Company and its insurance businesses. The nature and timing of any Congressional or regulatory action with respect to any such efforts is unclear.

Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act") It is unclear whether the Administration, Congress or the courts will seek to reverse, amend or alter the ongoing operation of the Affordable Care Act ("ACA"). If such actions were to occur, they may have an impact on various aspects of our business, including our insurance businesses. It is unclear what an amended ACA would entail, and to what extent there may be a transition period for the phase out of the ACA. The impact to The Hartford as an employer would be consistent with other large employers. The Hartford's core business does not involve the issuance of health insurance, and we have not observed any material impacts on the Company's workers' compensation business or group benefits business from the enactment of the ACA. We will continue to monitor the impact of the ACA and any reforms on consumer, broker and medical provider behavior for leading indicators of changes in medical costs or loss payments primarily on the Company's workers' compensation and disability liabilities.

Tax Reform At the end of 2017, the Tax Cuts and Jobs Act of 2017 ("TCJA") was enacted. The TCJA made significant reforms to the U.S. tax code. The major areas of interest to the Company included the reduction of the corporate tax rate from 35% to 21% and the repeal of the corporate alternative minimum tax (AMT) and the refunding of AMT credits. The U.S. Treasury and IRS continue to develop guidance implementing TCJA, and Congress may consider additional technical corrections to the law. In addition, President Biden has indicated he will propose to increase the corporate tax rate to as high as 28% and revisit other aspects of TCJA. Tax proposals and regulatory initiatives which have been or are being considered by Congress and/or the U.S. Treasury Department could have a material effect on the Company and its insurance businesses. The nature and timing of any Congressional or regulatory action with respect to any such efforts is unclear. For additional information on risks to the Company related to TCJA, see the risk factor entitled "Changes in federal or state tax laws could adversely affect our business, financial condition, results of operations and liquidity" under "Risk Factors" in Part I.

Guaranty Fund and Other Insurance-related Assessments

For a discussion regarding Guaranty Fund and Other Insurance-related Assessments, see Note 15 - Commitments and Contingencies of Notes to Consolidated Financial Statements.

IMPACT OF NEW ACCOUNTING STANDARDS

For a discussion of accounting standards, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements.

ACRONYMS

A&E Asbestos and Environmental
ABS Asset Backed Securities
ACL Allowance for Credit Losses
ADC Adverse Development Cover
AFS Available-For-Sale
ALAE Allocated Loss Adjustment Expenses
AMT Alternative Minimum Tax
AOCI Accumulated Other Comprehensive Income
AUM Assets Under Management
CAY Current Accident Year
CLO Collateralized Loan Obligation
CMBS Commercial Mortgage-Backed Securities
CMT Crisis Management Team
DAC Deferred Policy Acquisition Costs
DLR Disabled Life Reserve
DSCR Debt Service Coverage Ratio
ERCC Enterprise Risk and Capital Committee
ESPP The Hartford Employee Stock Purchase Plan
ETF Exchange-Traded Funds
ETP Exchange-Traded Products
FAL Funds at Lloyd's
FASB Financial Accounting Standards Board
FHLBB Federal Home Loan Bank of Boston
GAAP Generally Accepted Accounting Principles
GB Group Benefits
HFSG The Hartford Financial Services Group, Inc.
HHI Hartford Holdings, Inc.
HIMCO Hartford Investment Management Company
IBNR Incurred But Not Reported
IT Information Technology
LCL Liability for Credit Losses
LIBOR London Inter-Bank Offered Rate
LTD Long-Term Disability
LTV Loan-to-Value
MD&A Management's Discussion and Analysis
NAIC National Association of Insurance Commissioners
NIC Navigators Insurance Company
NICO National Indemnity Company, a subsidiary of Berkshire Hathaway Inc. (“Berkshire”)
NM Not Meaningful
NOLs Net Operating Loss Carryforwards or Carrybacks
NSIC Navigators Specialty Insurance Company
OCI Other Comprehensive Income
OTC Over-the-Counter
P&C Property and Casualty
PG&E PG&E Corporation and Pacific Gas and Electric Company
PYD Prior Year Development
RBC Risk-Based Capital
RMBS Residential Mortgage-Backed Securities
ROE Return on Equity
SCR Solvency Capital Requirement
SOFR Secured Overnight Funding Rate
ULAE Unallocated Loss Adjustment Expenses

Item 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

The Company's principal executive officer and its principal financial officer, based on their evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) have concluded that the Company's disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e) as of December 31, 2020.

Management's annual report on internal control over financial reporting

The management of The Hartford Financial Services Group, Inc. and its subsidiaries ("The Hartford") is responsible for establishing and maintaining adequate internal control over financial reporting for The Hartford as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. A company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Hartford's management assessed its internal controls over financial reporting as of December 31, 2020 in relation to criteria for effective internal control over financial reporting described in "*Internal Control-Integrated Framework (2013)*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment under those criteria, The Hartford's management concluded that its internal control over financial reporting was effective as of December 31, 2020.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter of 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most employees of the Company and of our vendors have had to work from home during the COVID-19 pandemic though we will continue to assess the impact on the design and operating effectiveness of our internal controls.

Attestation report of the Company's registered public accounting firm

The Hartford's independent registered public accounting firm, Deloitte & Touche LLP, has issued their attestation report on the Company's internal control over financial reporting which is set forth below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
The Hartford Financial Services Group, Inc.
Hartford, Connecticut

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Hartford Financial Services Group, Inc. and its subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 19, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut
February 19, 2021

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE HARTFORD

Certain of the information called for by Item 10 will be set forth in the definitive proxy statement for the 2021 annual meeting of stockholders (the "Proxy Statement") to be filed by The Hartford with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Form 10-K under the captions and subcaptions "Board and Governance Matters", and "Director Nominees" and is incorporated herein by reference.

The Company has adopted a Code of Ethics and Business Conduct, which is applicable to all employees of the Company, including the principal executive officer, the principal financial officer and the principal accounting officer. The Code of Ethics and Business Conduct is available on the investor relations section of the Company's website at: http://ir.thehartford.com.

Any waiver of, or material amendment to, the Code of Ethics and Business Conduct will be posted promptly to our web site in accordance with applicable NYSE and SEC rules.

Executive Officers of The Hartford

Information about the executive officers of The Hartford who are also nominees for election as directors will be set forth in The Hartford's Proxy Statement. Set forth below is information about the other executive officers of the Company as of February 10, 2021:

Name	Age	Position with The Hartford and Business Experience For the Past Five Years
Jonathan R. Bennett	56	Executive Vice President and Head of Group Benefits (August 2019 - Present); Chief Financial Officer and Head of Strategy for Property and Casualty and Group Benefits (October, 2012-August 2019)
William A. Bloom	57	Executive Vice President of Operations and Technology (August 2014 - present); President of Global Client Services, EXL (July 2010-July 2014)
Kathleen M. Bromage	63	Chief Marketing and Communications Officer (June 2015-present)
Beth A. Costello	53	Executive Vice President and Chief Financial Officer (July 2014-present)
Douglas G. Elliot	60	President (July 2014-present)
Scott R. Lewis	58	Senior Vice President and Controller (May 2013-present)
Robert W. Paiano	59	Executive Vice President and Chief Risk Officer (June 2017-Present); Senior Vice President & Treasurer (July 2010-May 2017)
David C. Robinson	55	Executive Vice President and General Counsel (June 2015-present)
Lori A. Rodden	50	Executive Vice President Chief Human Resources Officer (October 2019-present); Senior Vice President and Lead Human Resources Business Partner for Property & Casualty, Group Benefits, Claims and Actuarial (April 2016 to October 2019) and Vice President and Lead Human Resources for Middle Market, Large Commercial, Sales & Distribution and underwriting (November 2014 to April 2016)
Amy M. Stepnowski	52	Executive Vice President Chief Investment Officer (August 2020-Present); President of Hartford Investment Management Company (August 2020-Present); Managing Director and Head of Public Credit Research Hartford Investment Management Company (September 2008-August 2020)

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Certain of the information called for by Item 12 will be set forth in the Proxy Statement under the caption “Information on Stock Ownership” and is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2020 about the securities authorized for issuance under the Company’s equity compensation plans. The Company maintains The Hartford 2005 Incentive Stock Plan (the “2005 Stock Plan”), The Hartford 2010 Incentive Stock Plan (the “2010 Stock Plan”), The Hartford 2014 Incentive Stock Plan (the "2014 Stock Plan"), the 2020 Stock Incentive Plan (the "2020 Stock Plan") (collectively the "Stock Plans") and The Hartford Employee Stock Purchase Plan (the “ESPP”).

On May 20, 2020, the stockholders of the Company approved the 2020 Stock Plan, which superseded the earlier plans. Pursuant to the provisions of the 2020 Stock Plan, no additional shares may be issued from the 2014 Stock Plan. To the extent that any awards under the 2005 Stock Plan, the 2010 Stock Plan and the 2014 Stock Plan are forfeited, terminated, surrendered, exchanged, expire unexercised or are settled in cash in lieu of stock (including to effect tax withholding) or for the issuance of a lesser number of shares than the number of shares subject to the award, the shares subject to such awards (or the relevant portion thereof) shall be available for award under the 2020 Stock Plan and such shares shall be added to the total number of shares available under the 2020 Stock Plan. For a description of the 2020 Stock Plan and the ESPP, see Note 20 - Stock Compensation Plans of Notes to Consolidated Financial Statements.

	(a)	(b)	(c)
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights [1]	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights [2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) [3]
Equity compensation plans approved by stockholders	11,348,877	$ 45.54	15,478,958
Equity compensation plans not approved by stockholders	—	—	—
Total	**11,348,877**	**$ 45.54**	**15,478,958**

[1]The amount shown in this column includes 6,693,188 outstanding options awarded under the 2005 Stock Plan, the 2010 Stock Plan, the 2014 Stock Plan and the 2020 Stock Plan. The amount shown in this column includes 3,866,452 outstanding restricted stock units and 789,237 outstanding performance shares at 100% of target (which excludes 276,434 shares that vested on December 27, 2020, related to the 2018-2020 performance period) as of December 31, 2020 under the 2014 Stock Plan and the 2020 Stock Plan. The maximum number of performance shares that could be awarded is 1,578,474 (200% of target) if the Company achieved the highest performance level. Under the 2014 and 2020 Stock Plans, no more than 500,000 shares in the aggregate can be earned by an individual employee with respect to restricted stock unit and performance share awards made in a single calendar year. As a result, the number of shares ultimately distributed to an employee with respect to awards made in the same year will be reduced, if necessary, so that the number does not exceed this limit.

[2]The weighted-average exercise price reflects outstanding options and does not reflect outstanding restricted stock units or performance shares because they do not have exercise prices.

[3]Of these shares, 3,743,847 remain available for purchase under the ESPP as of December 31, 2020. 11,735,111 shares remain available for issuance as options, restricted stock units, restricted stock awards or performance shares under the 2020 Stock Plan as of December 31, 2020.

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this report:

(1) **Consolidated Financial Statements.** See Index to Consolidated Financial Statements and Schedules elsewhere herein.

(2) **Consolidated Financial Statement Schedules.** See Index to Consolidated Financial Statement and Schedules elsewhere herein.

(3) **Exhibits.** See Exhibit Index elsewhere herein.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Hartford Financial Services Group, Inc.
Hartford, Connecticut

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Hartford Financial Services Group, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex audit judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Unpaid Losses and Loss Adjustment Expenses - Refer to Notes 1 and 12 to the financial statements

Critical Audit Matter Description

For property and casualty and group life and disability insurance products, the Company establishes reserves for unpaid losses and loss adjustment expenses to provide for the estimated costs of paying claims under insurance policies written by the Company. These reserves include estimates for both claims that have been reported and claims that have been incurred but not reported and include estimates of all losses and loss adjustment expenses associated with processing and settling these claims. This estimation process is based significantly on the assumption that past developments are an appropriate predictor of future events and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors.

Given the subjectivity of estimating the ultimate cost to settle the liabilities for reported and unreported claims due to uncertainties caused by various factors including frequency and severity of claims as well as changes in the legislative and regulatory environment, performing audit procedures to evaluate whether unpaid losses and loss adjustment expenses were appropriately recorded as of December 31, 2020, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the unpaid losses and loss adjustment expenses included the following, among others:

- We tested the effectiveness of controls related to the unpaid losses and loss adjustment expenses, including controls over inputs, methods, and assumptions used in the Company's estimation processes.
- We tested the underlying data that served as the basis for the Company’s analysis, including historical claims.

- With the assistance of our actuarial specialists, we evaluated the methods and assumptions used by the Company to estimate the unpaid losses and loss adjustment expenses by:
    - Comparing the Company’s prior year assumptions of expected development of ultimate loss to actual losses incurred during the current year to identify potential management bias in the determination of the unpaid losses and loss adjustment expenses.
    - Assessing the reasonableness of the Company’s analysis, and for selected reserving lines, developing independent estimates of the unpaid losses and loss adjustment expenses and comparing such estimates to the Company’s estimates.

Investments in Fixed Maturities Classified as Available-for-Sale - Refer to Notes 5 and 6 to the financial statements

Critical Audit Matter Description

Investments in fixed maturities classified as available-for-sale are reported at fair value in the financial statements. The investments without readily determinable fair values were valued using significant unobservable inputs, such as credit spreads and interest rates beyond the observable curve, that involved considerable judgment by the Company.

Given the Company used models and unobservable inputs to estimate the fair value of investments in fixed maturities classified as available-for-sale, performing audit procedures to evaluate these inputs required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the models and unobservable inputs used by the Company to estimate the fair value of investments in fixed maturities classified as available-for-sale included the following, among others:

- We tested the effectiveness of controls over the valuation of investments in fixed maturities classified as available-for-sale, including controls over inputs, methods, and assumptions used in the Company’s estimation processes.
- On a sample basis, we tested the accuracy and completeness of the investments owned as of December 31, 2020, and the relevant security attributes used in the determination of their fair values.
- With the assistance of our fair value specialists, for a sample of investments, we tested the mathematical accuracy of the fair value calculation and developed independent estimates of the fair value and compared our estimates to the Company’s estimates. In addition to developing independent estimates, we obtained an understanding of the models and inputs used by the Company and assessed those models and inputs for reasonableness. Such assessment included comparing inputs to external sources or developing independent inputs.

/s/ DELOITTE & TOUCHE LLP
Hartford, Connecticut
February 19, 2021

We have served as the Company’s auditor since 2002.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Consolidated Statements of Operations

	For the years ended December 31,		
(in millions, except for per share data)	**2020**	**2019**	**2018**
Revenues			
Earned premiums	$ 17,288	$ 16,923	$ 15,869
Fee income	1,277	1,301	1,313
Net investment income	1,846	1,951	1,780
Net realized capital gains (losses)	(14)	395	(112)
Other revenues	126	170	105
Total revenues	**20,523**	**20,740**	**18,955**
Benefits, losses and expenses			
Benefits, losses and loss adjustment expenses	11,805	11,472	11,165
Amortization of deferred policy acquisition costs ("DAC")	1,706	1,622	1,384
Insurance operating costs and other expenses	4,480	4,580	4,281
Loss on extinguishment of debt	—	90	6
Loss on reinsurance transaction	—	91	—
Interest expense	236	259	298
Amortization of other intangible assets	72	66	68
Restructuring and other costs	104	—	—
Total benefits, losses and expenses	**18,403**	**18,180**	**17,202**
Income from continuing operations before income taxes	**2,120**	**2,560**	**1,753**
Income tax expense	383	475	268
Income from continuing operations, net of tax	**1,737**	**2,085**	**1,485**
Income from discontinued operations, net of tax	—	—	322
Net income	**$ 1,737**	**$ 2,085**	**$ 1,807**
Preferred stock dividends	21	21	6
Net income available to common stockholders	**$ 1,716**	**$ 2,064**	**$ 1,801**
Income from continuing operations, net of tax, available to common stockholders per common share			
Basic	**$ 4.79**	**$ 5.72**	**$ 4.13**
Diluted	**$ 4.76**	**$ 5.66**	**$ 4.06**
Net income available to common stockholders per common share			
Basic	**$ 4.79**	**$ 5.72**	**$ 5.03**
Diluted	**$ 4.76**	**$ 5.66**	**$ 4.95**

See Notes to Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Consolidated Statements of Comprehensive Income (Loss)

	For the years ended December 31,		
(in millions)	2020	2019	2018
Net income	**$ 1,737**	**$ 2,085**	**$ 1,807**
Other comprehensive income (loss):			
Change in net unrealized gain on fixed maturities	1,150	1,660	(2,180)
Change in unrealized losses on fixed maturities for which an allowance for credit losses ("ACL") has been recorded	1		
Change in other-than-temporary impairment ("OTTI") losses recognized in other comprehensive income ("OCI")		1	(1)
Change in net gain on cash flow hedging instruments	3	14	(25)
Change in foreign currency translation adjustments	9	4	(8)
Change in pension and other postretirement plan adjustments	(45)	(48)	(23)
OCI, net of tax	**1,118**	**1,631**	**(2,237)**
Comprehensive income (loss)	**$ 2,855**	**$ 3,716**	**$ (430)**

See Notes to Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Consolidated Balance Sheets

	As of December 31,	
(in millions, except for share and per share data)	**2020**	**2019**
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $41,561 and $40,078, and ACL of $23 and $—)	$ 45,035	$ 42,148
Equity securities, at fair value	1,438	1,657
Mortgage loans (net of ACL of $38 and $—)	4,493	4,215
Limited partnerships and other alternative investments	2,082	1,758
Other investments	201	331
Short-term investments	3,283	2,921
Total investments	56,532	53,030
Cash	151	185
Restricted Cash	88	77
Premiums receivable and agents' balances (net of ACL of $152 and $145)	4,268	4,384
Reinsurance recoverables (net of allowance for uncollectible reinsurance of $108 and $114)	6,011	5,527
Deferred policy acquisition costs	789	785
Deferred income taxes, net	46	299
Goodwill	1,911	1,913
Property and equipment, net	1,122	1,181
Other intangible assets, net	950	1,070
Other assets	2,066	2,366
Assets held for sale	177	—
Total assets	**$ 74,111**	**$ 70,817**
Liabilities		
Unpaid losses and loss adjustment expenses	$ 37,855	$ 36,517
Reserve for future policy benefits	638	635
Other policyholder funds and benefits payable	701	755
Unearned premiums	6,629	6,635
Short-term debt	—	500
Long-term debt	4,352	4,348
Other liabilities	5,222	5,157
Liabilities held for sale	158	—
Total liabilities	**55,555**	**54,547**
Commitments and Contingencies (Note 15)		
Stockholders' Equity		
Preferred stock, $0.01 par value — 50,000,000 shares authorized, 13,800 shares issued at December 31, 2020 and December 31, 2019, aggregate liquidation preference of $345	334	334
Common stock, $0.01 par value — 1,500,000,000 shares authorized, 384,923,222 shares issued at December 31, 2020 and December 31, 2019	4	4
Additional paid-in capital	4,322	4,312
Retained earnings	13,918	12,685
Treasury stock, at cost — 26,434,682 and 25,352,977 shares	(1,192)	(1,117)
Accumulated other comprehensive income, net of tax	1,170	52
Total stockholders' equity	**18,556**	**16,270**
Total liabilities and stockholders' equity	**$ 74,111**	**$ 70,817**

See Notes to Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Consolidated Statements of Changes in Stockholders' Equity

	For the years ended December 31,		
(in millions, except for share and per share data)	2020	2019	2018
Preferred Stock			
Preferred Stock, beginning of period	$ 334	$ 334	$ —
Issuance of preferred stock	—	—	334
Preferred Stock, end of period	334	**334**	**334**
Common Stock	**4**	**4**	**4**
Additional Paid-in Capital			
Additional Paid-in Capital, beginning of period	4,312	4,378	4,379
Issuance of shares under incentive and stock compensation plans	(96)	(100)	(110)
Stock-based compensation plans expense	106	114	123
Issuance of shares for warrant exercise	—	(80)	(14)
Additional Paid-in Capital, end of period	4,322	4,312	4,378
Retained Earnings			
Retained Earnings, beginning of period	12,685	11,055	9,642
Cumulative effect of accounting changes, net of tax	(18)	—	5
Adjusted balance beginning of period	12,667	11,055	9,647
Net income	1,737	2,085	1,807
Dividends declared on preferred stock	(21)	(21)	(6)
Dividends declared on common stock	(465)	(434)	(393)
Retained Earnings, end of period	13,918	12,685	11,055
Treasury Stock, at cost			
Treasury Stock, at cost, beginning of period	(1,117)	(1,091)	(1,194)
Treasury stock acquired	(150)	(200)	—
Issuance of shares under incentive and stock compensation plans	112	135	132
Net shares acquired related to employee incentive and stock compensation plans	(37)	(41)	(43)
Issuance of shares for warrant exercise	—	80	14
Treasury Stock, at cost, end of period	(1,192)	(1,117)	(1,091)
Accumulated Other Comprehensive Income (Loss), net of tax			
Accumulated Other Comprehensive Income (Loss), net of tax, beginning of period	52	(1,579)	663
Cumulative effect of accounting changes, net of tax	—	—	(5)
Adjusted balance beginning of period	52	(1,579)	658
Total other comprehensive income (loss)	1,118	1,631	(2,237)
Accumulated Other Comprehensive Income, net of tax, end of period	1,170	52	(1,579)
Total Stockholders' Equity	**$ 18,556**	**$ 16,270**	**$ 13,101**
Preferred Shares Outstanding			
Preferred Shares Outstanding, beginning of period	13,800	13,800	—
Issuance of preferred shares	—	—	13,800
Preferred Shares Outstanding, end of period	13,800	13,800	13,800
Common Shares Outstanding			
Common Shares Outstanding, beginning of period (in thousands)	359,570	359,151	356,835
Treasury stock acquired	(2,661)	(3,412)	—
Issuance of shares under incentive and stock compensation plans	2,298	2,906	2,856
Return of shares under incentive and stock compensation plans to treasury stock	(718)	(796)	(849)
Issuance of shares for warrant exercise	—	1,721	309
Common Shares Outstanding, end of period	358,489	359,570	359,151
Cash dividends declared per common share	**$ 1.30**	**$ 1.20**	**$ 1.10**
Cash dividends declared per preferred share	**$ 1,500.00**	**$ 1,500.00**	**$ 412.50**

See Notes to Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Consolidated Statements of Cash Flows

	For the years ended December 31,		
(in millions)	**2020**	**2019**	**2018**
Operating Activities			
Net income	$ 1,737	$ 2,085	$ 1,807
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Net realized capital losses (gains)	(34)	(395)	165
Amortization of deferred policy acquisition costs	1,706	1,622	1,442
Additions to deferred policy acquisition costs	(1,666)	(1,635)	(1,404)
Depreciation and amortization	562	451	467
Loss on extinguishment of debt	—	90	6
Loss (gain) on sale of business	48	—	(202)
Other operating activities, net	85	76	408
Change in assets and liabilities:			
Increase in reinsurance recoverables	(540)	(81)	(323)
Net change in accrued and deferred income taxes	459	886	(103)
Increase in insurance liabilities	1,426	768	493
Net change in other assets and other liabilities	88	(378)	87
Net cash provided by operating activities	**3,871**	**3,489**	**2,843**
Investing Activities			
Proceeds from the sale/maturity/prepayment of:			
Fixed maturities, available-for-sale	19,534	18,499	24,700
Equity securities at fair value	1,485	1,553	1,230
Mortgage loans	948	771	483
Partnerships	167	238	433
Payments for the purchase of:			
Fixed maturities, available-for-sale	(21,112)	(19,881)	(23,173)
Equity securities at fair value	(962)	(1,316)	(1,500)
Mortgage loans	(1,264)	(1,275)	(983)
Partnerships	(491)	(303)	(481)
Net proceeds from (payments for) derivatives	112	32	(224)
Net additions to property and equipment	(114)	(105)	(122)
Net proceeds from (payments for) from short-term investments	(368)	1,491	(3,460)
Other investing activities, net	(1)	49	20
Proceeds from businesses sold, net of cash transferred	—	—	1,115
Amounts paid for business acquired, net of cash acquired	—	(1,901)	—
Net cash used for investing activities	**(2,066)**	**(2,148)**	**(1,962)**
Financing Activities			
Deposits and other additions to investment and universal life-type contracts	60	123	1,814
Withdrawals and other deductions from investment and universal life-type contracts	(102)	(124)	(9,210)
Net transfers from separate accounts related to investment and universal life-type contracts	—	—	6,949
Repayments at maturity or settlement of consumer notes	—	—	(2)
Net decrease in securities loaned or sold under agreements to repurchase	(587)	(323)	(621)
Repayment of debt	(500)	(1,583)	(826)
Proceeds from the issuance of debt	—	1,376	490
Preferred stock issued, net of issuance costs	—	—	334
Net return of shares under incentive and stock compensation plans	(21)	(6)	(16)
Treasury stock acquired	(150)	(200)	—
Dividends paid on preferred stock	(21)	(21)	—
Dividends paid on common stock	(457)	(433)	(379)
Net cash used for financing activities	**(1,778)**	**(1,191)**	**(1,467)**
Foreign exchange rate effect on cash	8	(9)	(10)
Net increase (decrease) in cash and restricted cash, including cash classified within assets held for sale	35	141	(596)
Less: Net increase (decrease) in cash classified as assets held for sale	58	—	(537)
Net increase (decrease) in cash and restricted cash	(23)	141	(59)
Cash and restricted cash — beginning of period	262	121	180
Cash and restricted cash — end of period	**$ 239**	**$ 262**	**$ 121**
Supplemental Disclosure of Cash Flow Information			
Income tax received	$ 71	$ 396	$ 9
Interest paid	$ 232	$ 261	$ 292

See Notes to Consolidated Financial Statements.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Hartford Financial Services Group, Inc. is a holding company for insurance and financial services subsidiaries that provide property and casualty insurance, group life and disability products and mutual funds and exchange-traded products to individual and business customers in the United States as well as in the United Kingdom, continental Europe and other international locations (collectively, "The Hartford", the "Company", "we" or "our").

On September 30, 2020, the Company entered into a definitive agreement to sell all of the issued and outstanding equity of Navigators Holdings (Europe) N.V., a Belgium holding company, and its subsidiaries, Bracht, Deckers & Mackelbert N.V. ("BDM") and Assurances Contintales Contintale Verzekeringen N.V. ("ASCO"), (collectively referred to as "Continental Europe Operations"). For further discussion of this transaction, see Note 22 - Business Dispositions and Discontinued Operations.

On May 23, 2019, the Company completed the acquisition of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.137 billion in cash, including transaction expenses.

On May 31, 2018, Hartford Holdings, Inc., a wholly owned subsidiary of the Company, completed the sale of the issued and outstanding equity of Hartford Life, Inc. ("HLI"), a holding company, for its life and annuity operating subsidiaries.

For further discussion of these transactions, see Note 2 - Business Acquisitions and Note 22 - Business Dispositions and Discontinued Operations.

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which differ materially from the accounting practices prescribed by various insurance regulatory authorities.

Consolidation

The Consolidated Financial Statements include the accounts of The Hartford Financial Services Group, Inc., and entities in which the Company directly or indirectly has a controlling financial interest. Entities in which the Company has significant influence over the operating and financing decisions but does not control are reported using the equity method. Intercompany transactions and balances between The Hartford and its subsidiaries and affiliates have been eliminated.

Discontinued Operations

The results of operations of a component of the Company are reported in discontinued operations when certain criteria are met as of the date of disposal, or earlier if classified as held-for-sale. When a component is identified for discontinued operations reporting, amounts for prior periods are retrospectively reclassified as discontinued operations. Components are identified as discontinued operations if they are a major part of an entity's operations and financial results such as a separate major line of business or a separate major geographical area of operations.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining property and casualty and group long-term disability insurance product reserves, net of reinsurance; evaluation of goodwill for impairment; valuation of investments and derivative instruments; and contingencies relating to corporate litigation and regulatory matters.

The novel strain of coronavirus, specifically identified as the Coronavirus Disease 2019 ("COVID-19"), has created significant uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect a global pandemic of this scale may have. As a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact the Company's business, results of operations and financial condition will depend on the duration and severity of the pandemic, the duration and severity of the economic downturn and the degree to which federal, state and local government actions to mitigate the economic impact of COVID-19 are effective. Our estimates, judgments and assumptions related to COVID-19 could ultimately differ over time.

Reclassifications

Certain reclassifications have been made to prior year financial information to conform to the current year presentation.

Adoption of New Accounting Standards

Reclassification of Effect of Tax Rate Change from AOCI to Retained Earnings

On January 1, 2018, the Company adopted the Financial Accounting Standards Board's ("FASB") new guidance for the effect on deferred tax assets and liabilities related to items recorded in accumulated other comprehensive income ("AOCI") resulting from the Tax Cuts and Jobs Act of 2017 ("Tax Reform") enacted on December 22, 2017. Tax Reform reduced the federal tax rate applied to the Company's deferred tax balances from 35% to 21% on enactment. Under U.S. GAAP, the Company recorded the total effect of the change in enacted tax rates on deferred tax balances as a charge to income tax expense within net income during the fourth quarter of 2017, including the change in deferred tax balances related to components of AOCI. The new accounting guidance permitted the Company to reclassify the “stranded” tax effects out of AOCI and into retained earnings that resulted from recording the tax effects of unrealized investment gains, unrecognized actuarial losses on pension and other postretirement benefit plans, and cumulative translation adjustments at a 35% tax rate because the 14 point reduction in tax rate was recognized in net income instead of other comprehensive income. On adoption, the Company recorded a reclassification of $88 from AOCI to retained earnings. As a result of the reclassification, in the first quarter of 2018, the Company reduced the estimated loss on sale recorded in income from discontinued operations by $193, net of tax, for the increase in AOCI related to the assets held for sale. The reduction in the loss on sale resulted in a corresponding increase in assets held for sale and AOCI as of January 1, 2018 and the AOCI associated with assets held for sale was removed from the balance sheet when the sale closed on May 31, 2018. Additionally, as of January 1, 2018, the Company reclassified $105 of stranded tax effects related to continuing operations which reduced AOCI and increased retained earnings.

Financial Instruments- Recognition and Measurement

On January 1, 2018, the Company adopted updated guidance issued by the FASB for the recognition and measurement of financial instruments through a cumulative effect adjustment to the opening balances of retained earnings and AOCI. The new guidance requires investments in equity securities to be measured at fair value with any changes in valuation reported in net income except for investments that are consolidated or are accounted for under the equity method of accounting. The new guidance also requires a deferred tax asset resulting from net unrealized losses on fixed maturities, available-for-sale that are recognized in AOCI to be evaluated for recoverability in combination with the Company’s other deferred tax assets. Under prior guidance, the Company reported equity securities, available-for-sale ("AFS"), at fair value with changes in fair value reported in other comprehensive income. As of January 1, 2018, the Company reclassified from AOCI to retained earnings net unrealized gains of $83, after tax, related to equity securities having a fair value of $1.0 billion. In addition, $10 of net unrealized gains net of shadow DAC related to discontinued operations were reclassified from AOCI to retained earnings of the life and annuity business held for sale, which increased the estimated loss on sale in 2018 by the same amount. Beginning in 2018, the Company reports equity securities at fair value with changes in fair value reported in net realized capital gains and losses.

Revenue Recognition

On January 1, 2018, the Company adopted the FASB’s updated guidance for recognizing revenue from contracts with customers, which excludes insurance contracts and financial instruments. Revenue subject to the guidance is recognized when, or as, goods or services are transferred to customers in an amount that reflects the consideration that an entity is expected to receive in exchange for those goods or services. For all but certain revenues associated with our Hartford Funds business, the updated guidance is consistent with previous guidance for the Company’s transactions and did not have an effect on the Company’s financial position, cash flows or net income. The updated guidance also updated criteria for determining when the Company acts as a principal or an agent.

Qualitative information about the nature, timing of recognition and cash flows for the Company’s revenues subject to the updated guidance is disclosed below under Significant Accounting Policies-Revenue Recognition and quantitative information is disclosed in Note 4 - Segment Information.

Hedging Activities

On January 1, 2019, the Company adopted the FASB's updated guidance for hedge accounting through a cumulative effect adjustment of less than $1 to reclassify cumulative ineffectiveness on cash flow hedges from retained earnings to AOCI. The updates allow hedge accounting for new types of interest rate hedges of financial instruments and simplify documentation requirements to qualify for hedge accounting. In addition, any gain or loss from hedge ineffectiveness is reported in the same income statement line with the effective hedge results and the hedged transaction. For cash flow hedges, the ineffectiveness is recognized in earnings only when the hedged transaction affects earnings; otherwise, the ineffectiveness gains or losses remain in AOCI. Under previous accounting, total hedge ineffectiveness was reported separately in realized capital gains and losses apart from the hedged transaction. The adoption did not affect the Company’s financial position or cash flows or have a material effect on net income.

Leases

On January 1, 2019, the Company adopted the FASB’s updated lease guidance. Under the updated guidance, lessees with operating leases are required to recognize a liability for the present value of future minimum lease payments with a corresponding asset for the right of use of the property. Prior to the new guidance, future minimum lease payments on operating leases were commitments that were not recognized as liabilities on the balance sheet. Leases are classified as financing or operating leases. Where the lease is economically similar to a purchase because The Hartford obtains control of the underlying asset, the lease is classified as a financing lease and the Company recognizes amortization of the right of use asset and interest expense on the liability. Where the lease provides The Hartford with only the right to control the use of the underlying asset over the lease term and the lease term is greater than one year, the lease is an operating lease and the lease cost is recognized as rental expense over the lease term on a straight-line basis. Leases with a term of one year or less are also expensed over the lease term but not recognized on the balance sheet. On adoption, The Hartford recorded a lease payment obligation of $160 for outstanding leases and a right of use asset of $150, which is net of $10 in lease incentives received, with no change to comparative periods. As permitted by the new guidance, as of the implementation date, the Company did not reassess whether expired or existing contracts are leases or contain leases, did not change the classification of expired or existing operating leases, and did not reassess initial direct costs for existing leases to determine if deferred costs should be written-off or recorded on adoption. The adoption did not impact net income or cash flows.

Goodwill

On January 1, 2020, the Company adopted the FASB's updated guidance on testing goodwill for impairment with no effect at adoption. The updated guidance requires impairment of goodwill if the carrying value of the reporting unit is greater than the estimated fair value, with the amount of the impairment not to exceed the carrying value of the reporting unit’s goodwill. Goodwill is reviewed for impairment at least annually and more frequently if events occur or circumstances change that would indicate that a triggering event for a potential impairment has occurred. Under the updated guidance, changes in market-based factors are more likely to result in a goodwill impairment than under the prior accounting guidance, whether a reporting unit's fair value is estimated using an income approach or a market approach. For example, changes in the weighted average cost of capital that is used to discount expected cash flows under the income approach or changes in market-based factors such as peer company price to earnings multiples or price to book multiples under a market approach can significantly affect changes to the estimated fair value of each reporting unit and such changes could result in impairments that have a material effect on our results of operations and financial condition.

Financial Instruments - Credit Losses

On January 1, 2020, the Company adopted the FASB’s updated guidance for recognition and measurement of credit losses on financial instruments. The new guidance replaces the “incurred loss” approach with an “expected loss” model for recognizing credit losses for financial instruments carried at other than fair value. Under the new model, for financial instruments carried at other than fair value, such as mortgage loans, reinsurance recoverables and receivables, an allowance for credit losses ("ACL") is recognized which is an estimate of credit losses expected over the life of financial instruments. Under the prior accounting model an ACL was recognized using an incurred loss approach. The new guidance also requires that we estimate a liability for credit losses ("LCL") on off balance sheet credit exposures such as financial guarantees and mortgage loan commitments that the Company cannot unconditionally cancel.

Credit losses on fixed maturities, AFS carried at fair value continue to be measured based on the present value of expected future cash flows compared to amortized cost; however, the losses are now recognized through an ACL and no longer as an adjustment to the amortized cost. Recoveries of credit losses on fixed maturities, AFS are now recognized as reversals of the ACL and no longer accreted as investment income through an adjustment to the investment yield. The ACL on fixed maturities, AFS cannot cause the net carrying value to be below fair value and, therefore, it is possible that future increases in fair value due to decreases in market interest rates could cause the reversal of the ACL and increase net income. The new guidance also requires purchased financial assets with a more-than-insignificant amount of credit deterioration since original issuance to be recorded based on contractual amounts due and an initial allowance recorded at the date of purchase.

The Company adopted the guidance effective January 1, 2020, through a cumulative-effect adjustment that decreased retained earnings by $18, representing a net increase to the ACL and LCL, after tax. No ACL was recognized at adoption for fixed maturities, AFS; rather, these investments are evaluated for an ACL prospectively. The Company does not have any purchased financial assets with a more than insignificant amount of credit deterioration since original issuance.

Impact of Adoption on Consolidated Balance Sheet

	Balance as of January 1, 2020		
	Opening Balance	Cumulative Effect of Accounting Change	Adjusted Opening Balance
Mortgage loans	$ 4,215		$ 4,215
ACL on mortgage loans	—	$ (19)	(19)
Mortgage loans, net of ACL	**4,215**	**(19)**	**4,196**
Premiums receivable and agents’ balances	4,529		4,529
ACL on premiums receivable and agents' balances	(145)	23	(122)
Premiums receivable and agents' balances, net of ACL	**4,384**	**23**	**4,407**
Reinsurance recoverables	5,641		5,641
ACL and allowance for disputed amounts on reinsurance recoverables	(114)	(2)	(116)
Reinsurance recoverables, net of allowance for uncollectible reinsurance	**5,527**	**(2)**	**5,525**
Deferred income tax asset, net	299	5	304
Other liabilities	(5,157)	(25)	(5,182)
Retained Earnings	$ 12,685	$ (18)	$ 12,667

Summary of Adoption Impacts

Net increase to ACL and LCL	$ (23)
Net tax effects	5
Net decrease to retained earnings	$ (18)

Reference Rate Reform

On March 12, 2020, the Company adopted the FASB’s temporary guidance, which allows The Hartford to account for contract modifications made solely due to rate reform (such as replacing LIBOR with another reference rate) as continuations of existing contracts and to maintain hedge accounting when the hedging effectiveness between a financial instrument and its hedge is only affected by the change to a replacement rate. As a result, The Hartford will not recognize gains and losses during the transition period of LIBOR to an alternative reference rate that would otherwise have arisen from accounting assessments and remeasurements. The guidance expires for contract modifications made and hedge relationships entered into or evaluated after December 31, 2022. The Company is not required to measure the effect of adoption on its financial position, cash flows or net income because the guidance provides relief from accounting for the effects of the change to a replacement rate.

Mortgage Loan Modification

In 2020, The Hartford adopted the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Section 4013, which allows financial institutions the option to suspend the requirement to disclose and account for loan modifications as troubled debt restructurings for loan modifications related to the COVID-19 pandemic occurring between March 1, 2020 and the earlier of 60 days after the end of the national emergency or January 1, 2022. The Company's adoption of Section 4013 of the CARES Act had no impact on our results of operations, financial position or cash flows because The Hartford has not granted significant concessions to borrowers on its mortgage loans that would have been disclosed and accounted for as troubled debt restructurings.

Future Adoption of New Accounting Standards

Reserve for Future Policy Benefits

The FASB issued new guidance on accounting for long-duration insurance contracts. The Company's long-duration insurance contracts include paid-up life insurance and whole-life insurance policies resulting from conversion from group life policies and run-off structured settlement and terminal funding agreement liabilities with total future policy benefit reserves of $638 as of December 31, 2020. Under existing guidance, a reserve for future policy benefits is calculated as the present value of future benefits and related expenses less the present value of any future premiums using assumptions "locked in" at the time the policies were issued, including discount rate, lapse rate, mortality, and expense assumptions. Under existing guidance, assumptions are only updated if there is an expected premium deficiency. The new guidance will require that underlying cash flow assumptions (such as for lapse rate, mortality and expenses) be reviewed and updated at least annually in the same quarter each year. The new guidance also requires that the discount rate assumption be updated each quarter and be based on an upper-medium grade (low-credit-risk) fixed-income investment yield. The change in the reserve estimate as a result of updating cash flow assumptions will be recognized in net income. The change in the reserve estimate as a result of updating the discount rate assumption will be recognized in other comprehensive income. Because reserves will be based on updated assumptions and no longer locked in at contract inception, there will no longer be a test for premium deficiency. The new guidance will be effective January 1, 2023, and will be applied to balances in place as of the earliest period presented. Early adoption is permitted. The Company has not yet determined the method or timing for adoption or estimated the effect on the Company's financial statements.

Significant Accounting Policies

The Company's significant accounting policies are as follows:

Revenue Recognition

Premium Revenue from Direct Insurance and Assumed Reinsurance

Property and casualty premiums are earned on a pro rata basis over the policy period and include accruals for policies that have been written by agents but not yet reported to us, as well as ultimate premium revenue anticipated under auditable and retrospectively rated policies. We estimate the amount of premium not yet reported based on current and historical trends of the business being written. Such estimates are regularly reviewed and updated and any resulting adjustments are included in the current year's results. Unearned premiums represent the premiums applicable to the unexpired terms of policies in force, or period of risk.

Group life, disability and accident premiums are generally due from policyholders and recognized as revenue on a pro rata basis over the period of the contracts.

An estimated ACL is recorded on the basis of periodic evaluations of balances due from insureds and considering historical credit loss information, adjusted for current economic conditions and effective January 1, 2020, reasonable and supportable forecasts when appropriate . The Company records total credit loss expenses related to premiums receivable in insurance operating costs and other expenses. Write-offs of premiums receivable and agents' balances and any related ACL are recorded in the period in which the balance is deemed uncollectible. Refer to Note 8 - Premiums Receivable and Agents' Balances for further discussion regarding the allowance for doubtful accounts included in premiums receivable and agents' balances.

Revenue from Non-Insurance Contracts with Customers

Installment fees are charged on property and casualty insurance contracts for billing the insurance customer in installments over the policy term. These fees are recognized in fee income as earned on collection.

Insurance servicing revenues within Personal Lines consist of up-front commissions earned for collecting premiums and processing claims on insurance policies for which The Hartford does not assume underwriting risk, predominantly related to the National Flood Insurance Plan program. These insurance servicing revenues are recognized over the period of the flood program's policy terms.

Group Benefits earns fee income from employers for the administration of underwriting, implementation and claims processing for employer self-funded plans and for leave management services. Fees are recognized as services are provided and collected monthly.

Hartford Funds provides investment management, administrative and distribution services to mutual funds and exchange-traded products. The Company assesses investment advisory, distribution and other asset management fees primarily based on the average daily net asset values from mutual funds and exchange-traded products, which are recorded in the period in which the services are provided and are collected monthly.

Fluctuations in domestic and international markets and related investment performance, volume and mix of sales and redemptions of mutual funds or exchange-traded products, and other changes to the composition of assets under management are all factors that ultimately have a direct effect on fee income earned.

Hartford Funds other fees primarily include transfer agent fees, generally assessed as a charge per account, and are recognized as fee income in the period in which the services are provided with payments collected monthly.

Corporate investment management and other fees are primarily for managing third party invested assets, including management of the invested assets of The Hartford's former life and annuity business. These fees, calculated based on the average quarterly net asset values, are recorded in the period in which the services are provided and are collected quarterly. Fluctuations in markets and interest rates and other changes to the composition of assets under management are all factors that ultimately have a direct effect on fee income earned.

Corporate transition service revenues consist of operational services provided to The Hartford's former life and annuity business that are provided for a limited period following sale. The transition service revenues are recognized as other revenues in the period in which the services are provided with payments collected monthly.

Dividends to Policyholders

Policyholder dividends are paid to certain property and casualty policyholders. Policies that receive dividends are referred to as participating policies. Participating dividends to policyholders are accrued and reported in insurance operating costs and other expenses and other liabilities using an estimate of the amount to be paid based on underlying contractual obligations under policies and applicable state laws.

Net written premiums for participating property and casualty insurance policies represented 7%, 9% and 10% of total net written premiums for the years ended December 31, 2020, 2019 and 2018, respectively. Participating dividends to property and casualty policyholders were $29, $30 and $23 for the years ended December 31, 2020, 2019 and 2018, respectively.

There were no additional amounts of income allocated to participating policyholders.

Investments

Overview

The Company's investments in fixed maturities include bonds, structured securities, redeemable preferred stock and commercial paper. Most of these investments are classified as AFS and are carried at fair value. The after tax difference between fair value and cost or amortized cost is reflected in stockholders' equity as a component of AOCI. Effective January 1, 2018, equity securities are measured at fair value with any changes in valuation reported in net income. For further information, see Financial Instruments - Recognition and Measurement discussion above. Mortgage loans are recorded at the outstanding principal balance adjusted for amortization of premiums or discounts and net of an ACL. Short-term investments are carried at amortized cost, which approximates fair value. Limited partnerships and other alternative investments are reported at their carrying value and are primarily accounted for under the equity method with the Company's share of earnings included in net investment income. Recognition of income related to limited partnerships and other alternative investments is delayed due to the availability of the related financial information, as private equity and other funds are generally on a three-month delay. Accordingly, income for the years ended December 31, 2020, 2019, and 2018 may not include the full impact of current year changes in valuation of the underlying assets and liabilities of the funds, which are generally obtained from the limited partnerships. Other investments primarily consist of investments of consolidated investment funds for which the Company has provided seed money and reports the underlying investments at fair value with changes in the fair value recognized in income consistent with accounting requirements for investment companies. Also included in other investments are derivative instruments which are carried at fair value, overseas deposits which are measured at fair value using the net asset value as a practical expedient and equity fund investments.

Net Realized Capital Gains and Losses

Net realized capital gains and losses from investment sales are reported as a component of revenues and are determined on a specific identification basis. Net realized capital gains and losses also result from fair value changes in equity securities and derivatives contracts that do not qualify, or are not designated, as a hedge for accounting purposes. Prior to January 1, 2020, impairments of fixed maturities and changes in mortgage loan valuation allowances were recognized as net realized capital losses as discussed in Note 6 -Investments. Effective January 1, 2020, the Company records net credit losses on fixed maturities, AFS and changes in the ACL on mortgage loans as a component of net realized capital gains and losses. For further information, see Financial Instruments - Credit Losses discussion above.

Net Investment Income

Interest income from fixed maturities and mortgage loans is recognized when earned on the constant effective yield method based on the estimated timing of cash flows. Most premiums and discounts on fixed maturities are amortized to the maturity date. Premiums on callable bonds may be amortized to call dates based on call prices. For securitized financial assets subject to prepayment risk, yields are recalculated and adjusted periodically to reflect historical and/or estimated future prepayments using the retrospective method. For certain other asset-backed securities, including securities that previously had an ACL and interest only securities, any yield adjustments are made using the prospective method. Prepayment fees and make-whole payments on fixed maturities and mortgage loans are recorded in net investment income when earned. For equity securities, dividends are recognized as investment income on the ex-dividend date. Limited partnerships and other alternative investments primarily use the equity method of accounting to recognize the Company's share of earnings. Prior to January 1, 2020, for impaired fixed maturities, the Company accreted the new amortized cost to the estimated future cash flows over the expected remaining life of the investment by prospectively adjusting the effective yield, if necessary. Effective January 1, 2020, the Company no longer records credit losses as adjustments to the amortized cost of the fixed maturity but rather records an ACL. Future changes in the ACL resulting from improvements in expected future cash flows are not recorded as adjustments to yield through net investment income but are recorded through net realized capital gains (losses). For fixed maturities with an ACL, net investment income is recognized at the original effective rate and accretion of the

ACL is recognized through net realized capital gains (losses). For further information, see Financial Instruments - Credit Losses discussion above. The Company's non-income producing investments were not material for the years ended December 31, 2020, 2019 and 2018.

Derivative Instruments

Overview

The Company utilizes a variety of over-the-counter ("OTC") derivatives, derivatives cleared through central clearing houses ("OTC-cleared") and exchange traded derivative instruments as part of its overall risk management strategy as well as to engage in income generation covered call transactions and replication transactions. The types of instruments may include swaps, caps, floors, forwards, futures and options to achieve the following Company-approved objectives:

- to hedge risk arising from interest rate, equity market, commodity market, credit spread and issuer default, price or currency exchange rates or volatility;
- to manage liquidity;
- to control transaction costs;
- to enter into income generation covered call transactions and synthetic replication transactions.

Interest rate and credit default swaps involve the periodic exchange of cash flows with other parties, at specified intervals, calculated using agreed upon rates or other financial variables and notional principal amounts. Generally, little to no cash or principal payments are exchanged at the inception of the contract. Typically, at the time a swap is entered into, the cash flow streams exchanged by the counterparties are equal in value.

The Company clears certain interest rate swap and credit default swap derivative transactions through central clearing houses. OTC-cleared derivatives require initial collateral at the inception of the trade in the form of cash or highly liquid securities, such as U.S. Treasuries and government agency investments. Central clearing houses also require additional cash as variation margin based on daily market value movements. For information on collateral, see the Derivative Collateral Arrangements section in Note 7 - Derivatives. In addition, OTC-cleared transactions include price alignment amounts either received or paid on the variation margin, which are reflected in realized capital gains and losses or, if characterized as interest, in net investment income.

Forward contracts are customized commitments that specify a rate of interest or currency exchange rate to be paid or received on an obligation beginning on a future start date and are typically settled in cash.

Financial futures are standardized commitments to either purchase or sell designated financial instruments, at a future date, for a specified price and may be settled in cash or through delivery of the underlying instrument. Futures contracts trade on organized exchanges. Margin requirements for futures are met by pledging securities or cash, and changes in the futures' contract values are settled daily in cash.

Option contracts grant the purchaser, for a premium payment, the right to either purchase from or sell to the issuer a financial instrument at a specified price, within a specified period or on a stated date. The contracts may reference commodities, which grant the purchaser the right to either purchase from or sell to the issuer commodities at a specified price, within a specified period or on a stated date. Option contracts are typically settled in cash.

Foreign currency swaps exchange an initial principal amount in two currencies, agreeing to re-exchange the currencies at a future date, at an agreed upon exchange rate. There may also be a periodic exchange of payments at specified intervals calculated using the agreed upon rates and exchanged principal amounts.

The Company's derivative transactions conducted in insurance company subsidiaries are used in strategies permitted under the derivative use plans required by the State of Connecticut, the State of Illinois and the State of New York insurance departments.

Accounting and Financial Statement Presentation of Derivative Instruments and Hedging Activities

Derivative instruments are recognized on the Consolidated Balance Sheets at fair value and are reported in Other Investments and Other Liabilities. For balance sheet presentation purposes, the Company has elected to offset the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty or under a master netting agreement, which provides the Company with the legal right of offset.

On the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability ("fair value" hedge), (2) a hedge of the variability in cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset or liability ("cash flow" hedge), (3) a hedge of a net investment in a foreign operation ("net investment" hedge) or (4) held for other investment and/or risk management purposes, which primarily involve managing asset or liability related risks and do not qualify for hedge accounting. The Company currently does not designate any derivatives as fair value or net investment hedges.

Cash Flow Hedges - Changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, including foreign-currency cash flow hedges, are recorded in AOCI and are reclassified into earnings when the variability of the cash flow of the hedged item impacts earnings. Gains and losses on derivative contracts that are reclassified from AOCI to current period earnings are included in the line item in the Consolidated Statements of Operations in which the cash flows of the hedged item are recorded. Periodic derivative net coupon settlements are recorded in the line item of the Consolidated Statements of Operations in which the cash flows of the hedged item are recorded. Cash flows from cash flow hedges are presented in the same category as the cash flows from the items being hedged in the Consolidated Statement of Cash Flows.

Other Investment and/or Risk Management Activities - The Company's other investment and/or risk management activities primarily relate to strategies used to reduce economic risk or replicate permitted investments and do not receive hedge accounting treatment. Changes in the fair value, including periodic derivative net coupon settlements, of derivative instruments held for other investment and/or risk management purposes are reported in current period earnings as net realized capital gains and losses.

Hedge Documentation and Effectiveness Testing

To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated changes in fair value or cash flows of the hedged item. At hedge inception, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking each hedge transaction. The documentation process includes linking derivatives that are designated as fair value, cash flow, or net investment hedges to specific assets or liabilities on the balance sheet or to specific forecasted transactions and defining the effectiveness testing methods to be used. The Company also formally assesses both at the hedge's inception and ongoing on a quarterly basis, whether the derivatives that are used in hedging transactions have been and are expected to continue to be highly effective in offsetting changes in fair values, cash flows or net investment in foreign operations of hedged items. Hedge effectiveness is assessed primarily using quantitative methods as well as using qualitative methods. Quantitative methods include regression or other statistical analysis of changes in fair value or cash flows associated with the hedge relationship. Qualitative methods may include comparison of critical terms of the derivative to the hedged item.

Discontinuance of Hedge Accounting

The Company discontinues hedge accounting prospectively when (1) it is determined that the qualifying criteria are no longer met; (2) the derivative is no longer designated as a hedging instrument; or (3) the derivative expires or is sold, terminated or exercised.

When cash flow hedge accounting is discontinued because the Company becomes aware that it is not probable that the forecasted transaction will occur, the derivative continues to be carried on the balance sheet at its fair value, and gains and losses that were accumulated in AOCI are recognized immediately in earnings.

In other situations in which hedge accounting is discontinued, including those where the derivative is sold, terminated or exercised, amounts previously deferred in AOCI are reclassified into earnings when earnings are impacted by the hedged item.

Embedded Derivatives

The Company purchases investments that contain embedded derivative instruments. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host for measurement purposes. The embedded derivative, which is reported with the host instrument in the Consolidated Balance Sheets, is carried at fair value with changes in fair value reported in net realized capital gains and losses.

Credit Risk of Derivative Instruments

Credit risk is defined as the risk of financial loss due to uncertainty of an obligor's or counterparty's ability or willingness to meet its obligations in accordance with agreed upon terms. Credit exposures are measured using the market value of the derivatives, resulting in amounts owed to the Company by its counterparties or potential payment obligations from the Company to its counterparties. The Company generally requires that OTC derivative contracts, other than certain forward contracts, be governed by International Swaps and Derivatives Association agreements which are structured by legal entity and by counterparty, and permit right of offset. Some agreements require daily collateral settlement based upon agreed upon thresholds. For purposes of daily derivative collateral maintenance, credit exposures are generally quantified based on the prior business day's market value and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of the derivatives is greater than zero, subject to minimum transfer thresholds, if applicable. The Company also minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties primarily rated A or better, which are monitored and evaluated by the Company's risk management team and reviewed by senior management. OTC-cleared derivatives are governed by clearing house rules. Transactions cleared through a central clearing house reduce risk due to their ability to require daily variation margin and act as an independent valuation source. In addition, the Company monitors counterparty credit exposure on a monthly basis to ensure compliance with Company policies and statutory limitations.

Cash and Restricted Cash

Cash represents cash on hand and demand deposits with banks or other financial institutions. Restrictions on cash primarily relate to funds that are held to support regulatory and contractual obligations.

Reinsurance

The Company cedes insurance to affiliated and unaffiliated insurers in order to limit its maximum losses and to diversify its exposures and provide statutory surplus relief. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company also assumes reinsurance from other insurers and is a member of and participates in reinsurance pools and associations. Assumed reinsurance refers to the Company's acceptance of certain insurance risks that other insurance companies or pools have underwritten.

Reinsurance accounting is followed for ceded and assumed transactions that provide indemnification against loss or liability relating to insurance risk (i.e. risk transfer). To meet risk transfer requirements, a reinsurance agreement must include insurance risk, consisting of underwriting and timing risk, and a reasonable possibility of a significant loss to the reinsurer. If the ceded and assumed transactions do not meet risk transfer requirements, the Company accounts for these transactions as financing transactions.

Premiums, benefits, losses and loss adjustment expenses reflect the net effects of ceded and assumed reinsurance transactions. Included in other assets are prepaid reinsurance premiums, which represent the portion of premiums ceded to reinsurers applicable to the unexpired terms of the reinsurance contracts. Reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and are presented net of an allowance for uncollectible reinsurance. Changes in the allowance for uncollectible reinsurance are reported in benefits, losses and loss adjustment expenses in the Company's Consolidated Statements of Operations.

The Company periodically evaluates the recoverability of its reinsurance recoverable assets and establishes an allowance for uncollectible reinsurance. The allowance for uncollectible reinsurance reflects management's best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers' unwillingness or inability to pay. The allowance for uncollectible reinsurance comprises an ACL and an allowance for disputed balances. Based on this analysis, the Company may adjust the allowance for uncollectible reinsurance or charge off reinsurer balances that are determined to be uncollectible. The Company records credit losses related to reinsurance recoverables in benefits losses and loss adjustment expenses. Write-offs of reinsurance recoverables and any related ACL are recorded in the period in which the balance is deemed uncollectible. Expected recoveries are included in the estimate of the ACL.

Retroactive reinsurance agreements, including adverse development covers, are reinsurance agreements under which our reinsurer agrees to reimburse us as a result of past insurable events. For these agreements, the consideration paid in excess of the estimated ultimate losses recoverable under the agreement at inception is recognized as a loss on reinsurance transaction. The benefit of subsequent adverse development ceded up to the total consideration paid is recognized as ceded losses and loss adjustment expenses. The excess of the estimated amounts ultimately recoverable under the agreement over the consideration paid is recognized as a deferred gain liability and amortized into income over the period the ceded losses are recovered in cash from the reinsurer. The amount of the deferred gain liability is recalculated each period based on cumulative recoveries not yet collected relative to the latest estimate of ultimate losses recoverable. Ceded loss reserves under retroactive agreements were $1.1 billion and $747, and the deferred gain liability reported in other liabilities was $328 and $16, as of December 31, 2020 and 2019, respectively. In any given period, the change in deferred gain included in net income includes amortization of the deferred gain based on the percentage of ultimate ceded losses collected plus any change in the deferred gain liability due to changes in the estimated ultimate losses recoverable. The effect on income from change in the deferred gain was a charge to earnings of $312 and $16 for the years ended December 31, 2020 and 2019, respectively. There was no deferred gain in 2018.

Deferred Policy Acquisition Costs

DAC represents costs that are directly related to the acquisition of new and renewal insurance contracts and incremental direct costs of contract acquisition that are incurred in transactions with independent third parties or in compensation to employees. Such costs primarily include commissions, premium taxes, costs of policy issuance and underwriting, and certain other expenses that are directly related to successfully issued contracts.

For property and casualty insurance products and group life, disability and accident contracts, costs are deferred and amortized ratably over the period the related premiums are earned. Deferred acquisition costs are reviewed to determine if they are recoverable from future income, and if not, are charged to expense. Anticipated investment income is considered in the determination of the recoverability of DAC.

Income Taxes

The Company recognizes taxes payable or refundable for the current year and deferred taxes for the tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. A deferred tax provision is recorded for the tax effects of differences between the Company's current taxable income and its income before tax under generally accepted accounting principles in the Consolidated Statements of Operations. For deferred tax assets, the Company records a valuation allowance that is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

Goodwill

Goodwill represents the excess of the cost to acquire a business over the fair value of net assets acquired. Goodwill is not amortized but is reviewed for impairment at least annually or more frequently if events occur or circumstances change that would indicate that a triggering event for a potential impairment has occurred. Prior to January 1, 2020, the goodwill impairment test followed a two-step process. In the first step, the fair value of a reporting unit was compared to its carrying value. A reporting unit is defined as an operating segment or one level below an operating segment. The Company's reporting units, for which goodwill has been allocated consist of Commercial Lines, Personal Lines, Group Benefits, and Hartford Funds. If the carrying value of a reporting unit exceeded its fair value, the second step of the impairment test was performed for purposes of measuring the impairment. In the second step, the fair value of the reporting unit was allocated to all of the assets and liabilities of the reporting unit to determine an implied goodwill value. If the carrying amount of the reporting unit's goodwill exceeded the implied goodwill value, an impairment loss was recognized in an amount equal to that excess. Effective January 1, 2020, the goodwill impairment test is based on the first step only and, as such, goodwill is impaired up to the amount that the carrying value of the reporting unit exceeds the fair value. For further information, see Adoption of New Accounting Standards - Goodwill discussion above.

Management's determination of the fair value of each reporting unit incorporates multiple inputs into discounted cash flow calculations, including assumptions that market participants would make in valuing the reporting unit. Assumptions include levels of economic capital required to support the business, future business growth, earnings projections, the weighted average cost of capital used for purposes of discounting and, for the Hartford Funds segment, assets under management. Decreases in business growth, decreases in earnings projections and increases in the weighted average cost of capital will all cause a reporting unit's fair value to decrease, increasing the possibility of impairments.

Intangible Assets

Acquired intangible assets on the Consolidated Balance Sheets include purchased customer relationship and agency or other distribution rights and licenses measured at fair value at acquisition. The Company amortizes finite-lived other intangible assets over their useful lives generally on a straight-line basis over the period of expected benefit, ranging from 1 to 15 years. Management revises amortization periods if it believes there has

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

been a change in the length of time that an intangible asset will continue to have value. Indefinite-lived intangible assets are not subject to amortization. Intangible assets are assessed for impairment generally when events or circumstances indicate a potential impairment and at least annually for indefinite-lived intangibles. Finite-lived intangible assets are impaired if the carrying amount is not recoverable from undiscounted cash flows. Indefinite-lived intangible assets are impaired if the carrying amount exceeds fair value. Impaired intangible assets are written down to fair value.

Property and Equipment

Property and equipment, which includes capitalized software, is carried at cost net of accumulated depreciation. Depreciation is based on the estimated useful lives of the various classes of property and equipment and is recognized principally on the straight-line method. Accumulated depreciation was $2.1 billion and $1.9 billion as of December 31, 2020 and 2019, respectively. Depreciation expense was $313, $283, and $232 for the years ended December 31, 2020, 2019 and 2018, respectively.

Unpaid Losses and Loss Adjustment Expenses

For property and casualty and group life and disability insurance and assumed reinsurance products, the Company establishes reserves for unpaid losses and loss adjustment expenses to provide for the estimated costs of paying claims under insurance policies written by the Company. These reserves include estimates for both claims that have been reported and those that have been incurred but not reported ("IBNR"), and include estimates of all losses and loss adjustment expenses associated with processing and settling these claims. Estimating the ultimate cost of future losses and loss adjustment expenses is an uncertain and complex process. This estimation process is based significantly on the assumption that past developments are an appropriate predictor of future events, and involves a variety of actuarial techniques that analyze experience, trends and other relevant factors. The effects of inflation are implicitly considered in the reserving process. A number of complex factors influence the uncertainties involved with the reserving process including social and economic trends and changes in the concepts of legal liability and damage awards. Accordingly, final claim settlements may vary from the present estimates, particularly when those payments may not occur until well into the future. The Company regularly reviews the adequacy of its estimated losses and loss adjustment expense reserves by reserve line within the various reporting segments. Adjustments to previously established reserves are reflected in the operating results of the period in which the adjustment is determined to be necessary. Such adjustments could possibly be significant, reflecting any variety of new and adverse or favorable trends.

Most of the Company’s property and casualty insurance products reserves are not discounted. However, the Company has discounted to present value certain reserves for indemnity payments that are due to claimants under workers’ compensation policies because the payment pattern and the ultimate costs are reasonably fixed and determinable on an individual claim basis. The discount rate is based on the risk free rate for the expected claim duration as determined in the year the claims were incurred. The Company also has discounted liabilities for structured settlement agreements that provide fixed periodic payments to claimants. These structured settlements include annuities purchased to fund unpaid losses for permanently disabled claimants. These structured settlement liabilities are discounted to present value using the rate implicit in the purchased annuities and the purchased annuities are accounted for within reinsurance recoverables.

Group life and disability contracts with long-tail claim liabilities are discounted because the payment pattern and the ultimate costs are reasonably fixed and determinable on an individual claim basis. The discount rates are estimated based on investment yields expected to be earned on the cash flows net of investment expenses and expected credit losses. The Company establishes discount rates for these reserves in the year the claims are incurred (the incurral year) which is when the estimated settlement pattern is determined. The discount rate for life and disability reserves acquired from Aetna's U.S. group life and disability business were based on interest rates in effect at the acquisition date of November 1, 2017.

For further information about how unpaid losses and loss adjustment expenses are established, see Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses.

Foreign Currency

Foreign currency translation gains and losses are reflected in stockholders’ equity as a component of AOCI. The Company’s foreign subsidiaries’ balance sheet accounts are translated at the exchange rates in effect at each year end and income statement accounts are translated at the average rates of exchange prevailing during the year. The national currencies of the international operations are generally their functional currencies; however, the U.S. dollar is the functional currency of Lloyd's Syndicate 1221 ("Lloyd's Syndicate"), the Lloyd's Syndicate for which the Company is the sole corporate member, in the U.K. Gains and losses resulting from the remeasurement of foreign currency transactions are reflected in earnings in realized capital gains (losses) in the period in which they occur.

2. BUSINESS ACQUISITIONS

Navigators Group

On May 23, 2019, The Hartford acquired 100% of the outstanding shares of Navigators Group for $70 a share, or $2.121 billion, comprised of cash of $2.098 billion and a liability for cash awards to replace share-based awards of $23. The acquisition of the specialty underwriter expands product offerings and geographic reach, and adds underwriting and industry talent to strengthen the Company's value proposition to agents and customers. At acquisition, the Company recorded provisional estimates of the fair value of the assets acquired and liabilities assumed. In the second quarter of 2020, The Hartford finalized its provisional estimates and recorded additional assets of $9 and liabilities of $7 with a net reduction in goodwill of $2. The measurement period adjustments, determined as if the accounting had been completed as of the acquisition date, had no effect on the Consolidated Statements of Operations for the twelve months ended December 31, 2020. The following table presents the preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date, the measurement period adjustments recorded, and the final purchase price allocation.

Fair Value of Assets Acquired and Liabilities Assumed at the Acquisition Date

	Preliminary Values as of May 23, 2019 (as previously reported)	Measurement Period Adjustments	Adjusted Values as of May 23, 2019
Assets			
Cash and invested assets	$ 3,848	$ 3	$ 3,851
Premiums receivable	492	6	498
Reinsurance recoverables	1,100	(3)	1,097
Prepaid reinsurance premiums	238	—	238
Other intangible assets	580	—	580
Property and equipment	83	—	83
Other assets	99	3	102
Total Assets Acquired	**6,440**	**9**	**6,449**
Liabilities			
Unpaid losses and loss adjustment expenses	2,823	—	2,823
Unearned premiums	1,219	—	1,219
Long-term debt	284	—	284
Deferred income taxes, net	48	(1)	47
Other liabilities	568	8	576
Total Liabilities Assumed	**4,942**	**7**	**4,949**
Net identifiable assets acquired	**1,498**	**2**	**1,500**
Goodwill [1]	623	(2)	621
Net Assets Acquired	**$ 2,121**	**$ —**	**$ 2,121**

[1] Non-deductible for income tax purposes.

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Intangible Assets Recorded in Connection with the Acquisition

Asset		Amount	Weighted Average Expected Life
Value of in-force contracts - Property and Casualty ("P&C")	$	180	1
Distribution relationships		302	15
Trade name		17	10
Total finite life intangibles		**499**	**10**
Capacity of Lloyd's Syndicate		66	
Licenses		15	
Total indefinite life intangibles		**81**	
Total other intangible assets	**$**	**580**	

The value of in-force contracts represents the estimated profits relating to the unexpired contracts in force net of related prepaid reinsurance at the acquisition date through expiry of the contracts. The value of distribution relationships was estimated using net cash flows expected to come from the renewals of in-force contracts and new business sold through existing distribution partners less costs to service the related policies. The value of the trade name was estimated using an assumed cost of a market-based royalty fee applied to net cash flows expected to come from business marketed as Navigators, a brand of The Hartford. Lloyd's of London is an insurance market-place operating worldwide ("Lloyd's"). Lloyd's does not underwrite risks. Corporate members accept underwriting risks through the syndicates that they form. The Company accepts risks as the sole corporate member of Lloyd's Syndicate. The value of the capacity of Lloyd's Syndicate was estimated using net cash flows attributable to Navigators Group's right to underwrite business up to an approved level of premium in the Lloyd's market. The values for in-force contracts, the distribution relationships, trade name and the capacity of the Lloyd's Syndicate were estimated using a discounted cash flow method. Significant inputs to the valuation models include estimates of expected new business, premium retention rates, investment returns, claim costs, expenses and discount rates based on a weighted average cost of capital. The value of licenses to write insurance in over 50 U.S. jurisdictions was estimated based on recent transactions for shell companies.

Property and equipment includes real estate owned and right of use assets under leases that were valued based on current values and market rental rates, software that was valued based on estimated replacement cost and furniture and equipment. These will be amortized over periods consistent with the Company's policy.

The fair value of unpaid losses and loss adjustment expenses net of related reinsurance recoverables was estimated based on the present value of expected future net unpaid loss and loss adjustment expense payments discounted using a risk-free interest rate as of the acquisition date plus a risk margin. The discount and risk margin amounts substantially offset.

Debt assumed in the transaction was valued based on the principal and interest payments discounted at the current market yield. This debt was paid off in August 2019. For further discussion of this transaction, see Note 14 - Debt.

The $621 of goodwill recognized is largely attributable to the acquired employee workforce and underwriting talent, leverageable operating platform, improved investment yield and economies of scale. Goodwill is allocated to the Company's Commercial Lines reporting segment.

Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased an aggregate excess of loss reinsurance agreement covering adverse reserve development ("Navigators ADC") from National Indemnity Company ("NICO") on behalf of Navigators Insurance Company and certain of its affiliates (collectively, "Navigators Insurers"). Under the Navigators ADC, the Navigators Insurers paid NICO a reinsurance premium of $91 in exchange for reinsurance coverage of $300 of adverse net loss reserve development that attaches $100 above the Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018 subject to the treaty of $1.816 billion for accidents and losses prior to December 31, 2018. In addition to recognizing a $91 before tax charge to earnings in 2019 for the Navigators ADC reinsurance premium, the Company recognized a charge against earnings of $97 before tax in the second quarter of 2019 as a result of a review of Navigators Insurers' net acquired reserves upon acquisition of the business. Navigators Insurers had previously recognized $52 before tax of adverse reserve development in the first quarter of 2019, including $32 of adverse development subject to the Navigators ADC. As such, reserve development of $97 before tax recognized upon acquisition of the business included $68 remaining of the $100 Navigators ADC retention for 2018 and prior accident years and $29 of adverse reserve development related to the 2019 accident year which is not covered by the Navigators ADC.

On 2018 and prior accident year reserves subject to the Navigators ADC, the Company recognized a total of $84 of adverse development in 2019, including the $68 of reserve development recorded upon acquisition of the business. The $84 of prior accident year reserve development was net of a $91 net reinsurance benefit recognized under the Navigators ADC. While the Company has ceded $209 of losses to the ADC through December 31, 2020, which has been recognized as a reinsurance recoverable, $118 of the ceded losses has been recognized as a deferred gain within other liabilities since the Navigators ADC has been accounted for as retroactive reinsurance and cumulative losses ceded of $209 exceed the ceded premium paid of $91. As the Company has ceded $209 of the $300 available limit, there is $91 of remaining limit available as of December 31, 2020.

Since the acquisition date of May 23, 2019, the revenues and net losses of the business acquired have been included in the Company's Consolidated Statements of Operations in the Commercial Lines reporting segment with revenues of $1.0 billion and net losses of $167 during the period from the acquisition date to December 31, 2019, including the $91 before tax ($72 net of tax) of premium paid for the Navigators ADC, a charge of $97 before tax ($77 net of tax) for the increase in acquired reserves following the acquisition, a charge of $16 before tax ($13 net of tax) for the deferred gain on retroactive reinsurance and net investment income of $67 before tax ($54 net of tax). During 2020, the Company increased reserves subject to the Navigators

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

ADC by an additional $102 before tax ($81 net of tax) which was recognized as an increase to deferred gain within incurred losses. See Note 12 - Reserve for Unpaid Losses and Loss Adjustment Expenses, for additional information.

The Company recognized $17 of acquisition related costs for the twelve months ended December 31, 2019. These costs are included in insurance operating costs and other expenses in the Consolidated Statement of Operations.

The following table presents supplemental unaudited pro forma amounts of revenue and net income for the year ended December 31, 2019 and 2018 for the Company as though the business was acquired on January 1, 2018. Pro forma adjustments include the revenue and earnings of Navigators Group for each period as well as amortization of identifiable intangible assets acquired.

Pro Forma Results for the Year Ended December 31

	Revenue	Earnings
2019 Supplemental (unaudited) combined pro forma	$ 21,416	$ 2,080
2018 Supplemental (unaudited) combined pro forma	$ 20,398	$ 1,828

3. EARNINGS (LOSS) PER COMMON SHARE

Computation of Basic and Diluted Earnings per Common Share

	For the years ended December 31,		
(In millions, except for per share data)	**2020**	**2019**	**2018**
Earnings			
Income from continuing operations, net of tax	$ 1,737	$ 2,085	$ 1,485
Less: Preferred stock dividends	21	21	6
Income from continuing operations, net of tax, available to common stockholders	**1,716**	**2,064**	**1,479**
Income from discontinued operations, net of tax, available to common stockholders	—	—	322
Net income available to common stockholders	**$ 1,716**	**$ 2,064**	**$ 1,801**
Shares			
Weighted average common shares outstanding, basic	358.3	360.9	358.4
Dilutive effect of warrants [1]	—	0.5	1.9
Dilutive effect of stock-based awards under compensation plans	2.3	3.5	3.8
Weighted average common shares outstanding and dilutive potential common shares [2]	**360.6**	**364.9**	**364.1**
Earnings per common share			
Basic			
Income from continuing operations, net of tax, available to common stockholders	$ 4.79	$ 5.72	$ 4.13
Income from discontinued operations, net of tax, available to common stockholders	—	—	0.90
Net income available to common stockholders	**$ 4.79**	**$ 5.72**	**$ 5.03**
Diluted			
Income from continuing operations, net of tax, available to common stockholders	$ 4.76	$ 5.66	$ 4.06
Income from discontinued operations, net of tax, available to common stockholders	—	—	0.89
Net income available to common stockholders	**$ 4.76**	**$ 5.66**	**$ 4.95**

[1]On June 26, 2019 the Capital Purchase Program warrants issued in 2009 expired.
[2]For additional information, see Note 16 - Equity and Note 20 - Stock Compensation Plans.

Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per common share includes the dilutive effect of assumed exercise or issuance of warrants and stock-based awards under compensation plans.

In periods where a loss from continuing operations available to common stockholders or net loss available to common stockholders is recognized, inclusion of incremental dilutive shares would be antidilutive. Due to the antidilutive impact, such shares are excluded from the diluted earnings per share calculation of income (loss) from continuing operations, net of tax, available to common stockholders and net income (loss) available to common stockholders in such periods.

Under the treasury stock method, for warrants and stock-based awards, shares are assumed to be issued and then reduced for the number of shares repurchasable with theoretical proceeds at the average market price for the period. Contingently issuable shares are included for the number of shares issuable assuming the end of the reporting period was the end of the contingency period, if dilutive.

4. SEGMENT INFORMATION

The Company conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty Other Operations, Group Benefits and Hartford Funds, as well as a Corporate category.

Over 95% of the Company's revenues are generated in the United States ("U.S."). The remaining revenues are generated in Europe and other international locations.

We report our results of operations consistent with the manner in which our chief operating decision maker ("CODM") reviews the business to assess performance, make operating decisions and allocate resources. The Company's reporting segments, as well as the Corporate category, are as follows:

Commercial Lines

Commercial Lines provides workers' compensation, property, automobile, general liability, umbrella, professional liability, bond, marine, livestock and assumed reinsurance to businesses in the U.S. and internationally, along with a variety of customized insurance products and risk management services including professional liability, bond, surety, and specialty casualty coverages.

Personal Lines

Personal Lines provides standard automobile, homeowners and personal umbrella coverages to individuals across the U.S., including a special program designed exclusively for members of AARP. This agreement provides an important competitive advantage given the size of the 50 plus population and the strength of the AARP brand. During the second quarter of 2020, the Company extended this agreement through December 31, 2032.

Property & Casualty Other Operations

Property & Casualty Other Operations includes certain property and casualty operations, managed by the Company, that have discontinued writing new business and includes substantially all of the Company's asbestos and environmental exposures.

Group Benefits

Group Benefits provides employers, associations and financial institutions with group life, accident and disability coverage, along with other products and services, including voluntary benefits, and group retiree health.

Hartford Funds

Hartford Funds offers investment products for retail and retirement accounts and provides investment management and administrative services such as product design, implementation and oversight. This business also manages a portion of the mutual funds which support the variable annuity products within the life and annuity business sold in May 2018.

Corporate

The Company includes in the Corporate category discontinued operations related to the life and annuity business sold in May 2018, reserves for run-off structured settlement and terminal funding agreement liabilities, restructuring costs, capital raising activities (including debt financing and related interest expense), transaction expenses incurred in connection with an acquisition, certain purchase accounting adjustments related to goodwill and other expenses not allocated to the reporting segments. Corporate also includes investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution Life, Inc. and its subsidiaries ("Talcott Resolution"). In addition, Corporate includes a 9.7% ownership interest in the legal entity that acquired the life and annuity business sold in 2018. For further discussion of continued involvement in the life and annuity business sold, see Note 22 - Business Dispositions and Discontinued Operations.

Financial Measures and Other Segment Information

Certain transactions between segments occur during the year that primarily relate to tax settlements, insurance coverage, expense reimbursements, services provided, investment transfers and capital contributions. In addition, certain inter-segment transactions occur that relate to interest income on allocated surplus. Consolidated net investment income is unaffected by such transactions.

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Revenues

	For the years ended December 31,		
	2020	**2019**	**2018**
Earned premiums and fee income:			
Commercial Lines			
Workers' compensation	$ 3,034	$ 3,314	$ 3,341
Liability	1,401	1,064	653
Marine	251	147	—
Package business	1,540	1,471	1,364
Property	793	728	618
Professional liability	595	447	254
Bond	274	261	241
Assumed reinsurance	298	180	—
Automobile	754	713	610
Total Commercial Lines	8,940	8,325	7,081
Personal Lines			
Automobile	2,081	2,248	2,398
Homeowners	961	987	1,041
Total Personal Lines [1]	3,042	3,235	3,439
Property & Casualty Other Operations	—	2	—
Group Benefits			
Group disability	2,832	2,828	2,746
Group life	2,434	2,521	2,611
Other	270	254	241
Total Group Benefits	5,536	5,603	5,598
Hartford Funds			
Mutual fund and ETP	903	907	932
Talcott Resolution life and annuity separate accounts [2]	86	92	100
Total Hartford Funds	989	999	1,032
Corporate	58	60	32
Total earned premiums and fee income	18,565	18,224	17,182
Total net investment income	1,846	1,951	1,780
Net realized capital gains (losses)	(14)	395	(112)
Other revenues	126	170	105
Total revenues	**$ 20,523**	**$ 20,740**	**$ 18,955**

[1]For 2020, 2019 and 2018, AARP members accounted for earned premiums of $2.8 billion, $2.9 billion and $3.0 billion, respectively.

[2]Represents revenues earned on the life and annuity separate account AUM sold in May 2018 that is still managed by the Company's Hartford Funds segment.

Net Income

	For the years ended December 31,		
	2020	**2019**	**2018**
Commercial Lines	$ 856	$ 1,192	$ 1,212
Personal Lines	718	318	(32)
Property & Casualty Other Operations	(168)	61	15
Group Benefits	383	536	340
Hartford Funds	170	149	148
Corporate	(222)	(171)	124
Net income	**$ 1,737**	**$ 2,085**	**$ 1,807**
Preferred stock dividends	21	21	6
Net income available to common stockholders	**$ 1,716**	**$ 2,064**	**$ 1,801**

Net Investment Income

	For the years ended December 31,		
	2020	**2019**	**2018**
Commercial Lines	$ 1,160	$ 1,129	$ 997
Personal Lines	157	179	155
Property & Casualty Other Operations	55	84	90
Group Benefits	448	486	474
Hartford Funds	4	7	5
Corporate	22	66	59
Net investment income	**$ 1,846**	**$ 1,951**	**$ 1,780**

Amortization of DAC

	For the years ended December 31,		
	2020	**2019**	**2018**
Commercial Lines	$ 1,397	$ 1,296	$ 1,048
Personal Lines	244	259	275
Group Benefits	50	54	45
Hartford Funds	14	12	16
Corporate	1	1	—
Total amortization of DAC	**$ 1,706**	**$ 1,622**	**$ 1,384**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amortization of Other Intangible Assets

	For the years ended December 31,		
	2020	2019	2018
Commercial Lines	$ 28	$ 18	$ 4
Personal Lines	4	6	4
Group Benefits	40	41	60
Corporate	—	1	—
Total amortization of other intangible assets	**$ 72**	**$ 66**	**$ 68**

Assets

	As of December 31,	
	2020	2019
Commercial Lines	$ 45,482	$ 42,041
Personal Lines	5,969	6,310
Property & Casualty Other Operations	3,505	3,560
Group Benefits	14,732	14,595
Hartford Funds	662	634
Corporate	3,761	3,677
Total assets	**$ 74,111**	**$ 70,817**

Income Tax Expense (Benefit)

	For the years ended December 31,		
	2020	2019	2018
Commercial Lines	$ 176	$ 270	$ 267
Personal Lines	184	76	(19)
Property & Casualty Other Operations	(46)	12	(7)
Group Benefits	88	126	84
Hartford Funds	44	37	38
Corporate	(63)	(46)	(95)
Total income tax expense	**$ 383**	**$ 475**	**$ 268**

Revenue from Non-Insurance Contracts with Customers

		For the years ended December 31,		
	Revenue Line Item	2020	2019	2018
Commercial Lines				
Installment billing fees	Fee income	$ 30	$ 35	$ 34
Personal Lines				
Installment billing fees	Fee income	34	37	40
Insurance servicing revenues	Other revenues	81	83	84
Group Benefits				
Administrative services	Fee income	175	180	175
Hartford Funds				
Advisor, distribution and other management fees	Fee income	901	911	947
Other fees	Fee income	88	88	85
Corporate				
Investment management and other fees	Fee income	49	50	32
Transition service revenues	Other revenues	2	20	21
Total non-insurance revenues with customers		**$ 1,360**	**$ 1,404**	**$ 1,418**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. FAIR VALUE MEASUREMENTS

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs.

The fair value hierarchy levels are as follows:

Level 1 Fair values based primarily on unadjusted quoted prices for identical assets or liabilities, in active markets that the Company has the ability to access at the measurement date.

Level 2 Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.

Level 3 Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine fair values that the Company has classified within Level 3.

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2020

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
Asset backed securities ("ABS")	$ 1,564	$ —	$ 1,564	$ —
Collateralized loan obligations ("CLOs")	2,780	—	2,420	360
Commercial mortgage-backed securities ("CMBS")	4,484	—	4,407	77
Corporate	20,273	—	19,392	881
Foreign government/government agencies	919	—	913	6
Municipal	9,503	—	9,503	—
Residential mortgage-backed securities ("RMBS")	4,107	—	3,726	381
U.S. Treasuries	1,405	529	876	—
Total fixed maturities	45,035	529	42,801	1,705
Equity securities, at fair value	1,438	872	496	70
Derivative assets				
Credit derivatives	21	—	21	—
Foreign exchange derivatives	1	—	1	—
Interest rate derivatives	1	—	1	—
Total derivative assets [1]	23	—	23	—
Short-term investments	3,283	2,663	590	30
Total assets accounted for at fair value on a recurring basis	**$ 49,779**	**$ 4,064**	**$ 43,910**	**$ 1,805**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Foreign exchange derivatives	$ (14)	$ —	$ (14)	$ —
Interest rate derivatives	(70)	—	(70)	—
Total derivative liabilities [2]	(84)	—	(84)	—
Total liabilities accounted for at fair value on a recurring basis	**$ (84)**	**$ —**	**$ (84)**	**$ —**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2019

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	$ 1,476	$ —	$ 1,461	$ 15
CLOs	2,183	—	2,088	95
CMBS	4,338	—	4,329	9
Corporate	17,396	—	16,664	732
Foreign government/government agencies	1,123	—	1,120	3
Municipal	9,498	—	9,498	—
RMBS	4,869	—	4,309	560
U.S. Treasuries	1,265	330	935	—
Total fixed maturities	42,148	330	40,404	1,414
Equity securities, at fair value	1,657	1,401	183	73
Derivative assets				
Credit derivatives	11	—	11	—
Interest rate derivatives	1	—	1	—
Total derivative assets [1]	12	—	12	—
Short-term investments	2,921	1,028	1,878	15
Total assets accounted for at fair value on a recurring basis	**$ 46,738**	**$ 2,759**	**$ 42,477**	**$ 1,502**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Credit derivatives	$ (1)	$ —	$ (1)	$ —
Equity derivatives	(15)	—	—	(15)
Foreign exchange derivatives	(2)	—	(2)	—
Interest rate derivatives	(60)	—	(60)	—
Total derivative liabilities [2]	(78)	—	(63)	(15)
Contingent consideration [3]	(22)	—	—	(22)
Total liabilities accounted for at fair value on a recurring basis	**$ (100)**	**$ —**	**$ (63)**	**$ (37)**

[1]Includes derivative instruments in a net positive fair value position after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law. See footnote 2 to this table for derivative liabilities.

[2]Includes derivative instruments in a net negative fair value position (derivative liability) after consideration of the accrued interest and impact of collateral posting requirements which may be imposed by agreements and applicable law.

[3]For additional information, see the Contingent Consideration section below.

In connection with the acquisition of Navigators Group, the Company has overseas deposits in Other Invested Assets of $54 and $38 as of December 31, 2020 and December 31, 2019, respectively, which are measured at fair value using the net asset value as a practical expedient.

Fixed Maturities, Equity Securities, Short-term Investments, and Derivatives

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs

used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.

- Internal matrix pricing, which is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer's financial strength and term to maturity, using an independent public security index, while the credit spread differential considers the non-public nature of the security. Securities priced using internal matrix pricing are classified as Level 2 because the significant inputs are observable or can be corroborated with observable data.
- Independent broker quotes, which are typically non-binding, use inputs that can be difficult to corroborate with observable market based data. Brokers may use present value techniques using assumptions specific to the security types, or they may use recent transactions of similar securities. Due to the lack of transparency in the process that brokers use to develop prices, valuations that are based on independent broker quotes are classified as Level 3.

The fair value of derivative instruments is determined primarily using a discounted cash flow model or option model technique and incorporates counterparty credit risk. In some cases, quoted market prices for exchange-traded and OTC-cleared derivatives may be used and in other cases independent broker quotes may be used. The pricing valuation models primarily use inputs that are observable in the market or can be corroborated by observable market data. The valuation of certain derivatives may include significant inputs that are unobservable, such as volatility levels, and reflect the Company's view of what other market participants would use when pricing such instruments.

Valuation Controls

The process for determining the fair value of investments is monitored by the Valuation Committee, which is a cross-functional group of senior management within the Company. The purpose of the Valuation Committee is to provide oversight of the pricing policy, procedures and controls, including approval of valuation methodologies and pricing sources. The Valuation Committee reviews market data trends, pricing statistics and trading statistics to ensure that prices are reasonable and consistent with our fair value framework. Controls and procedures used to assess third-party pricing services are reviewed by the Valuation Committee, including the results of annual due-diligence reviews. Controls include, but are not limited to, reviewing daily and monthly price changes, stale prices, and missing prices and comparing new trade prices to third-party pricing services, weekly price changes to published bond prices of a corporate bond index, and daily OTC derivative market valuations to counterparty valuations. The Company has a dedicated pricing unit that works with trading and investment professionals to challenge the price received by a third party pricing source if the Company believes that the valuation received does not accurately reflect the fair value. New valuation models and changes to current models require approval by the Valuation Committee. In addition, the Company's enterprise-wide Operational Risk Management function provides an independent review of the suitability and reliability of model inputs, as well as an analysis of significant changes to current models.

Valuation Inputs

Quoted prices for identical assets in active markets are considered Level 1 and consist of on-the-run U.S. Treasuries, money market funds, exchange-traded equity securities, open-ended mutual funds, certain short-term investments, and exchange traded futures and option contracts.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Valuation Inputs Used in Levels 2 and 3 Measurements for Securities and Derivatives

Level 2 Primary Observable Inputs	Level 3 Primary Unobservable Inputs
Fixed Maturity Investments	
Structured securities (includes ABS, CLOs, CMBS and RMBS)	
• Benchmark yields and spreads • Monthly payment information • Collateral performance, which varies by vintage year and includes delinquency rates, loss severity rates and refinancing assumptions • Credit default swap indices Other inputs for ABS, CLOs, and RMBS: • Estimate of future principal prepayments, derived from the characteristics of the underlying structure • Prepayment speeds previously experienced at the interest rate levels projected for the collateral	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for less liquid securities or those that trade less actively, including subprime RMBS: • Estimated cash flows • Credit spreads, which include illiquidity premium • Constant prepayment rates • Constant default rates • Loss severity
Corporates	
• Benchmark yields and spreads • Reported trades, bids, offers of the same or similar securities • Issuer spreads and credit default swap curves Other inputs for investment grade privately placed securities that utilize internal matrix pricing : • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature	• Independent broker quotes • Credit spreads beyond observable curve • Interest rates beyond observable curve Other inputs for below investment grade privately placed securities and private bank loans: • Credit spreads for public securities of similar quality, maturity, and sector, adjusted for non-public nature
U.S Treasuries, Municipals, and Foreign government/government agencies	
• Benchmark yields and spreads • Issuer credit default swap curves • Political events in emerging market economies • Municipal Securities Rulemaking Board reported trades and material event notices • Issuer financial statements	• Credit spreads beyond observable curve • Interest rates beyond observable curve
Equity Securities	
• Quoted prices in markets that are not active	• For privately traded equity securities, internal discounted cash flow models utilizing earnings multiples or other cash flow assumptions that are not observable
Short-term Investments	
• Benchmark yields and spreads • Reported trades, bids, offers • Issuer spreads and credit default swap curves • Material event notices and new issue money market rates	• Independent broker quotes
Derivatives	
Credit derivatives	
• Swap yield curve • Credit default swap curves	Not applicable
Equity derivatives	
• Equity index levels • Swap yield curve	• Independent broker quotes • Equity volatility
Foreign exchange derivatives	
• Swap yield curve • Currency spot and forward rates • Cross currency basis curves	Not applicable
Interest rate derivatives	
• Swap yield curve	• Independent broker quotes • Interest rate volatility

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Significant Unobservable Inputs for Level 3 - Securities

Assets accounted for at fair value on a recurring basis	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
As of December 31, 2020							
CLOs [3]	$ 340	Discounted cash flows	Spread	304 bps	305 bps	304 bps	Decrease
CMBS [3]	$ 20	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	255 bps	975 bps	688 bps	Decrease
Corporate [4]	$ 749	Discounted cash flows	Spread	110 bps	692 bps	293 bps	Decrease
RMBS [3]	$ 364	Discounted cash flows	Spread [6]	7 bps	937 bps	119 bps	Decrease
			Constant prepayment rate [6]	—%	10%	5%	Decrease [5]
			Constant default rate [6]	2%	6%	3%	Decrease
			Loss severity [6]	—%	100%	84%	Decrease
As of December 31, 2019							
CLOs [3]	$ 95	Discounted cash flows	Spread	246 bps	246 bps	246 bps	Decrease
CMBS [3]	$ 1	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9 bps	1,832 bps	161 bps	Decrease
Corporate [4]	$ 633	Discounted cash flows	Spread	93 bps	788 bps	236 bps	Decrease
RMBS [3]	$ 560	Discounted cash flows	Spread [6]	5 bps	233 bps	79 bps	Decrease
			Constant prepayment rate [6]	—%	11%	6%	Decrease [5]
			Constant default rate [6]	1%	6%	3%	Decrease
			Loss severity [6]	—%	100%	70%	Decrease

[1]The weighted average is determined based on the fair value of the securities.
[2]Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table.
[3]Excludes securities for which the Company bases fair value on broker quotations.
[4]Excludes securities for which the Company bases fair value on broker quotations; however, included are broker priced lower-rated private placement securities for which the Company receives spread and yield information to corroborate the fair value.
[5]Decrease for above market rate coupons and increase for below market rate coupons.
[6]Generally, a change in the assumption used for the constant default rate would have been accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for constant prepayment rate and would have resulted in wider spreads.

Significant Unobservable Inputs for Level 3 - Derivatives [1]

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [2]	Impact of Increase in Input on Fair Value [3]
As of December 31, 2019							
Equity options	$ (15)	Option model	Equity volatility	13 %	28 %	17 %	Increase

[1]As of December 31, 2020, the fair values of the Company's level 3 derivatives were less than $1 and are excluded from the table.
[2]The weighted average is determined based on the fair value of the derivatives.
[3]Conversely, the impact of a decrease in input would have the opposite impact to the fair value as that presented in the table. Changes are based on long positions, unless otherwise noted. Changes in fair value will be inversely impacted for short positions.

The tables above exclude certain securities for which fair values are predominately based on independent broker quotes. While the Company does not have access to the significant unobservable inputs that independent brokers may use in their pricing process, the Company believes brokers likely use inputs similar to those used by the Company and third-party pricing services to price similar instruments. As such, in their pricing models, brokers likely use estimated loss severity rates, prepayment rates, constant default rates and credit spreads. Therefore, similar to non-broker priced securities, increases in these inputs would generally cause fair values to decrease. For the year ended December 31, 2020, no significant adjustments were made by the Company to broker prices received.

Contingent Consideration

The acquisition of Lattice Strategies LLC ("Lattice") on July 29, 2016 required the Company to make payments to former owners of Lattice of up to $60 contingent upon growth in exchange-traded products ("ETP") assets under management ("AUM") over a period of four years beginning on the date of acquisition. The contingent consideration was measured at fair value on a quarterly basis by projecting future eligible ETP AUM over the contingency period to estimate the amount of expected payout. The future expected payout had been discounted back to the valuation date using a risk-adjusted discount rate of 10.0%. The risk-adjusted discount rate is an internally generated and significant unobservable input to fair value.

In January 2020, we made a third payment of $10 after Lattice AUM reached $3.0 billion. Given the dramatic market declines and outflow in March, 2020, Lattice AUM declined to $2.3 billion as of March 30, 2020 and the Company reduced the remaining contingent consideration liability to zero, recognizing an $11.9 before tax reduction in expense in first quarter 2020. The earn out period ended on July 29, 2020 with no additional consideration payable.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs

The Company uses derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified within the same fair value hierarchy level as the associated asset or liability. Therefore, the realized and unrealized gains and losses on derivatives reported in the Level 3 rollforward may be offset by realized and unrealized gains and losses of the associated assets and liabilities in other line items of the financial statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Year Ended December 31, 2020

		Total realized/unrealized gains (losses)							
	Fair value as of January 1, 2020	Included in net income [1]	Included in OCI [2]	Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of December 31, 2020
Assets									
Fixed Maturities, AFS									
ABS	$ 15	$ —	$ (1)	$ 43	$ —	$ —	$ —	$ (57)	$ —
CLOs	95	—	1	389	(43)	—	—	(82)	360
CMBS	9	—	3	79	(5)	—	13	(22)	77
Corporate	732	(31)	31	272	(143)	(36)	486	(430)	881
Foreign Govt./Govt. Agencies	3	—	—	6	—	—	—	(3)	6
Municipal	—	(3)	2	—	—	(6)	7	—	—
RMBS	560	—	(11)	66	(182)	(7)	—	(45)	381
Total Fixed Maturities, AFS	1,414	(34)	25	855	(373)	(49)	506	(639)	1,705
Equity Securities, at fair value	73	(10)	—	6	—	—	1	—	70
Short-term investments	15	—	—	30	(15)	—	—	—	30
Total Assets	**1,502**	**(44)**	**25**	**891**	**(388)**	**(49)**	**507**	**(639)**	**1,805**
Liabilities									
Derivatives, net [4]									
Equity	(15)	36	—	—	(21)	—	—	—	—
Total Derivatives, net [4]	(15)	36	—	—	(21)	—	—	—	—
Contingent Consideration	(22)	12	—	—	10	—	—	—	—
Total Liabilities	**$ (37)**	**$ 48**	**$ —**	**$ —**	**$ (11)**	**$ —**	**$ —**	**$ —**	**$ —**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Year Ended December 31, 2019

		Total realized/unrealized gains (losses)							
	Fair value as of January 1, 2019	Included in net income [1]	Included in OCI [2]	Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of December 31, 2019
Assets									
Fixed Maturities, AFS									
ABS	$ 10	$ —	$ —	$ 20	$ (1)	$ —	$ —	$ (14)	$ 15
CLOs	100	—	—	329	(127)	(6)	—	(201)	95
CMBS	12	—	1	34	(4)	—	—	(34)	9
Corporate	520	(4)	16	354	(59)	(88)	61	(68)	732
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	920	1	(8)	134	(214)	(35)	—	(238)	560
Total Fixed Maturities, AFS	1,565	(3)	9	871	(405)	(129)	61	(555)	1,414
Equity Securities, at fair value	77	—	—	9	—	(13)	—	—	73
Derivatives, net [4]									
Interest rate	1	(1)	—	—	—	—	—	—	—
Total Derivatives, net [4]	1	(1)	—	—	—	—	—	—	—
Short-term investments	—	—	—	15	—	—	—	—	15
Total Assets	**1,643**	**(4)**	**9**	**895**	**(405)**	**(142)**	**61**	**(555)**	**1,502**
Liabilities									
Derivatives, net [4]									
Equity	3	(18)	—	—	—	—	—	—	(15)
Total Derivatives, net [4]	3	(18)	—	—	—	—	—	—	(15)
Contingent Considerations	(35)	(7)	—	—	20	—	—	—	(22)
Total Liabilities	**$ (32)**	**$ (25)**	**$ —**	**$ —**	**$ 20**	**$ —**	**$ —**	**$ —**	**$ (37)**

[1]Amounts in these columns are generally reported in net realized capital gains (losses). All amounts are before income taxes.
[2]All amounts are before income taxes.
[3]Transfers in and/or (out) of Level 3 are primarily attributable to the availability of market observable information and the re-evaluation of the observability of pricing inputs. Transfers into and out of Level 3 for the year ended December 31, 2020, were primarily related to private securities that were priced using internal matrix pricing in the prior period, but changed to broker pricing in the current period and inversely, private securities that were priced using broker pricing in the prior period, but changed to internal matrix pricing in the current period.
[4]Derivative instruments are reported in this table on a net basis for asset (liability) positions and reported in the Consolidated Balance Sheets in other investments and other liabilities.

Changes in Unrealized Gains (Losses) for Financial Instruments Classified as Level 3 Still Held at Year End

	December 31,			
	2020		2019	
	Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]	Changes in Unrealized Gain/(Loss) included in OCI [3]	Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]	Changes in Unrealized Gain/(Loss) included in OCI [3]
Assets				
Fixed Maturities, AFS				
CLOs	$ —	$ 1	$ —	$ —
CMBS	—	4	—	1
Corporate	(21)	24	(2)	15
Foreign Govt./Govt. Agencies	—	—	—	1
RMBS	—	(10)	—	(7)
Total Fixed Maturities, AFS	(21)	19	(2)	10
Equity Securities, at fair value	(9)	—	1	—
Derivatives, net				
Equity	—	—	(18)	—
Interest rate	—	—	(1)	—
Total Derivatives, net	—	—	(19)	—
Total Assets	**(30)**	**19**	**(20)**	**10**
Liabilities				
Contingent Consideration	12	—	(7)	—
Total Liabilities	**$ 12**	**$ —**	**$ (7)**	**$ —**

[1]All amounts in these rows are reported in net realized capital gains (losses). All amounts are before income taxes.
[2]Amounts presented are for Level 3 only and therefore may not agree to other disclosures included herein.
[3]Changes in unrealized gain (loss) on fixed maturities, AFS are reported in changes in net unrealized gain on securities in the Consolidated Statements of Comprehensive Income. Changes in interest rate derivatives are reported in changes in net gain on cash flow hedging instruments in the Consolidated Statements of Comprehensive Income.

Financial Instruments Not Carried at Fair Value

Financial Assets and Liabilities Not Carried at Fair Value

	December 31, 2020			December 31, 2019		
	Fair Value Hierarchy Level	Carrying Amount [1]	Fair Value	Fair Value Hierarchy Level	Carrying Amount [1]	Fair Value
Assets						
Mortgage loans	Level 3	$ 4,493	$ 4,792	Level 3	$ 4,215	$ 4,350
Liabilities						
Other policyholder funds and benefits payable	Level 3	$ 701	$ 703	Level 3	$ 763	$ 765
Senior notes [2]	Level 2	$ 3,262	$ 4,363	Level 2	$ 3,759	$ 4,456
Junior subordinated debentures [2]	Level 2	$ 1,090	$ 1,107	Level 2	$ 1,089	$ 1,153

[1] As of December 31, 2020, carrying amount of mortgage loans is net of ACL of $38.
[2] Included in long-term debt in the Consolidated Balance Sheets, except for current maturities, which are included in short-term debt.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS

Net Investment Income

	For the years ended December 31,		
(Before tax)	2020	2019	2018
Fixed maturities [1]	$ 1,442	$ 1,559	$ 1,459
Equity securities	39	46	32
Mortgage loans	172	165	141
Limited partnerships and other alternative investments	222	232	205
Other investments [2]	42	32	20
Investment expenses	(71)	(83)	(77)
Total net investment income	**$ 1,846**	**$ 1,951**	**$ 1,780**

[1]Includes net investment income on short-term investments.
[2]Primarily includes changes in fair value of certain equity fund investments and income from derivatives that qualify for hedge accounting and are used to hedge fixed maturities.

Net Realized Capital Gains (Losses)

	For the years ended December 31,		
(Before tax)	2020	2019	2018
Gross gains on sales	$ 255	$ 234	$ 114
Gross losses on sales	(50)	(56)	(172)
Equity securities [1]	(214)	254	(48)
Net credit losses on fixed maturities, AFS [2]	(28)		
Change in ACL on mortgage loans [3]	(19)		
Intent-to-sell impairments	(5)	—	—
Net OTTI losses recognized in earnings		(3)	(1)
Valuation allowances on mortgage loans		1	—
Other, net [4]	47	(35)	(5)
Net realized capital gains (losses)	**$ (14)**	**$ 395**	**$ (112)**

[1] The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2020, were $53 for the year-ended December 31, 2020. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2019, were $164 for the year-ended December 31, 2019. The net unrealized gains (losses) on equity securities included in net realized capital gains (losses) related to equity securities still held as of December 31, 2018, were $(80) for the year-ended December 31, 2018.
[2]Due to the adoption of accounting guidance for credit losses on January 1, 2020, realized capital losses previously reported as OTTI are now presented as credit losses which are net of any recoveries. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.
[3] Represents the change in ACL recorded during the period following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.
[4]Includes gains (losses) on non-qualifying derivatives for 2020, 2019, and 2018 of $104, $(24), and $(12), respectively, gains (losses) from transactional foreign currency revaluation of $(1), $(9) and $1, respectively, and a loss of $48 from the sale of the Continental Europe Operations for the year ended December 31, 2020.

Sales of AFS Securities

	For the years ended December 31,		
	2020	2019	2018
Fixed maturities, AFS			
Sale proceeds	$ 15,059	$ 14,421	$ 21,327
Gross gains	$ 254	$ 233	$ 90
Gross losses	$ (50)	$ (56)	$ (169)

Sales of AFS securities in 2020 were primarily a result of tactical changes to the portfolio driven by changing market conditions and to a lesser extent duration and liquidity management.

Accrued Interest Receivable on Fixed Maturities, AFS and Mortgage Loans

As of December 31, 2020 and December 31, 2019, the Company reported accrued interest receivable related to fixed maturities, AFS of $327 and $334, respectively, and accrued interest receivable related to mortgage loans of $14 and $14, respectively. These amounts are recorded in other assets on the Consolidated Balance Sheets and are not included in the carrying value of the fixed maturities or mortgage loans. The Company does not include the current accrued interest receivable balance when estimating the ACL. The Company has a policy to write-off accrued interest receivable balances that are more than 90 days past due. Write-offs of accrued interest receivable are recorded as a credit loss component of net realized capital gains and losses.

Interest income on fixed maturities and mortgage loans is accrued unless it is past due over 90 days or management deems the interest uncollectible.

Recognition and Presentation of Intent-to-Sell Impairments and ACL on Fixed Maturities, AFS

The Company will record an "intent-to-sell impairment" as a reduction to the amortized cost of fixed maturities, AFS in an unrealized loss position if the Company intends to sell or it is more likely than not that the Company will be required to sell the fixed maturity before a recovery in value. A corresponding charge is recorded in net realized capital losses equal to the difference between the fair value on the impairment date and the amortized cost basis of the fixed maturity before recognizing the impairment.

When fixed maturities are in an unrealized loss position and the Company does not record an intent-to-sell impairment, the Company will record an ACL for the portion of the unrealized loss due to a credit loss. Any remaining unrealized loss on a fixed maturity after recording an ACL is the non-credit amount and is recorded in OCI. The ACL is the excess of the amortized cost over the greater of the Company's best estimate of the present value of expected future cash flows or the security's fair value. Cash flows are discounted at the effective yield that is used to record interest income. The ACL cannot exceed the unrealized loss and, therefore, it may fluctuate with changes in the fair value of the fixed maturity if the fair value is greater than the Company's best estimate of the present value of expected future cash flows. The initial ACL and any subsequent changes are recorded in net realized capital gains and losses. The ACL is written off against the amortized cost in the period in which all or a portion of the related fixed maturity is determined to be uncollectible.

Developing the Company’s best estimate of expected future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. The Company's considerations include, but are not limited to, (a) changes in the financial condition of the issuer and/or the underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) credit ratings, (d) payment structure of the security and (e) the extent to which the fair value has been less than the amortized cost of the security.

For non-structured securities, assumptions include, but are not limited to, economic and industry-specific trends and fundamentals, instrument-specific developments including changes in credit ratings, industry earnings multiples and the issuer’s ability to restructure, access capital markets, and execute asset sales.

For structured securities, assumptions include, but are not limited to, various performance indicators such as historical and projected default and recovery rates, credit ratings, current and projected delinquency rates, loan-to-value ratios ("LTVs"), average cumulative collateral loss rates that vary by vintage year, prepayment speeds, and property value declines. These assumptions require the use of significant management judgment and include the probability of issuer default and estimates regarding timing and amount of expected recoveries which may include estimating the underlying collateral value.

Prior to January 1, 2020, the Company recorded an OTTI loss on fixed maturities for which the Company did not expect to recover the entire amortized cost basis. For these securities, the excess of the amortized cost basis over its fair value was separated into the portion representing a credit OTTI, which was recorded in net realized capital losses, and the remaining non-credit amount, which was recorded in OCI. The Company’s best estimate of discounted expected future cash flows became the new cost basis and accreted prospectively into net investment income over the estimated remaining life of the security.

ACL on Fixed Maturities, AFS by Type

	Year ended 2020		
(Before tax)	Corporate	Municipal	Total
Balance, beginning of year	$ —	$ —	$ —
Credit losses on fixed maturities where an allowance was not previously recorded	36	3	39
Reduction due to sales	(4)	(3)	(7)
Net increases (decreases) on fixed maturities where an allowance was previously recorded	(9)	—	(9)
Balance as of end of period	**$ 23**	**$ —**	**$ 23**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cumulative Credit Impairments on Fixed Maturities, AFS

	For the years ended December 31,	
(Before tax)	2019	2018
Balance as of beginning of period	$ (19)	$ (25)
Additions for credit impairments recognized on [1]:		
Fixed maturities not previously impaired	(3)	—
Fixed maturities previously impaired	—	(1)
Reductions for credit impairments previously recognized on:		
Fixed maturities that matured or were sold during the period	3	7
Balance as of end of period	**$ (19)**	**$ (19)**

[1]These additions are included in the net OTTI losses recognized in earnings in the Consolidated Statements of Operations.

Fixed Maturities, AFS

Fixed Maturities, AFS, by Type

	December 31, 2020					December 31, 2019				
	Amortized Cost	ACL [1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [2]
ABS	$ 1,525	$ —	$ 39	$ —	$ 1,564	$ 1,461	$ 18	$ (3)	$ 1,476	$ —
CLOs	2,780	—	7	(7)	2,780	2,186	5	(8)	2,183	—
CMBS	4,219	—	286	(21)	4,484	4,210	141	(13)	4,338	(4)
Corporate	18,401	(23)	1,926	(31)	20,273	16,435	986	(25)	17,396	—
Foreign govt./govt. agencies	842	—	77	—	919	1,057	66	—	1,123	—
Municipal	8,564	—	940	(1)	9,503	8,763	737	(2)	9,498	—
RMBS	3,966	—	144	(3)	4,107	4,775	97	(3)	4,869	—
U.S. Treasuries	1,264	—	141	—	1,405	1,191	75	(1)	1,265	—
Total fixed maturities, AFS	**$ 41,561**	**$ (23)**	**$ 3,560**	**$ (63)**	**$ 45,035**	**$ 40,078**	**$ 2,125**	**$ (55)**	**$ 42,148**	**$ (4)**

[1]Represents the ACL recorded following the adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.
[2]Represents the amount of cumulative non-credit impairment losses recognized in OCI on fixed maturities that also had credit impairments. These losses are included in gross unrealized losses as of December 31, 2019.

Fixed Maturities, AFS, by Contractual Maturity Year

	December 31, 2020		December 31, 2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 1,411	$ 1,432	$ 1,082	$ 1,090
Over one year through five years	7,832	8,286	7,200	7,401
Over five years through ten years	7,622	8,354	7,395	7,803
Over ten years	12,206	14,028	11,769	12,988
Subtotal	29,071	32,100	27,446	29,282
Mortgage-backed and asset-backed securities	12,490	12,935	12,632	12,866
Total fixed maturities, AFS	**$ 41,561**	**$ 45,035**	**$ 40,078**	**$ 42,148**

Estimated maturities may differ from contractual maturities due to call or prepayment provisions. Due to the potential for variability in payment speeds (i.e. prepayments or extensions), mortgage-backed and asset-backed securities are not categorized by contractual maturity.

Concentration of Credit Risk

The Company aims to maintain a diversified investment portfolio including issuer, sector and geographic stratification, where applicable, and has established certain exposure limits, diversification standards and review procedures to mitigate credit risk. The Company had no investment exposure to any credit concentration risk of a single issuer greater than 10% of the Company's stockholders' equity, other than the U.S. government and certain U.S. government agencies as of December 31, 2020 or December 31, 2019. As of December 31, 2020, other than U.S. government and certain U.S. government agencies, the Company's three largest exposures by issuer were Apple Inc., the IBM Corporation, and the New York State Dormitory Authority each of which comprised less than 1% of total invested assets. As of December 31, 2019, other than U.S. government and certain U.S. government agencies, the Company's three largest exposures by issuer were the Government of the United Kingdom, the New York State Dormitory Authority, and Wells Fargo & Company each of which comprised less than 1% of total invested assets. The Company's three largest exposures by sector as of December 31, 2020 were the municipal sector, the financial services sector, and the CMBS sector which comprised approximately 17%, 9% and 8%, respectively, of total invested assets. The Company's three largest exposures by sector as of December 31, 2019 were the municipal, RMBS, and CMBS sectors which comprised approximately 18%, 9% and 8%, respectively, of total invested assets.

Unrealized Losses on Fixed Maturities, AFS

Unrealized Loss Aging for Fixed Maturities, AFS by Type and Length of Time as of December 31, 2020

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 44	$ —	$ —	$ —	$ 44	$ —
CLOs	758	(2)	715	(5)	1,473	(7)
CMBS	410	(17)	19	(4)	429	(21)
Corporate	466	(13)	212	(18)	678	(31)
Foreign govt./govt. agencies	24	—	—	—	24	—
Municipal	34	(1)	—	—	34	(1)
RMBS	461	(3)	21	—	482	(3)
U.S. Treasuries	39	—	—	—	39	—
Total fixed maturities, AFS in an unrealized loss position	**$ 2,236**	**$ (36)**	**$ 967**	**$ (27)**	**$ 3,203**	**$ (63)**

Unrealized Loss Aging for Fixed Maturities, AFS by Type and Length of Time as of December 31, 2019

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
ABS	$ 398	$ (3)	$ 9	$ —	$ 407	$ (3)
CLOs	679	(2)	923	(6)	1,602	(8)
CMBS	538	(7)	20	(6)	558	(13)
Corporate	789	(9)	328	(16)	1,117	(25)
Foreign govt./govt. agencies	101	—	29	—	130	—
Municipal	222	(2)	—	—	222	(2)
RMBS	614	(3)	68	—	682	(3)
U.S. Treasuries	88	—	34	(1)	122	(1)
Total fixed maturities, AFS in an unrealized loss position	**$ 3,429**	**$ (26)**	**$ 1,411**	**$ (29)**	**$ 4,840**	**$ (55)**

As of December 31, 2020, fixed maturities, AFS in an unrealized loss position consisted of 547 instruments, primarily in the corporate sectors, most notably travel, leisure, gaming, energy and financial services issuers, and CMBS which were depressed largely due to widening of credit spreads since the purchase date. As of December 31, 2020, 95% of these fixed maturities were depressed less than 20% of cost or amortized cost. The increase in gross unrealized losses during 2020 was primarily attributable to wider credit spreads within higher yielding corporates and CMBS.

Most of the fixed maturities depressed for twelve months or more relate to the corporate sector. Corporate fixed maturities were primarily depressed because current market spreads are wider than at the respective purchase dates, with certain securities also depressed because of their variable-rate coupons and long-dated maturities. The Company neither has an intention to sell nor does it expect to be required to sell the fixed maturities outlined in the preceding discussion. The decision to record credit losses on fixed maturities, AFS in the form of an ACL requires us to make qualitative and quantitative estimates of expected future cash flows. Given the uncertainty about the ultimate impact of the COVID-19 pandemic on issuers of these securities, actual cash flows could ultimately deviate significantly from our expectations resulting in realized losses in future periods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Mortgage Loans

ACL on Mortgage Loans

The Company reviews mortgage loans on a quarterly basis to estimate the ACL with changes in the ACL recorded in net realized capital gains and losses. Apart from an ACL recorded on individual mortgage loans where the borrower is experiencing financial difficulties, the Company records an ACL on the pool of mortgage loans based on lifetime expected credit losses. The Company utilizes a third-party forecasting model to estimate lifetime expected credit losses at a loan level under multiple economic scenarios. The scenarios use macroeconomic data provided by an internationally recognized economics firm that generates forecasts of varying economic factors such as GDP growth, unemployment and interest rates. The economic scenarios are projected over 10 years. The first two to four years of the 10-year period assume a specific modeled economic scenario (including moderate upside, moderate recession and severe recession scenarios) and then revert to historical long-term assumptions over the remaining period. Using these economic scenarios, the forecasting model projects property-specific operating income and capitalization rates used to estimate the value of a future operating income stream. The operating income and the property valuations derived from capitalization rates are compared to loan payment and principal amounts to create debt service coverage ratios ("DSCRs") and loan-to-value ratios ("LTVs") over the forecast period. The model overlays historical data about mortgage loan performance based on DSCRs and LTVs and projects the probability of default, amount of loss given a default and resulting expected loss through maturity for each loan under each economic scenario. Economic scenarios are probability-weighted based on a statistical analysis of the forecasted economic factors and qualitative analysis. The Company records the change in the ACL on mortgage loans based on the weighted-average expected credit losses across the selected economic scenarios.

In response to significant economic stress experienced as a result of the COVID-19 pandemic, during 2020 the Company increased the weight of both a moderate and severe recession in our estimate of the ACL. The Company continues to monitor economic uncertainty including rising COVID-19 infections leading to short-term lockdowns and the corresponding impact that this might have on the mortgage loan portfolio.

We expect the impact on our mortgage loan portfolio will be impacted by borrower behavior in response to the economic stress. Borrowers with lower LTVs have an incentive to continue to make payments of principal and/or interest in order to preserve the equity they have in the underlying commercial real estate properties. As property values decline, borrowers have less incentive to continue to make payments.

When a borrower is experiencing financial difficulty, including when foreclosure is probable, the Company measures an ACL on individual mortgage loans. The ACL is established for any shortfall between the amortized cost of the loan and the fair value of the collateral less costs to sell. Estimates of collectibility from an individual borrower require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, cash flow projections may change based upon new information about the borrower's ability to pay and/or the value of underlying collateral such as changes in projected property value estimates. As of December 31, 2020, the Company did not have any mortgage loans for which an ACL was established on an individual basis.

Prior to January 1, 2020, for mortgage loans that were deemed impaired, a valuation allowance was established for the difference between the carrying amount and estimated fair value, which was generally the Company's share of the fair value of the collateral. A valuation allowance also may have been recorded for an individual loan or for a group of loans that had an LTV ratio of 90% or greater, a low DSCR or other lower credit quality characteristics. Changes in valuation allowances were recognized as net realized capital losses.

There were no mortgage loans held-for-sale as of December 31, 2020 or December 31, 2019. As of December 31, 2020, the Company had no mortgage loans that have had extensions or restructurings other than what is allowable under the original terms of the contract.

ACL on Mortgage Loans

	For the years ended December 31,		
	2020	2019	2018
ACL as of beginning of period	**$ —**	**$ 1**	**$ 1**
Cumulative effect of accounting changes [1]	19		
Adjusted beginning ACL	**19**	**1**	**1**
Current period provision (release)	19	(1)	—
ACL as of December 31,	**$ 38**	**$ —**	**$ 1**

[1] Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

The increase in the allowance for the year-ended December 31, 2020, is the result of the COVID-19 pandemic and its impacts on the economic forecasts, as discussed above, as well as lower estimated property values and operating income as compared to the prior year.

The weighted-average LTV ratio of the Company’s mortgage loan portfolio was 55% as of December 31, 2020, while the weighted-average LTV ratio at origination of these loans was 60%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan with property values based on appraisals updated no less than annually. Factors considered in estimating property values include, among other things, actual and expected property cash flows, geographic market data and the ratio of the property's net operating income to its value. DSCR compares a property’s net operating income to the borrower’s principal and interest payments and are updated no less than annually through reviews of underlying properties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Mortgage Loans LTV & DSCR by Origination Year as of December 31, 2020

	2020		2019		2018		2017		2016		2015 & Prior		Total	
Loan-to-value	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost	Avg. DSCR	Amortized Cost [1]	Avg. DSCR
65% - 80%	$ 28	1.62x	$ 243	1.58x	$ 212	1.33x	$ 45	2.02x	$ 51	1.92x	$ 115	1.74x	$ 694	1.59x
Less than 65%	659	2.56x	676	2.85x	410	2.25x	446	1.89x	235	2.99x	1,411	3.01x	3,837	2.69x
Total mortgage loans	**$ 687**	**2.52x**	**$ 919**	**2.51x**	**$ 622**	**1.94x**	**$ 491**	**1.90x**	**$ 286**	**2.80x**	**$ 1,526**	**2.92x**	**$ 4,531**	**2.52x**

[1] Amortized cost of mortgage loans excludes ACL of $38.

Mortgage Loans LTV & DSCR

	December 31, 2019	
Loan-to-value	Amortized Cost	Avg. DSCR
65% - 80%	$ 376	1.53x
Less than 65%	3,839	2.56x
Total mortgage loans	**$ 4,215**	**2.46x**

Mortgage Loans by Region

	December 31, 2020		December 31, 2019	
	Amortized Cost [1]	Percent of Total	Amortized Cost	Percent of Total
East North Central	$ 290	6.4 %	$ 270	6.4 %
Middle Atlantic	291	6.4 %	319	7.5 %
Mountain	254	5.6 %	109	2.6 %
New England	397	8.8 %	344	8.2 %
Pacific	1,001	22.1 %	906	21.5 %
South Atlantic	1,038	22.9 %	944	22.4 %
West North Central	44	1.0 %	46	1.1 %
West South Central	433	9.5 %	439	10.4 %
Other [2]	783	17.3 %	838	19.9 %
Total mortgage loans	**$ 4,531**	**100.0 %**	**$ 4,215**	**100.0 %**

[1] Amortized cost of mortgage loans excludes ACL of $38.
[2]Primarily represents loans collateralized by multiple properties in various regions.

Mortgage Loans by Property Type

	December 31, 2020		December 31, 2019	
	Amortized Cost [1]	Percent of Total	Amortized Cost	Percent of Total
Commercial				
Industrial	$ 1,339	29.5 %	$ 1,167	27.7 %
Multifamily	1,498	33.1 %	1,313	31.2 %
Office	774	17.1 %	723	17.2 %
Retail	788	17.4 %	735	17.4 %
Single Family	92	2.0 %	137	3.2 %
Other	40	0.9 %	140	3.3 %
Total mortgage loans	**$ 4,531**	**100.0 %**	**$ 4,215**	**100.0 %**

[1] Amortized cost of mortgage loans excludes ACL of $38.

Past-Due Mortgage Loans

Mortgage loans are considered past due if a payment of principal or interest is not received according to the contractual terms of the loan agreement, which typically includes a grace period. As of December 31, 2020 and December 31, 2019, the Company held no mortgage loans considered past due.

Mortgage Servicing

The Company originates, sells and services commercial mortgage loans on behalf of third parties and recognizes servicing fee income over the period that services are performed. As of December 31, 2020, under this program, the Company serviced mortgage loans with a total outstanding principal of $6.9 billion, of which $3.7 billion was serviced on behalf of third parties and $3.2 billion was retained and reported in total investments on the Company's Consolidated Balance Sheets. As of December 31, 2019, the Company serviced mortgage loans with a total outstanding principal balance of $6.4 billion, of which $3.5 billion was serviced on behalf of third parties and $2.9 billion was retained and reported in total investments on the Company's Consolidated Balance Sheets. Servicing rights are carried at the lower of cost or fair value and were $0 as of December 31, 2020 and December 31, 2019, because servicing fees were market-level fees at origination and remain adequate to compensate the Company for servicing the loans.

Purchased Financial Assets with Credit Deterioration

Purchased financial assets with credit deterioration ("PCD") are purchased financial assets with a “more-than-insignificant” amount of credit deterioration since origination. PCD assets are assessed only at initial acquisition date and for any investments identified, the Company records an allowance at acquisition with a corresponding increase to the amortized cost basis. As of December 31, 2020, the Company held no PCD fixed maturities, AFS or mortgage loans.

Variable Interest Entities

The Company is engaged with various special purpose entities and other entities that are deemed to be VIEs primarily as an investor through normal investment activities but also as an investment manager.

A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest, such as simple majority kick-out rights, or lacks sufficient funds to finance its own activities without financial support provided by other entities. The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in the Company's Consolidated Financial Statements.

Consolidated VIEs

As of December 31, 2020 and 2019, the Company did not hold any securities for which it is the primary beneficiary.

Non-Consolidated VIEs

The Company, through normal investment activities, makes passive investments in limited partnerships and other alternative investments. For these non-consolidated VIEs, the Company has determined it is not the primary beneficiary as it has no ability to direct activities that could significantly affect the economic performance of the investments. The Company's maximum exposure to loss as of December 31, 2020 and 2019 is limited to the total carrying value of $1.3 billion and $1.1 billion, respectively, which are included in limited partnerships and other alternative investments in the Company's Consolidated Balance Sheets. As of December 31, 2020 and 2019, the Company has outstanding commitments totaling $768 and $851, respectively, whereby the Company is committed to fund these investments and may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. These investments are generally of a passive nature in that the Company does not take an active role in management.

In addition, the Company makes passive investments in structured securities issued by VIEs for which the Company is not the manager. These investments are included in ABS, CLOs, CMBS and RMBS and are reported in fixed maturities, available-for-sale. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company's obligation to absorb losses or right to receive benefits and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

Securities Lending, Repurchase Agreements, Other Collateral Transactions and Restricted Investments

The Company may at times enter into securities financing transactions as a way to earn additional income or manage liquidity, primarily through securities lending and repurchase agreements.

Securities Lending and Repurchase Agreements

	December 31, 2020	December 31, 2019
	Fair Value	Fair Value
Securities Lending Transactions:		
Gross amount of securities on loan	$ —	$ 606
Gross amount of associated liability for collateral received [1]	$ —	$ 621
Repurchase agreements:		
Gross amount of recognized receivables for reverse repurchase agreements	$ 30	$ 15

[1]Cash collateral received is reinvested in fixed maturities, AFS and short term investments which are included in the Consolidated Balance Sheets. Amount includes additional securities collateral received of $0 and $34 which are excluded from the Company's Consolidated Balance Sheets as of December 31, 2020 and 2019, respectively.

Securities Lending

Under a securities lending program, the Company lends certain fixed maturities within the corporate, foreign government/government agencies, and municipal sectors as well as equity securities to qualifying third-party borrowers in return for collateral in the form of cash or securities. For domestic and non-domestic loaned securities, respectively, borrowers provide collateral of 102% and 105% of the fair value of the securities lent at the time of the loan. Borrowers will return the securities to the Company for cash or securities collateral at maturity dates generally of 90 days or less. Security collateral on deposit from counterparties in connection with securities lending transactions may not be sold or re-pledged, except in the event of default by the counterparty, and is not reflected on the Company's Consolidated Balance Sheets. Additional collateral is obtained if the fair value of the collateral falls below 100% of the fair value of the loaned securities. The agreements are continuous and do not have stated maturity dates and provide the counterparty the right to sell or re-pledge the securities loaned. If cash, rather than securities, is received as collateral, the cash is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Consolidated Balance Sheets. Income associated with securities lending transactions is reported as a component of net investment income in the Company's Consolidated Statements of Operations. As of December 31, 2020, the Company does not have any securities on loan as part of a securities lending program.

Repurchase Agreements

From time to time, the Company enters into repurchase agreements to manage liquidity or to earn incremental income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. The maturity of these transactions is generally ninety days or less. Repurchase agreements include master netting provisions that provide both parties the right to offset claims and apply securities held by them with respect to their obligations in the event of a default. Although the Company has the contractual right to offset claims, the Company's current positions do not meet the specific conditions for net presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Under repurchase agreements, the Company transfers collateral of U.S. government and government agency securities and receives cash. For repurchase agreements, the Company obtains cash in an amount equal to at least 95% of the fair value of the securities transferred. The agreements require additional collateral to be transferred under specified conditions and provide the counterparty the right to sell or re-pledge the securities transferred. The cash received from the repurchase program is typically invested in short-term investments or fixed maturities and is reported as an asset on the Company's Consolidated Balance Sheets. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturities, AFS with the obligation to repurchase those securities recorded in other liabilities on the Company's Consolidated Balance Sheets.

From time to time, the Company enters into reverse repurchase agreements where the Company purchases securities and simultaneously agrees to resell the same or substantially the same securities. The maturity of these transactions is generally within one year. The agreements require additional collateral to be transferred to the Company under specified conditions and the Company has the right to sell or re-pledge the securities received. The Company accounts for reverse repurchase agreements as collateralized financing. The receivable for reverse repurchase agreements is included within short-term investments in the Company's Consolidated Balance Sheets.

Other Collateral Transactions

As of December 31, 2020 and 2019, the Company pledged collateral of $34 and $37, respectively, of U.S. government securities and municipal securities or cash primarily related to certain bank loan participations committed to through a limited partnership agreement. These amounts also include collateral related to letters of credit.

For disclosure of collateral in support of derivative transactions, refer to the Derivative Collateral Arrangements section in Note 7 - Derivatives.

Other Restricted Investments

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of December 31, 2020 and 2019, the fair value of securities on deposit was $2.6 billion and $2.3 billion, respectively.

In addition, as of December 31, 2020, the Company held fixed maturities and short-term investments of $661 and $26, respectively, in trust for the benefit of syndicate policyholders, held fixed maturities of $175 in a Lloyd's trust account to provide a portion of the required capital, and maintained other investments of $54 primarily consisting of overseas deposits in various countries with Lloyd's to support underwriting activities in those countries. As of December 31, 2019, the Company held fixed maturities and short-term investments of $447 and $189, respectively, in trust and other investments of $38 primarily consisting of overseas deposits in various countries with Lloyd's.

Equity Method Investments

The majority of the Company's investments in limited partnerships and other alternative investments, including hedge funds, real estate funds, and private equity funds (collectively, “limited partnerships”), are accounted for under the equity method of accounting. The remainder of investments in limited partnerships and other alternative investments consists of investments in insurer-owned life insurance accounted for at cash surrender value. The Company's investment in Hopmeadow Holdings LP is reported in other assets on the Company's Consolidated Balance Sheets and is accounted for under the equity method of accounting. For further discussion on Hopmeadow Holdings LP, see Note 22 - Business Dispositions and Discontinued Operations.

The Company recognized total equity method income of $244, $267, and $214 for the years ended December 31, 2020, 2019 and 2018, respectively. Equity method income is reported in net investment income, except amounts related to strategic investments classified in other assets which are reported in other revenues. For investments accounted for under the equity method, the Company’s maximum exposure to loss as of December 31, 2020 is limited to the total carrying value of $2.0 billion. In addition, the Company has outstanding commitments totaling $804 to fund limited partnership investments as of December 31, 2020. The Company’s investments accounted for under the equity method are generally of a passive nature in that the Company does not take an active role in the management.

In 2020, aggregate investment income from investments accounted for under the equity method exceeded 10% of the Company’s pre-tax consolidated net income (loss). Accordingly, the Company is disclosing aggregated, summarized financial data for the Company’s investments accounted for under the equity method. This aggregated, summarized financial data does not represent the Company’s proportionate share of investees' assets or earnings. Aggregate total assets of the investees totaled $339.6 billion and $329.4 billion as of December 31, 2020 and 2019, respectively. Aggregate total liabilities of the investees totaled $181.5 billion and $191.2 billion as of December 31, 2020 and 2019, respectively. Aggregate net investment income of the investees totaled $954, $618, and $773 for the periods ended December 31, 2020, 2019 and 2018, respectively. Aggregate net income excluding net investment income of the investees totaled $7.4 billion, $13.4 billion and $12.3 billion for the periods ended December 31, 2020, 2019 and 2018, respectively. As of, and for the period ended, December 31, 2020, the aggregated summarized financial data reflects the latest available financial information.

7. DERIVATIVES

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions or income generation covered call transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that are permissible investments under the Company's investment policies.

Strategies that Qualify for Hedge Accounting

Some of the Company's derivatives satisfy hedge accounting requirements as outlined in Note 1 - Basis of Presentation and Significant Accounting Policies. Typically, these hedging instruments include interest rate swaps and, to a lesser extent, foreign currency swaps where the terms or expected cash flows of the hedged item closely match the terms of the swap. The interest rate swaps are typically used to manage interest rate duration of certain fixed maturity securities or debt instruments issued.

Cash Flow Hedges

Interest rate swaps are predominantly used to manage portfolio duration and better match cash receipts from assets with cash disbursements required to fund liabilities. These derivatives primarily convert interest receipts on variable-rate fixed maturity securities to fixed rates. The Company has also entered into interest rate swaps to convert the variable interest payments on 3 month LIBOR + 2.125% junior subordinated debt to fixed interest payments. For further information, see the Junior Subordinated Debentures section within Note 14 - Debt.

Foreign currency swaps are used to convert foreign currency-denominated cash flows related to certain investment receipts to U.S. dollars in order to reduce cash flow fluctuations due to changes in currency rates.

The Company also previously entered into forward starting swap agreements to hedge the interest rate exposure related to the future purchase of fixed-rate securities, primarily to hedge interest rate risk inherent in the assumptions used to price certain group benefits liabilities.

Non-qualifying Strategies

Derivative relationships that do not qualify for hedge accounting ("non-qualifying strategies") primarily include hedging and replication strategies that utilize credit default swaps. In addition, hedges of interest rate, foreign currency and equity risk of certain fixed maturities and equities do not qualify for hedge accounting. The non-qualifying strategies include:

Credit Contracts

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in the value of fixed maturity securities. Credit default swaps are also used to assume credit risk related to an individual entity or referenced index as a part of replication transactions. These contracts require the Company to pay or receive a periodic fee in exchange for compensation from the counterparty or the Company should the referenced security issuers experience a credit event, as defined in the contract. In addition, the Company enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

Interest Rate Swaps, Swaptions and Futures

The Company uses interest rate swaps, swaptions and futures to manage interest rate duration between assets and liabilities. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap going forward. As of December 31, 2020 and 2019, the notional amount of interest rate swaps in offsetting relationships was $7.6 billion.

Foreign Currency Swaps and Forwards

The Company enters into foreign currency swaps to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars. The Company may at times enter into foreign currency forwards to hedge non-U.S. dollar denominated cash or equity securities.

Equity Index Options

The Company enters into equity index options to hedge the impact of a decline in the equity markets on the investment portfolio. The Company also enters into covered call options on equity securities to generate additional return.

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities based upon the net of the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. The Company's derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company's derivative activity. Notional amounts are not necessarily reflective of credit risk.

Derivative Balance Sheet Presentation

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Hedge Designation/ Derivative Type	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Cash flow hedges								
Interest rate swaps	$ 2,340	$ 2,040	$ —	$ —	$ —	$ 1	$ —	$ (1)
Foreign currency swaps	286	270	(13)	(1)	3	3	(16)	(4)
Total cash flow hedges	**2,626**	**2,310**	**(13)**	**(1)**	**3**	**4**	**(16)**	**(5)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	8,335	9,338	(69)	(59)	4	3	(73)	(62)
Foreign exchange contracts								
Foreign currency swaps and forwards	269	464	—	(1)	—	—	—	(1)
Credit contracts								
Credit derivatives that purchase credit protection	6	124	—	(3)	—	—	—	(3)
Credit derivatives that assume credit risk [1]	675	500	21	13	21	13	—	—
Credit derivatives in offsetting positions	218	29	—	—	5	5	(5)	(5)
Equity contracts								
Equity index swaps and options	—	941	—	(15)	—	15	—	(30)
Total non-qualifying strategies	**9,503**	**11,396**	**(48)**	**(65)**	**30**	**36**	**(78)**	**(101)**
Total cash flow hedges and non-qualifying strategies	**$ 12,129**	**$ 13,706**	**$ (61)**	**$ (66)**	**$ 33**	**$ 40**	**$ (94)**	**$ (106)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 269	$ 244	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	9,585	1,277	23	12	25	13	(2)	(1)
Other liabilities	2,275	12,185	(84)	(78)	8	27	(92)	(105)
Total derivatives	**$ 12,129**	**$ 13,706**	**$ (61)**	**$ (66)**	**$ 33**	**$ 40**	**$ (94)**	**$ (106)**

[1]The derivative instruments related to this strategy are held for other investment purposes.

Offsetting of Derivative Assets/Liabilities

The following tables present the gross fair value amounts, the amounts offset, and net position of derivative instruments eligible for offset in the Company's Consolidated Balance Sheets. Amounts offset include fair value amounts, income accruals and related cash collateral receivables and payables associated with derivative instruments that are traded under a common master netting agreement, as described in the preceding discussion. Also included in the tables are financial collateral receivables and payables, which are contractually permitted to be offset upon an event of default, although are disallowed for offsetting under U.S. GAAP.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Offsetting Derivative Assets and Liabilities

	(i)	(ii)	(iii) = (i) - (ii)		(iv)	(v) = (iii) - (iv)
			Net Amounts Presented in the Statement of Financial Position		Collateral Disallowed for Offset in the Statement of Financial Position	
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Derivative Assets [1] (Liabilities) [2]	Accrued Interest and Cash Collateral (Received) [3] Pledged [2]	Financial Collateral (Received) Pledged [4]	Net Amount
As of December 31, 2020						
Other investments	$ 33	$ 31	$ 23	$ (21)	$ 1	$ 1
Other liabilities	$ (94)	$ (6)	$ (84)	$ (4)	$ (83)	$ (5)
As of December 31, 2019						
Other investments	$ 40	$ 37	$ 12	$ (9)	$ 1	$ 2
Other liabilities	$ (106)	$ (23)	$ (78)	$ (5)	$ (73)	$ (10)

[1]Included in other investments in the Company's Consolidated Balance Sheets.
[2]Included in other liabilities in the Company's Consolidated Balance Sheets and is limited to the net derivative payable associated with each counterparty.
[3]Included in other investments in the Company's Consolidated Balance Sheets and is limited to the net derivative receivable associated with each counterparty.
[4]Excludes collateral associated with exchange-traded derivative instruments.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

Gain (Loss) Recognized in OCI

	Year Ended December 31,		
	2020	2019	2018
Interest rate swaps	$ 38	$ 18	$ 5
Foreign currency swaps	(8)	8	7
Total	**$ 30**	**$ 26**	**$ 12**

Gain (Loss) Reclassified from AOCI into Income

	Year Ended December 31,								
	2020			2019			2018		
	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense
Interest rate swaps	$ —	$ 29	$ (7)	$ 2	$ 4	$ 1	$ 6	$ 30	$ —
Foreign currency swaps	(1)	5	—	—	3	—	—	—	—
Total	**$ (1)**	**$ 34**	**$ (7)**	**$ 2**	**$ 7**	**$ 1**	**$ 6**	**$ 30**	**$ —**
Total amounts presented on the Consolidated Statement of Operations	**$ (14)**	**$ 1,846**	**$ 236**	**$ 395**	**$ 1,951**	**$ 259**	**$ (112)**	**$ 1,780**	**$ 298**

As of December 31, 2020, the before tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months are $35. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities and long-term debt that will occur over the next twelve months. At that time, the Company will recognize the deferred net gains (losses) as an adjustment to net investment income and interest expense over the term of the investment cash flows.

During the years ended December 31, 2020, 2019, and 2018, the Company had no net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

Non-Qualifying Strategies

For non-qualifying strategies, including embedded derivatives that are required to be bifurcated from their host contracts and accounted for as derivatives, the gain or loss on the derivative is recognized currently in earnings within net realized capital gains (losses).

Non-Qualifying Strategies Recognized within Net Realized Capital Gains (Losses)

	For the Year Ended December 31,		
	2020	2019	2018
Interest rate contracts			
Interest rate swaps, swaptions and futures	$ 21	$ (35)	$ (3)
Credit contracts			
Credit derivatives that purchase credit protection	2	(5)	—
Credit derivatives that assume credit risk	2	32	(14)
Equity contracts			
Equity options	76	(17)	2
Foreign exchange contracts			
Foreign currency swaps and forwards	3	1	3
Total [1]	**$ 104**	**$ (24)**	**$ (12)**

[1]Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option.

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity or referenced index in order to synthetically replicate investment transactions that are permissible under the Company's investment policies. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and baskets, which include standard diversified portfolios of corporate and CMBS issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and may be divided into tranches that possess different credit ratings.

Credit Risk Assumed Derivatives by Type

	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
As of December 31, 2020							
Single name credit default swaps							
Investment grade risk exposure	$ 175	$ 9	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	500	12	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	100	1	8 years	CMBS Credit	AAA	100	(1)
Below investment grade risk exposure	9	(4)	Less than 1 year	CMBS Credit	CCC+	9	4
Total [5]	**$ 784**	**$ 18**				**$ 109**	**$ 3**
As of December 31, 2019							
Single name credit default swaps							
Investment grade risk exposure	$ 100	$ 3	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	400	10	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	1	—	Less than 1 year	CMBS Credit	A	1	—
Below investment grade risk exposure	14	(5)	Less than 1 year	CMBS Credit	CCC-	14	5
Total [5]	**$ 515**	**$ 8**				**$ 15**	**$ 5**

[1]The average credit ratings are based on availability and are generally the midpoint of the available ratings among Moody's, S&P, and Fitch. If no rating is available from a rating agency, then an internally developed rating is used.

[2]Notional amount is equal to the maximum potential future loss amount. These derivatives are governed by agreements and applicable law which include collateral posting requirements. There is no additional specific collateral related to these contracts or recourse provisions included in the contracts to offset losses.

[3]The Company has entered into offsetting credit default swaps to terminate certain existing credit default swaps, thereby offsetting the future changes in value of, or losses paid related to, the original swap.

[4]Comprised of swaps of standard market indices of diversified portfolios of corporate and CMBS issuers referenced through credit default swaps. These swaps are subsequently valued based upon the observable standard market index.

[5]Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option.

Derivative Collateral Arrangements

The Company enters into various collateral arrangements in connection with its derivative instruments, which require both the pledging and accepting of collateral. As of December 31, 2020 and 2019, the Company pledged cash collateral associated with derivative instruments having a fair value of $0 and less than $1, respectively. The collateral receivable has been recorded in other assets or other liabilities on the Company's Consolidated Balance Sheets as determined by the Company's election to offset on the balance sheet. As of December 31, 2020 and 2019, the Company also pledged securities collateral associated with derivative instruments with a fair value of $90 and $78, respectively, which have been included in fixed maturities on the Consolidated Balance Sheets. The counterparties generally have the right to sell or re-pledge these securities.

In addition, as of December 31, 2020 and 2019 , the Company has pledged initial margin of securities related to OTC-cleared and exchange traded derivatives with a fair value of $83 and $88, respectively, which are included within fixed maturities on the Company's Consolidated Balance Sheets.

As of December 31, 2020 and 2019, the Company accepted cash collateral associated with derivative instruments of $24 and $16, respectively, which was invested and recorded in the Consolidated Balance Sheets in fixed maturities and short-term investments with corresponding amounts recorded in other investments or other liabilities as determined by the Company's election to offset on the balance sheet. The Company also accepted securities collateral as of December 31, 2020 and 2019 with a fair value of $1 and $1, respectively, which the Company has the ability to sell or repledge. As of December 31, 2020 and 2019, the Company had no repledged securities and no securities held as collateral have been sold. In addition, as of December 31, 2020 and 2019, non-cash collateral accepted was held in separate custodial accounts and was not included in the Company's Consolidated Balance Sheets.

8. PREMIUMS RECEIVABLE AND AGENTS' BALANCES

Premiums Receivable and Agents' Balances

	As of December 31, 2020
Premiums receivable, excluding receivables for losses within a deductible and retrospectively-rated policy premiums	**$ 3,851**
Receivables for loss within a deductible and retrospectively-rated policy premiums, by credit quality:	
AAA	—
AA	142
A	62
BBB	185
BB	115
Below BB	65
Total receivables for losses within a deductible and retrospectively-rated policy premiums	**569**
Total Premiums Receivable and Agents' Balances, Gross	**4,420**
ACL	(152)
Total Premiums Receivable and Agents' Balances, Net of ACL	**$ 4,268**

ACL on Premiums Receivable and Agents' Balances

Premium receivable and agents' balances, excluding receivables for losses within a deductible and retrospectively-rated policy premiums, are primarily comprised of premiums due from policyholders, which are typically collectible within one year or less. The Company had an immaterial amount of receivables with a due date of more than one year that are past-due. Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods.

For these balances, the ACL is estimated based on an aging of receivables and recent historical credit loss and collection experience, adjusted for current economic conditions and reasonable and supportable forecasts, when appropriate. In response to significant economic stress experienced as a result of the COVID-19 pandemic during 2020, the Company increased the expected loss factors used to estimate the ACL based on collections experience during past moderate and severe recessions as well as experience during periods when we provided policyholders additional time to make premiums payments.

A portion of the Company's Commercial Lines business is written with large deductibles or under retrospectively-rated plans. Under some commercial insurance contracts with a large deductible, the Company is obligated to pay the claimant the full amount of the claim and the Company is subsequently reimbursed by the policyholder for the deductible amount. As such, the Company is subject to credit risk until reimbursement is made. Retrospectively-rated policies are utilized primarily for workers' compensation coverage, whereby the ultimate premium is adjusted based on actual losses incurred. Although the premium adjustment feature of a retrospectively-rated policy substantially reduces insurance risk for the Company, it presents credit risk to the Company. The Company’s results of operations could be adversely affected if a significant portion of such policyholders failed to reimburse the Company for the deductible amount or the amount of additional premium owed under retrospectively-rated policies. The Company manages these credit risks through credit analysis, collateral requirements, and oversight.

The ACL for receivables for loss within a deductible and retrospectively-rated policy premiums is estimated as the amount of the receivable exposed to loss multiplied by estimated factors for probability of default and the amount of loss given a default. The probability of default is assigned based on each policyholder's credit rating, or a rating is estimated if no external rating is available. Credit ratings are reviewed and updated at least annually. The exposure amount is estimated net of collateral and other credit enhancement, considering the nature of the collateral, potential future changes in collateral values, and historical loss information for the type of collateral obtained. The probability of default factors are historical corporate defaults for receivables with similar durations estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The loss given default factors are based on a study of historical recovery rates for general creditors through multiple economic cycles. The Company's evaluation of the required ACL for receivables for loss within a deductible and retrospectively-rated policy premiums considers the current economic environment as well as the probability-weighted macroeconomic scenarios similar to the approach used for estimating the ACL for mortgage loans. See Note 6 - Investments. In response to significant economic stress experienced as a result of the COVID-19 pandemic during 2020, the Company increased the weight of both a moderate and severe recession scenario in our estimate of the ACL for losses within a deductible and retrospectively-rated policy premiums. However, overall, the ACL on receivables for losses within a deductible and retrospectively-rated policy premiums has decreased for the year, primarily due to a decline in the related receivable balance.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Rollforward of ACL on Premiums Receivable and Agents' Balances for the Year Ended December 31, 2020

	Premiums Receivable and Agents' Balances, Excluding Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Receivables for Loss within a Deductible and Retrospectively-Rated Policy Premiums	Total
Beginning ACL	**$ 85**	**$ 60**	**$ 145**
Cumulative effect of accounting change [1]	(2)	(21)	(23)
Adjusted beginning ACL	**83**	**39**	**122**
Current period provision (release)	78	(4)	74
Current period gross write-offs	(49)	—	(49)
Current period gross recoveries	5	—	5
Ending ACL	**$ 117**	**$ 35**	**$ 152**

[1]Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. The adjusted beginning ACL was based on the Company's historical loss information adjusted for current conditions and the forecasted economic environment at the time the guidance was adopted. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

9. REINSURANCE

The Company cedes insurance risk to reinsurers to enable the Company to manage capital and risk exposure. Such arrangements do not relieve the Company of its primary liability to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company's procedures include carefully selecting its reinsurers, structuring agreements to provide collateral funds where necessary, and regularly monitoring the financial condition and ratings of its reinsurers.

The Company has two adverse development cover (“ADC”) reinsurance agreements in place, both of which are accounted for as retroactive reinsurance. One agreement covers substantially all asbestos and environmental ("A&E") reserve development for 2016 and prior accident years ("A&E ADC") and the other covers substantially all reserve development of Navigators Insurance Company and certain of its affiliates for 2018 and prior accident years (the Navigators ADC). For more information on ADC agreements, see Note 1 -Basis of Presentation and Significant Accounting Policies, and Note 12 -Reserve for Unpaid Losses and Loss Adjustment Expenses.

Property and Casualty ceded losses, which reduce losses and loss adjustment expenses incurred, were $1,156, $826 and $661 for the years ended December 31, 2020, 2019 and 2018, respectively.

Group Benefits ceded losses, which reduce losses and loss adjustment expenses incurred, were $63, $73 and $116 for the years ended December 31, 2020, 2019 and 2018, respectively.

Reinsurance Recoverables

Reinsurance recoverables include balances due from reinsurance companies and are presented net of an allowance for uncollectible reinsurance. Reinsurance recoverables include an estimate of the amount of gross losses and loss adjustment expense reserves that may be ceded under the terms of the reinsurance agreements, including incurred but not reported unpaid losses. The Company’s estimate of losses and loss adjustment expense reserves ceded to reinsurers is based on assumptions that are consistent with those used in establishing the gross reserves for amounts the Company owes to its claimants. The Company estimates its ceded reinsurance recoverables based on the terms of any applicable facultative and treaty reinsurance, including an estimate of how incurred but not reported losses will ultimately be ceded under reinsurance agreements. Accordingly, the Company’s estimate of reinsurance recoverables is subject to similar risks and uncertainties as the estimate of the gross reserve for unpaid losses and loss adjustment expenses.

Reinsurance Recoverables by Credit Quality Indicator as of December 31, 2020

	Property and Casualty	Group Benefits	Corporate	Total
AM Best Financial Strength Rating				
A++	$ 1,598	$ —	$ —	$ 1,598
A+	1,788	230	305	2,323
A	638	—	—	638
A-	37	9	—	46
B++	666	—	3	669
Below B++	21	1	—	22
Total Rated by AM Best	**4,748**	**240**	**308**	**5,296**
Mandatory (Assigned) and Voluntary Risk Pools	259	—	—	259
Captives	305	—	—	305
Other not rated companies	254	5	—	259
Gross Reinsurance Recoverables	**5,566**	**245**	**308**	**6,119**
Allowance for uncollectible reinsurance	**(105)**	**(1)**	**(2)**	**(108)**
Net Reinsurance Recoverables	**$ 5,461**	**$ 244**	**$ 306**	**$ 6,011**

Balances are considered past due when amounts that have been billed are not collected within contractually stipulated time periods, generally 30, 60 or 90 days. There were no write-offs for the period ended December 31, 2020.

To manage reinsurer credit risk, a reinsurance security review committee evaluates the credit standing, financial performance, management and operational quality of each potential reinsurer. In placing reinsurance, the Company considers the nature of the risk reinsured, including the expected liability payout duration, and establishes limits tiered by reinsurer credit rating.

Where its contracts permit, the Company secures future claim obligations with various forms of collateral or other credit enhancement, including irrevocable letters of credit, secured trusts, funds held accounts and group wide offsets. As part of its reinsurance recoverable review, the Company analyzes recent developments in commutation activity between reinsurers and cedants, recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers and the overall credit quality of the Company's reinsurers.

Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables become due, it is possible that future adjustments to the Company's reinsurance recoverables, net of the allowance, could be required, which could have a material adverse effect on the Company's consolidated results of operations or cash flows in a particular quarter or annual period.

The allowance for uncollectible reinsurance comprises an ACL and an allowance for disputed balances. The ACL is estimated as the amount of reinsurance recoverables exposed to loss multiplied by estimated factors for the probability of default and the amount of loss given a default. The probability of default is assigned based on each reinsurer's credit rating, or a rating is estimated if no external rating is available. Credit ratings are reviewed on a quarterly basis and any significant changes are reflected in an updated estimate. The probability of default factors are historical insurer and reinsurer defaults for liabilities with similar durations to the reinsured liabilities as estimated through multiple economic cycles. Credit ratings are forward-looking and consider a variety of economic outcomes. The loss given default factors are based on a study of historical recovery rates for general creditors of corporations through multiple economic cycles or, in the case of purchased annuities funding structured settlements accounted for as reinsurance, historical recovery rates for annuity contract holders.

As shown in the table above, a portion of the total gross reinsurance recoverable balance relates to the Company's participation in various mandatory (assigned) and voluntary risk pools. Reinsurance recoverables due from pools are backed by the financial position of all insurance companies participating in the pools and the credit backing the reinsurance recoverable is not limited to the financial strength of each pool. The mandatory pools generally are funded through policy assessments or surcharges and if any participant in the pool defaults, remaining liabilities are apportioned among the other members.

The Company's evaluation of the required ACL for reinsurance recoverables considers the current economic environment as well as macroeconomic scenarios similar to the approach used to estimate the ACL for mortgage loans. See Note 6 - Investments. Insurance companies, including reinsurers, are regulated and hold risk-based capital to mitigate the risk of loss due to economic factors and other risks. Non-U.S. reinsurers are either subject to a capital regime substantively equivalent to domestic insurers or we hold collateral to support collection of reinsurance recoverables. As a result, there is limited history of losses from insurer defaults. In response to significant economic stress experienced as a result of the COVID-19 pandemic during 2020, the Company increased the weight of both a moderate and severe recession in our estimate of the ACL for reinsurance recoverables. The Company expects the impact of the COVID-19 pandemic to reinsurers to be somewhat mitigated by their regulated capital and liquidity positions.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Allowance for Uncollectible Reinsurance

	For the year ended December 31, 2020			
	Property and Casualty	Group Benefits	Corporate	Total
Beginning allowance for uncollectible reinsurance	**$ 114**	**$ —**	**$ —**	**$ 114**
Beginning allowance for disputed amounts	66	—	—	66
Beginning ACL	**48**	**—**	**—**	**48**
Cumulative effect of accounting change [1]	—	1	1	2
Adjusted beginning ACL	**48**	**1**	**1**	**50**
Current period provision (release)	3	—	1	4
Current period gross recoveries	1	—	—	1
Ending ACL	**52**	**1**	**2**	**55**
Ending allowance for disputed amounts	53	—	—	53
Ending allowance for uncollectible reinsurance	**$ 105**	**$ 1**	**$ 2**	**$ 108**

[1] Represents the adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies

Insurance Revenues

Property and Casualty Insurance Revenue

	For the years ended December 31,		
Premiums Written	**2020**	**2019**	**2018**
Direct	$ 12,537	$ 12,190	$ 10,784
Assumed	577	371	217
Ceded	(1,209)	(978)	(593)
Net	**$ 11,905**	**$ 11,583**	**$ 10,408**
Premiums Earned			
Direct	$ 12,551	$ 12,010	$ 10,824
Assumed	540	416	221
Ceded	(1,173)	(936)	(599)
Net	**$ 11,918**	**$ 11,490**	**$ 10,446**

Group Benefits Revenue

	For the years ended December 31,		
	2020	**2019**	**2018**
Gross earned premiums, fees and other considerations	$ 5,245	$ 4,122	$ 3,615
Reinsurance assumed	387	1,572	2,044
Reinsurance ceded	(96)	(91)	(61)
Net earned premiums, fees and other considerations	**$ 5,536**	**$ 5,603**	**$ 5,598**

For its group benefits products, the Company reinsures certain of its risks to other reinsurers under yearly renewable term and coinsurance arrangements and variations thereto. Yearly renewable term and coinsurance arrangements result in passing a portion of the risk to the reinsurer. Generally, the reinsurer receives a proportionate amount of the premiums less an allowance for commissions and expenses and is liable for a corresponding proportionate amount of all benefit payments.

10. DEFERRED POLICY ACQUISITION COSTS

Changes in DAC

	For the years ended December 31,		
	2020	2019	2018
Balance, beginning of period	**$ 785**	**$ 670**	**$ 650**
Deferred costs	1,666	1,635	1,404
Amortization — DAC	(1,706)	(1,622)	(1,384)
Add back amortization of value of business acquired [1]	47	102	—
DAC transferred to assets held for sale	(3)	—	—
Balance, end of period	**$ 789**	**$ 785**	**$ 670**

[1] While the value of in-force contracts acquired from the Navigators Group acquisition is included in other intangible assets, the amortization of that asset is recorded as DAC amortization.

11. GOODWILL & OTHER INTANGIBLE ASSETS

Goodwill Carrying Value as of December 31, 2020

	Commercial Lines	Personal Lines	Hartford Funds	Group Benefits	Corporate [1]	Total
Balance at December 31, 2018	**$ 38**	**$ 119**	**$ 180**	**$ 723**	**$ 230**	**$ 1,290**
Goodwill related to acquisitions [2]	623	—	—	—	—	623
Balance at December 31, 2019	**$ 661**	**$ 119**	**$ 180**	**$ 723**	**$ 230**	**$ 1,913**
Measurement period adjustments [2]	(2)	—	—	—	—	(2)
Balance at December 31, 2020	**$ 659**	**$ 119**	**$ 180**	**$ 723**	**$ 230**	**$ 1,911**

[1]The Corporate category includes goodwill that was acquired at a holding company level and not pushed down to a subsidiary within a reportable segment. Carrying value of goodwill within Corporate as of December 31, 2020, 2019, and 2018 includes $138 and $92 for the Group Benefits and Hartford Funds reporting units, respectively.
[2] For further discussion on goodwill related to the acquisition of Navigators Group, refer to Note 2 - Business Acquisitions .

The annual goodwill assessment for The Hartford's reporting units was completed as of October 31, 2020, 2019, and 2018, which resulted in no write-downs of goodwill in the respective years then ended. In 2020, all reporting units passed their annual impairment test with a significant margin.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other Intangible Assets

	As of December 31, 2020			As of December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized Intangible Assets:						
Value of in-force contracts [1]	$ 203	$ (172)	$ 31	$ 203	$ (125)	$ 78
Customer relationships	636	(134)	502	636	(92)	544
Marketing agreement with Aetna	16	(3)	13	16	(2)	14
Distribution Agreement [2]	79	(65)	14	79	(61)	18
Distribution and Agency relationships & Other [3]	340	(45)	295	340	(19)	321
Total Finite Life Intangibles	**1,274**	**(419)**	**855**	**1,274**	**(299)**	**975**
Total Indefinite Life Intangible Assets [4]	**95**	**—**	**95**	**95**	**—**	**95**
Total Other Intangible Assets	**$ 1,369**	**$ (419)**	**$ 950**	**$ 1,369**	**$ (299)**	**$ 1,070**

[1]On May 23, 2019, the Company acquired Navigators Group and recorded a value of in-force-contracts intangible asset of $180 which will be amortized over 3 years. For further discussion on the value of in-force-contracts related to the acquisition of Navigators Group, refer to Note 2 - Business Acquisitions .
[2]On May 28, 2020, the Company amended its distribution agreement to, among other changes in terms, extend the agreement. As a result of this extension in term, The Hartford reassessed the useful life of the distribution agreement to amortize over a remaining life of approximately 6.5 years.
[3]On May 23, 2019, the Company acquired Navigators Group and recorded other intangible assets of $302 for distribution relationships and $17 for the trade name. The distribution relationships and trade name will be amortized over 15 years and 10 years, respectively. For further discussion on the value of distribution relationships and trade name related to the acquisition of Navigators Group, refer to Note 2 - Business Acquisitions .
[4]On May 23, 2019, the Company acquired Navigators Group and recorded an indefinite life intangible asset of $66 related to the capacity to write business through its Lloyd's Syndicate and recorded an indefinite life intangible of $15 for licenses . For further discussion on the indefinite life intangible assets related to the acquisition of Navigators Group, refer to Note 2 - Business Acquisitions .

Expected Pre-tax Amortization Expense [1] for Acquired Intangibles as of December 31, 2020

	Value of In-force Contracts	Other Intangible Assets
2021	$ 21	$ 71
2022	$ 10	$ 70
2023	$ —	$ 70
2024	$ —	$ 70
2025	$ —	$ 70

[1]In the Consolidated Statements of Operations, the amortization of value of in-force contracts is reported in amortization of deferred policy acquisition costs and the amortization of other intangible assets is reported in amortization of other intangible assets.

12. RESERVE FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Property and Casualty Insurance Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the years ended December 31,		
	2020	2019	2018
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 28,261**	**$ 24,584**	**$ 23,775**
Reinsurance and other recoverables	5,275	4,232	3,957
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**22,986**	**20,352**	**19,818**
Navigators Group acquisition	—	2,001	—
Provision for unpaid losses and loss adjustment expenses			
Current accident year	7,794	7,463	7,107
Prior accident year development [1]	(136)	(65)	(167)
Total provision for unpaid losses and loss adjustment expenses	**7,658**	**7,398**	**6,940**
Change in deferred gain on retroactive reinsurance included in other liabilities [1]	(312)	(16)	—
Payments			
Current accident year	(2,214)	(2,374)	(2,452)
Prior accident years	(4,190)	(4,374)	(3,954)
Total payments	**(6,404)**	**(6,748)**	**(6,406)**
Net reserves transferred to liabilities held for sale	(45)	—	—
Foreign currency adjustment	14	(1)	—
Ending liabilities for unpaid losses and loss adjustment expenses, net	**23,897**	**22,986**	**20,352**
Reinsurance and other recoverables	5,725	5,275	4,232
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 29,622**	**$ 28,261**	**$ 24,584**

[1]Prior accident year development does not include the benefit of a portion of losses ceded under the Navigators and A&E ADC which, under retroactive reinsurance accounting, is deferred and is recognized over the period the ceded losses are recovered in cash from NICO. For additional information regarding the two adverse development cover reinsurance agreements, refer to Adverse Development Covers discussion below.

Property and Casualty Insurance Products Reserves, Net of Reinsurance, that are Discounted

	For the years ended December 31,		
	2020	2019	2018
Liability for unpaid losses and loss adjustment expenses, at undiscounted amounts	$ 1,334	$ 1,331	$ 1,331
Amount of discount	367	388	388
Carrying value of liability for unpaid losses and loss adjustment expenses	$ 967	$ 943	$ 943
Discount accretion included in losses and loss adjustment expenses	$ 36	$ 33	$ 40
Weighted average discount rate	2.68 %	2.91 %	2.98 %
Range of discount rates	0.83 % - 14.03 %	1.76 % - 14.03 %	1.77 % - 14.15 %

Reserves are discounted at rates in effect at the time claims were incurred, ranging from 0.83% for accident year 2020 to 14.03% for accident year 1981.

The reserves recorded for the Company's property and casualty insurance products at December 31, 2020 represent the Company's best estimate of its ultimate liability for losses and loss adjustment expenses related to losses covered by policies written by the Company. However, because of the significant uncertainties surrounding reserves it is possible that management's estimate of the ultimate liabilities for these claims may change and that the required adjustment to recorded reserves could exceed the currently recorded reserves by an amount that could be material to the Company's results of operations or cash flows.

Losses and loss adjustment expenses are also impacted by trends including frequency and severity as well as changes in the legislative and regulatory environment. In the case of the reserves for asbestos exposures, factors contributing to the high degree of uncertainty in the ultimate settlement of the liabilities gross of reinsurance include inadequate loss development patterns, plaintiffs' expanding theories of liability, the risks inherent in major litigation, and inconsistent emerging legal doctrines. In the case of the reserves for environmental exposures before reinsurance, factors contributing to the high degree of uncertainty in gross reserves include expanding theories of liabilities and damages, the risks inherent in major litigation, inconsistent decisions concerning the existence and scope of coverage for environmental claims, and uncertainty as to the monetary amount being sought by the claimant from the insured.

(Favorable) Unfavorable Prior Accident Year Development

	For the years ended December 31,		
	2020	2019	2018
Workers' compensation	$ (110)	$ (120)	$ (164)
Workers' compensation discount accretion	35	33	40
General liability	237	61	52
Marine	3	8	—
Package business	(58)	(47)	(26)
Commercial property	(4)	(11)	(12)
Professional liability	(14)	29	(12)
Bond	(19)	(3)	2
Assumed reinsurance	(6)	3	—
Automobile liability - Commercial Lines	27	27	(15)
Automobile liability - Personal Lines	(61)	(38)	(18)
Homeowners	7	3	(25)
Net asbestos reserves	(2)	—	—
Net environmental reserves	—	—	—
Catastrophes	(529)	(42)	(49)
Uncollectible reinsurance	(8)	(30)	22
Other reserve re-estimates, net	54	46	38
Prior accident year development, including full benefit for the ADC cession	**(448)**	**(81)**	**(167)**
Change in deferred gain on retroactive reinsurance included in other liabilities [1]	312	16	—
Total prior accident year development	**$ (136)**	**$ (65)**	**$ (167)**

[1] The change in deferred gain for the year ended December 31, 2020 included $210 of adverse development on A&E reserves in excess of ceded premium paid and included $102 of adverse development on Navigators 2018 and prior accident year reserves, within professional liability, marine, general liability, prior accident year catastrophes, and assumed reinsurance.

2020 re-estimates of prior accident year reserves

Workers' compensation reserves were reduced on national account business within middle & large commercial, driven by lower than previously estimated claim severity for the 2015 and prior accident years, including on captives business, and were reduced in small commercial due to lower than expected claim severity for the 2013 to 2018 accident years.

General liability reserves were increased primarily due to a $254 increase in reserves for sexual molestation and sexual abuse claims related to cases brought against religious and other organizations that were insureds of the Company, partly offset by a decrease in reserves for other mass torts and extra contractual liability claims. The sexual molestation and sexual abuse exposures may involve potentially long latency periods and may implicate coverage in multiple policy periods, which can raise complex coverage issues with significant effects on the ultimate scope of coverage. This increase in reserves reflects an increase in claim incidence largely due to reviver statutes, which is legislation passed in a number of states that provides an opportunity for claimants to file claims for a period of time despite the fact that the original statute of limitations had expired. The reserve increase in 2020 was principally from claims asserted against the Boy Scouts of America ("Boy Scouts"). The reserve increase for Boy Scouts was partially driven by the impact of claim filings on and around the November 16, 2020 deadline to file claims in the Boy Scouts' Chapter 11 bankruptcy. Various subsidiaries of the Company issued primary, umbrella and excess general liability policies to the Boy Scouts for various policies periods between 1971 and 1983, including seven years of primary coverage from 1971 through 1977. However, it is the Company's position that the 1976 and 1977 primary policy years were fully released and all the Company's obligations extinguished by virtue of a prior settlement agreement with Boy Scouts. Further, the Company disputes the extent of its obligations to Boy Scouts and the validity of certain claims filed against Boy Scouts in the bankruptcy. As such, there are significant uncertainties regarding the ultimate number and severity of the claims against Boy Scouts, the potential for additional reviver activity, and the inherent risks associated with legal determinations to be made by the bankruptcy court and in coverage litigation.

In addition, general liability reserve increases on construction account business were largely offset by decreases in ULAE reserves. Reserves were increased for guaranteed cost construction business for accident years 2014 to 2019 as incurred losses are developing higher than previously expected for premises and operations claims and product liability claims, partly due to a change in industry mix and a heavier concentration of losses in California than initially assumed, as well as increased reserves for middle market and complex liability claims for accident year 2018 largely due to higher than expected severity. Also contributing were increases in reserves on primary layer construction account business within global specialty, mainly related to accident years 2015 to 2017, which is included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Marine reserves were increased principally due to an increase in domestic marine liability, mostly in accident years 2017 and 2018 due to a higher number of large losses. The increase in marine reserves is included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Package business reserves decreased for accident years 2014 to 2017 largely due to lower estimates of allocated loss adjustment expenses.

Commercial property reserves were decreased for accident year 2019 due to favorable developments on marine and middle market property claims.

Professional liability reserves were decreased primarily due to lower estimated severity on non-security class action D&O claims and fewer than expected E&O claims with financial institutions for the 2011 to 2018 accident years, partially offset by an increase in D&O reserves for the 2019 accident year driven by higher frequency of class action lawsuits and an increase in large Syndicate D&O losses for the 2016 and 2017 accident years. These Syndicate reserve increases within global specialty are included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Bond reserves were reduced within contract surety driven by both favorable loss development on the 2015 to 2017 accident years and higher than expected loss recoveries on older accident years

Assumed reinsurance reserves were increased for accident year 2018 mostly due to higher accident and health reserve estimates for medical professionals on assumed casualty business. These reserve increases are included as a component of the change in deferred gain under retroactive reinsurance in the above table.

Automobile liability reserves were decreased in Personal Lines principally due to lower than previously expected AARP Direct automobile liability claim severity for the 2017 to 2019 accident years. Automobile liability reserves were increased in Commercial Lines primarily due to higher than expected large losses within middle & large commercial, predominantly within the 2015 to 2019 accident years.

Catastrophes reserves were reduced, primarily due to a reduction in estimated reserves for 2017 and 2018 California wildfires and a reduction in estimated catastrophes for wind and hail events in the 2017 to 2019 accident years, partially offset by an increase in reserves for 2019 typhoons Hagibis and Faxai in Asia. The reduction in reserves for the 2017 and 2018 wildfires was largely due to recognizing a $289 subrogation benefit in the second quarter of 2020 from PG&E Corporation and Pacific Gas and Electric Company (together, “PG&E”) as well as a reduction in gross estimated losses on those wildfires.

In December, 2019, the judge overseeing the bankruptcy of PG&E approved an $11 billion settlement of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. That settlement was contingent upon, among other things, the judge entering an order confirming PG&E’s chapter 11 bankruptcy plan (“PG&E Plan”) incorporating the settlement agreement. On June 20, 2020, the bankruptcy court judge approved the PG&E Plan and PG&E subsequently transferred the $11 billion settlement amount to a trust designed to allocate and distribute the settlement among subrogation holders, including certain of the Company’s insurance subsidiaries. In the second quarter of 2020, the Company recorded an estimated $289 subrogation benefit though the ultimate amount it collects will depend on how the Company’s ultimate paid claims subject to subrogation compare to other insurers’ ultimate paid claims subject to subrogation.

Uncollectible reinsurance reserves were reduced due to higher than expected recoveries from reinsurers in older accident years.

Asbestos and environmental reserves were reviewed in fourth quarter 2020 resulting in a $218 increase in reserves before ADC reinsurance, including $127 for asbestos and $91 for environmental. Of the $218 increase in A&E reserves, the Company ceded $220 to the A&E ADC resulting in a net reserve release of $2. Of the $220 of adverse development ceded to the A&E ADC, the Company recognized a $210 deferred gain on retroactive reinsurance, representing the amount of losses ceded to the ADC in excess of ceded premium paid. For additional information related to the adverse development cover with NICO, see the Adverse Development Covers section below and Note 15 - Commitments and Contingencies.

Other reserve re-estimates, net, primarily represents an increase in unallocated loss adjustment expense ('ULAE") reserves in Property & Casualty Other Operations that was largely driven by an increase in gross asbestos and environmental reserves.

2019 re-estimates of prior accident year reserves

Workers’ compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 through 2017 accident years and, to a lesser extent, in national accounts due to lower estimated claim severity, primarily for accident years 2013 and prior.

General liability reserves were increased, primarily due to reserve increases in small commercial for accident years 2017 and 2018 due to higher frequency of high-severity bodily injury claims, reserve increases in middle & large commercial for accident years 2015 to 2018 due to higher estimated severity, as well as increased estimated severity on the acquired Navigators Group book of business related to U.S. construction, premises liability, products liability and excess casualty, mostly related to accident years 2014 to 2017. In addition, an increase in reserves for mass torts for 2009 and prior accident years was offset by a decrease in reserves for extra contractual liability claims for more recent accident years, including the 2018 accident year.

Marine reserves were increased, principally related to pollution exposure from the 1980s and 1990s related to the Navigators Group book of business.

Package business reserves were decreased, primarily due to favorable emergence on property claims related to accident years 2016 through 2018 and due to favorable development of loss adjustment expenses on general liability claims for 2017 and prior accident years.

Commercial property reserves were decreased, principally due to favorable emergence of reported losses, including on the acquired Navigators Group book of business, related to offshore energy in accident years 2017 to 2018 and construction engineering across accident years 2015 to 2018.

Professional liability reserves were increased, primarily due to increased securities litigation and large loss activity, including wrongful termination and discrimination claims, related to accident years 2017 and 2018 and increased estimated frequency and severity of directors’ and officers’ reserves on the Navigators Group book of business, principally for the 2014 to 2018 accident years. Partially offsetting the increase was a decrease in average severity on public company directors' and officers' claim reserves and errors and omissions claim reserves for accident years 2014 and prior.

Automobile liability reserves were decreased in Personal Lines and increased in Commercial Lines. The decrease in Personal Lines was due to the emergence of lower estimated severity in automobile liability for accident year 2017. The increase in Commercial Lines was due to higher estimated severity on national accounts, principally in accident years 2017 and 2018, and higher estimated severity for accident year 2018 in small commercial and middle market, partially offset by lower estimated severity for 2017 and prior accident years in small commercial and middle market.

Catastrophes reserves were reduced, primarily as a result of lower estimated net losses from 2017 hurricanes Harvey and Irma and the 2017 California wildfires. While gross loss reserve estimates for the 2018 California wildfires were also reduced, this was largely offset by a reduction in reinsurance recoverables resulting in very little change to estimated net losses from those wildfires.

Uncollectible reinsurance reserves were reduced due to higher than expected recoveries from reinsurers in older accident years.

Other reserve re-estimates, net, primarily represents an increase in unallocated loss adjustment expense ('ULAE") reserves in Property & Casualty Other Operations that was driven by an increase in gross asbestos and environmental reserves, as well as higher than anticipated ULAE costs in recent years, prompting an increase in the projected ULAE run rate.

2018 re-estimates of prior accident year reserves

Workers' compensation reserves were reduced in small commercial and middle market, primarily for accident years 2014 and 2015, as claim severity has emerged favorably compared to previous reserve estimates. Also contributing was a reduction in estimated reserves for ULAE.

General liability reserves were increased, primarily due to an increase in reserves for higher hazard general liability exposures in middle market for accident years 2009 to 2017, partially offset by a decrease in reserves for other lines within middle market, including premises and operations, umbrella and products liability, principally for accident years 2015 and prior. Contributing to the increase in reserves for higher hazard general liability exposures was an increase in average claim severity, including from large losses and, in more recent accident years, an increase in claim frequency. Contributing to the reduction in reserves for other middle market lines were more favorable outcomes due to initiatives to reduce legal expenses. In addition, reserve increases for claims with lead paint exposure were offset by reserve decreases for other mass torts and extra-contractual liability claims.

Package business reserves were reduced, primarily due to lower reserve estimates for both liability and property for accident years 2010 and prior, including a recovery of loss adjustment expenses for the 2005 accident year.

Commercial property reserves were reduced, driven by an increase in estimated reinsurance recoverables on middle market property losses from the 2017 accident year.

Professional liability reserves were reduced, principally for accident years 2014 and prior, for directors and officers liability claims principally due to a number of older claims closing with limited or no payment.

Automobile liability reserves were reduced, primarily driven by reduced estimates of loss adjustment expenses in small commercial for recent accident years and favorable development in personal automobile liability for accident years 2014 to 2017, principally due to lower severity, including with uninsured and underinsured motorist claims.

Homeowners reserves were reduced, primarily in accident years 2013 to 2017, driven by lower than expected severity across multiple perils.

Asbestos and environmental reserves were unchanged as $238 of adverse development arising from the fourth quarter 2018 comprehensive annual review was offset by a $238 recoverable from NICO. For additional information related to the adverse development cover with NICO, see the Adverse Development Covers section below and Note 15 - Commitments and Contingencies.

Catastrophe reserves were reduced, primarily as a result of lower estimated net losses from 2017 catastrophes, principally related to hurricanes Harvey and Irma. Before reinsurance, estimated losses for 2017 catastrophe events decreased by $133, resulting in a decrease in reinsurance recoverables of $90 as the Company no longer expects to recover under the 2017 Property Aggregate reinsurance treaty as aggregate ultimate losses for 2017 catastrophe events are now projected to be less than $850.

Uncollectible reinsurance reserves were increased due to lower anticipated recoveries related to older accident years.

Other reserve re-estimates, net, primarily represents an increase in ULAE reserves in Property & Casualty Other Operations that was principally driven by an increase in expected claim handling costs associated with asbestos and environmental and mass tort claims.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Adverse Development Covers

The Company has an adverse development cover reinsurance agreement with NICO, a subsidiary of Berkshire Hathaway Inc., to reinsure loss development after 2016 on substantially all of the Company's asbestos and environmental reserves (the "A&E ADC"). Under the A&E ADC, the Company paid a reinsurance premium of $650 for NICO to assume adverse net loss reserve development up to $1.5 billion above the Company's existing net A&E reserves as of December 31, 2016 of approximately $1.7 billion including reserves for A&E exposure for accident years prior to 1986 that are reported in Property & Casualty Other Operations ("Run-off A&E") and reserves for A&E exposure for accident years 1986 and subsequent from policies underwritten prior to 2016 that are reported in ongoing Commercial Lines and Personal Lines. The $650 reinsurance premium was placed into a collateral trust account as security for NICO's claim payment obligations to the Company. The Company has retained the risk of collection on amounts due from other third-party reinsurers and continues to be responsible for claims handling and other administrative services, subject to certain conditions. The A&E ADC covers substantially all the Company's A&E reserve development up to the reinsurance limit.

Under retroactive reinsurance accounting, net adverse A&E reserve development after December 31, 2016 will result in an offsetting reinsurance recoverable up to the $1.5 billion limit. Cumulative ceded losses up to the $650 reinsurance premium paid have been recognized as a dollar-for-dollar offset to direct losses incurred. Cumulative ceded losses exceeding the $650 reinsurance premium paid result in a deferred gain. As of December 31, 2020, the Company has incurred $860 in cumulative adverse development on asbestos and environmental reserves that have been ceded under the A&E ADC treaty with NICO with $640 of available limit remaining under the A&E ADC. As a result, the Company has recorded a $210 deferred gain within other liabilities, representing the difference between the reinsurance recoverable of $860 and ceded premium paid of $650. The deferred gain is recognized over the claim settlement period in the proportion of the amount of cumulative ceded losses collected from the reinsurer to the estimated ultimate reinsurance recoveries. Consequently, until periods when the deferred gain is recognized as a benefit to earnings, cumulative adverse development of asbestos and environmental claims will result in charges against earnings, which may be significant. Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased the Navigators ADC, an aggregate excess of loss reinsurance agreement covering adverse reserve development, from NICO on behalf of Navigators Insurers. Under the Navigators ADC, the Navigators Insurers paid NICO a reinsurance premium of $91 in exchange for reinsurance coverage of $300 of adverse net loss reserve development that attaches $100 above the Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018 subject to the treaty of $1.816 billion for accidents and losses prior to December 31, 2018.

As of December 31, 2020, the Company has recorded a reinsurance recoverable under the Navigators ADC of $209 as estimated cumulative loss development on the 2018 and prior accident year reserves of $309 exceed the $100 deductible. While the reinsurance recoverable is $209, the Company has also recorded a $118 cumulative deferred gain within other liabilities since, under retroactive reinsurance accounting, ceded losses in excess of the $91 of ceded premium paid must be recognized as a deferred gain. Of the $118 of cumulative ceded losses in excess of ceded premium paid, $102 was recognized as a deferred gain in 2020 and $16 was recognized as a deferred gain in 2019. As the Company has ceded $209 of the $300 available limit, there is $91 of remaining limit available as of December 31, 2020.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reconciliation of Loss Development to Liability for Unpaid Losses and Loss Adjustment Expenses As of December 31, 2020

	Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance					Subtotal		
Reserve Line	Cumulative Incurred for Accident Years Displayed in Triangles	Cumulative Paid for Accident Years Displayed in Triangles	Unpaid for Accident Years not Displayed in Triangles	Unpaid Unallocated Loss Adjustment Expenses, Net of Reinsurance	Discount	Unpaid Losses and Loss Adjustment Expenses, Net of Reinsurance	Reinsurance and Other Recoverables	Liability for Unpaid Losses and Loss Adjustment Expenses
Workers' compensation	$ 18,864	$ (10,633)	$ 2,671	$ 336	$ (352)	$ 10,886	$ 1,970	$ 12,856
General liability	6,201	(2,946)	713	137	—	4,105	740	4,845
Marine	1,379	(1,128)	18	10	—	279	216	495
Package business	6,940	(5,248)	66	94	—	1,852	17	1,869
Commercial property	3,365	(2,936)	28	18	—	475	221	696
Commercial automobile liability	3,804	(2,775)	16	21	—	1,066	78	1,144
Commercial automobile physical damage	176	(167)	4	—	—	13	(1)	12
Professional liability	2,164	(1,080)	65	35	—	1,184	689	1,873
Bond	635	(310)	28	28	—	381	13	394
Assumed Reinsurance	1,198	(986)	3	3	—	218	41	259
Personal automobile liability	11,463	(10,153)	29	60	—	1,399	28	1,427
Personal automobile physical damage	1,279	(1,262)	5	3	—	25	—	25
Homeowners	6,770	(6,435)	6	31	—	372	3	375
Other ongoing business			208	(2)	(15)	191	294	485
Asbestos and environmental [1]			938	—	—	938	1,429	2,367
Other operations [1]			349	164	—	513	(13)	500
Total P&C	**$ 64,238**	**$ (46,059)**	**$ 5,147**	**$ 938**	**$ (367)**	**$ 23,897**	**$ 5,725**	**$ 29,622**

[1]Asbestos and environmental and other operations include asbestos, environmental and other latent exposures not foreseen when coverages were written, including, but not limited to, potential liability for pharmaceutical products, silica, talcum powder, head injuries, lead paint, construction defects, sexual molestation and sexual abuse and other long-tail liabilities. These reserve lines do not have significant paid or incurred loss development for the most recent ten accident years and therefore do not have loss development displayed in triangles.

The reserve lines in the above table and the loss triangles that follow represent the significant lines of business for which the Company regularly reviews the appropriateness of reserve levels. These reserve lines differ from the reserve lines reported on a statutory basis, as prescribed by the National Association of Insurance Commissioners ("NAIC"). The cumulative incurred losses displayed in the above table include the full reinsurance benefit of ceding $209 of losses to the Navigators ADC even though $118 of that benefit has been recorded as a deferred gain within other liabilities and recognized as a charge to earnings within incurred loss and loss adjustment expenses included in the consolidated statement of operations. The $209 of Navigators Insurers losses ceded to the Navigators ADC included in the following triangles $53 for general liability, $53 for professional liability, $24 for assumed reinsurance, $12 for commercial automobile, $38 for marine and $5 for commercial property and included $24 for older accident years and lines of business that are not in the following triangles.

The following loss triangles present historical loss development for incurred and paid claims by accident year, including loss development on Navigators Insurers reserves prior to and after the May 23, 2019 acquisition date. Because the loss triangles include pre-acquisition date changes in ultimate incurred loss estimates for Navigators Insurers' reserves, changes in reserve development evident in the incurred loss triangles may differ from prior accident year development recorded by the Company as shown in the (Favorable) Unfavorable Prior Accident Year Development table above as that only includes changes in Navigators Insurers' reserves post acquisition. In addition, the incurred loss triangles include reserve development on both catastrophe and non-catastrophe claims whereas the (Favorable) Unfavorable Prior Accident Year Development table above shows the total amount of catastrophe reserve development across all lines of business on a single line.

Triangles are limited to the number of years for which claims incurred typically remain outstanding, not exceeding ten years. Short-tail lines, which represent claims generally expected to be paid within a few years, have three years of claim development displayed. For marine, commercial property, professional liability and assumed reinsurance lines, the Company has provided nine years of claims development as data for earlier periods was not available for the Lloyds syndicate. IBNR reserves shown in loss triangles include reserve for incurred but not reported claims as well as reserves for expected development on reported claims. Incurred and cumulative paid losses in currencies other than the

U.S. dollar have been converted into U.S. dollars using the exchange rates as of December 31, 2020.

Workers' Compensation

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR Reserves	Claims Reported
2011	$ 2,013	$ 2,099	$ 2,204	$ 2,206	$ 2,221	$ 2,224	$ 2,232	$ 2,242	$ 2,239	$ 2,235	$ 291	177,961
2012		2,185	2,207	2,207	2,181	2,168	2,169	2,154	2,146	2,135	325	171,494
2013			2,020	1,981	1,920	1,883	1,861	1,861	1,850	1,831	378	151,422
2014				1,869	1,838	1,789	1,761	1,713	1,692	1,679	437	126,217
2015					1,873	1,835	1,801	1,724	1,714	1,699	477	113,966
2016						1,772	1,772	1,780	1,767	1,748	574	112,058
2017							1,862	1,869	1,840	1,822	753	111,510
2018								1,916	1,917	1,915	854	117,999
2019									1,937	1,935	1,033	117,698
2020										1,865	1,412	84,062
Total										**$ 18,864**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2011	$ 371	$ 841	$ 1,156	$ 1,368	$ 1,518	$ 1,622	$ 1,690	$ 1,746	$ 1,786	$ 1,811
2012		359	809	1,106	1,313	1,436	1,529	1,587	1,644	1,678
2013			304	675	917	1,071	1,175	1,260	1,304	1,339
2014				275	598	811	960	1,041	1,099	1,137
2015					261	576	778	909	1,004	1,068
2016						255	579	779	908	1,003
2017							261	575	778	900
2018								283	624	837
2019									291	637
2020										223
Total										**$ 10,633**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

General Liability

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2011	$ 431	$ 420	$ 408	$ 405	$ 404	$ 416	$ 417	$ 426	$ 420	$ 416	$ 40	22,394
2012		423	402	399	392	410	408	421	413	407	50	16,597
2013			455	442	456	484	488	502	505	508	62	13,867
2014				506	475	481	494	513	522	515	78	14,722
2015					556	560	554	594	633	647	110	15,382
2016						613	583	607	633	632	176	16,479
2017							626	614	613	616	258	15,943
2018								692	669	697	395	16,881
2019									821	826	638	15,191
2020										937	850	9,265
Total										**$ 6,201**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	$ 15	$ 61	$ 123	$ 200	$ 255	$ 303	$ 330	$ 348	$ 362	$ 368
2012		13	55	101	170	233	280	305	323	332
2013			13	53	141	233	320	372	398	422
2014				15	42	130	214	304	358	402
2015					10	55	156	278	409	477
2016						12	52	131	283	368
2017							15	67	156	255
2018								21	83	177
2019									29	100
2020										45
Total										**$ 2,946**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Marine

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)										
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves [1]**	**Claims Reported**
2012	$ 195	$ 220	$ 180	$ 169	$ 163	$ 164	$ 168	$ 164	$ 164	$ 2	6,782
2013		149	152	134	136	140	135	138	140	(3)	6,623
2014			163	160	158	165	164	169	167	(3)	7,122
2015				158	146	146	148	133	138	(5)	10,114
2016					140	143	138	148	150	(7)	13,112
2017						160	187	175	174	(12)	15,498
2018							144	161	154	(12)	13,808
2019								144	142	20	7,989
2020									150	76	3,451
Total									**$ 1,379**		

[1]IBNR reserves are negative for some accident years as all losses ceded to the Navigators ADC are ceded as IBNR even though the gross losses being ceded include both reported losses and IBNR components. In addition, the collection of subrogation lags payment of the losses.

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)								
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2012	$ 51	$ 101	$ 125	$ 139	$ 148	$ 152	$ 155	$ 159	$ 158
2013		42	82	100	112	119	121	126	133
2014			41	81	116	131	151	156	159
2015				40	85	116	126	134	139
2016					35	80	106	122	132
2017						48	111	142	154
2018							37	104	138
2019								36	83
2020									32
Total									**$ 1,128**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Package Business

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2011	$ 810	$ 792	$ 790	$ 800	$ 808	$ 814	$ 813	$ 812	$ 807	$ 807	$ 24	61,097
2012		736	725	728	731	736	735	739	732	732	30	59,871
2013			579	565	573	585	586	592	586	587	29	43,620
2014				566	578	601	602	603	603	593	44	43,207
2015					582	588	585	583	588	581	56	42,121
2016						655	638	632	625	611	78	43,922
2017							695	702	692	657	114	46,366
2018								719	724	688	169	44,273
2019									813	769	256	41,800
2020										915	412	56,548
Total										**$ 6,940**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	$ 377	$ 555	$ 621	$ 684	$ 727	$ 748	$ 762	$ 772	$ 774	$ 776
2012		286	486	560	616	652	673	687	694	697
2013			225	339	414	467	504	522	541	549
2014				226	345	416	468	507	525	535
2015					212	332	383	445	486	505
2016						225	353	410	465	500
2017							235	372	447	496
2018								237	402	451
2019									254	413
2020										326
Total										**$ 5,248**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Commercial Property

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)										
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2012	$ 369	$ 333	$ 334	$ 335	$ 337	$ 335	$ 334	$ 333	$ 332	$ —	26,860
2013		268	252	254	252	249	248	247	247	—	21,610
2014			293	281	282	280	279	280	280	—	21,025
2015				299	301	302	301	305	304	1	21,020
2016					406	420	399	406	408	1	23,758
2017						577	516	455	438	6	24,332
2018							450	437	424	26	21,630
2019								476	437	21	20,791
2020									495	162	18,628
Total									**$ 3,365**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)								
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2012	$ 182	$ 296	$ 317	$ 326	$ 331	$ 331	$ 331	$ 330	$ 330
2013		161	223	238	243	242	244	245	245
2014			170	250	270	279	279	279	280
2015				179	257	285	296	302	303
2016					215	342	378	396	401
2017						229	379	412	428
2018							188	344	379
2019								214	349
2020									221
Total									**$ 2,936**

Commercial Automobile Liability

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2011	$ 272	$ 310	$ 356	$ 356	$ 366	$ 365	$ 363	$ 362	$ 363	$ 363	$ 6	39,302
2012		311	377	391	402	395	389	387	388	388	6	36,052
2013			311	318	334	341	340	339	335	334	8	32,239
2014				309	317	331	337	341	334	333	8	29,609
2015					308	358	372	356	356	359	12	28,541
2016						385	393	390	391	392	25	29,145
2017							372	383	379	383	37	26,279
2018								349	396	405	86	24,402
2019									417	431	194	24,604
2020										416	321	14,930
Total										**$ 3,804**		

Cumulative Paid Losses & Allocated Loss Adjustment Expense, Net of Reinsurance

	For the years ended December 31 (Unaudited)									
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	$ 63	$ 133	$ 211	$ 274	$ 316	$ 339	$ 348	$ 353	$ 354	$ 355
2012		65	143	234	307	346	359	372	376	378
2013			62	130	202	259	295	311	321	323
2014				59	131	197	252	299	309	318
2015					62	142	207	267	314	335
2016						65	147	232	303	339
2017							60	134	211	285
2018								62	153	239
2019									63	153
2020										50
Total										**$ 2,775**

Commercial Automobile Physical Damage

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31,				
	(Unaudited)				
Accident Year	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2018	$ 62	$ 62	$ 61	$ 1	20,561
2019		63	64	1	19,828
2020			51	2	13,796
Total			**$ 176**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31,		
	(Unaudited)		
Accident Year	**2018**	**2019**	**2020**
2018	$ 54	$ 60	$ 60
2019		56	62
2020			45
Total			**$ 167**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Professional Liability

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)										
Claims Made Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2012	$ 242	$ 238	$ 238	$ 218	$ 221	$ 221	$ 219	$ 225	$ 217	$ 11	7,036
2013		207	195	187	174	174	173	171	171	22	5,972
2014			187	183	181	178	179	182	183	26	6,717
2015				164	174	179	190	214	207	40	7,215
2016					183	176	203	197	196	53	8,345
2017						205	203	232	226	63	9,362
2018							248	281	277	101	9,913
2019								298	317	196	9,297
2020									370	325	6,236
Total									**$ 2,164**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)								
Claims Made Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2012	$ 17	$ 67	$ 100	$ 139	$ 155	$ 168	$ 172	$ 175	$ 175
2013		10	44	67	88	116	131	137	143
2014			8	38	74	108	131	135	146
2015				9	40	85	107	125	141
2016					8	51	88	112	125
2017						11	48	88	123
2018							15	73	130
2019								21	78
2020									19
Total									**$ 1,080**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Bond

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31,											
	(Unaudited)											
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR Reserves	Claims Reported
2011	$ 74	$ 78	$ 78	$ 76	$ 71	$ 71	$ 71	$ 71	$ 72	$ 71	$ 9	2,135
2012		71	70	61	55	49	49	45	48	48	13	1,728
2013			64	58	55	48	49	39	35	34	14	1,463
2014				71	67	66	67	59	59	60	13	1,386
2015					67	67	63	60	54	48	17	1,394
2016						61	61	61	56	52	29	1,335
2017							63	90	101	94	34	1,682
2018								68	68	72	37	1,573
2019									72	73	60	1,514
2020										83	77	1,505
Total										**$ 635**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31,									
	(Unaudited)									
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2011	$ 12	$ 40	$ 52	$ 57	$ 58	$ 60	$ 60	$ 60	$ 61	$ 62
2012		12	25	26	24	26	26	34	35	35
2013			3	9	17	19	19	19	20	20
2014				18	31	40	43	43	45	46
2015					9	20	24	31	34	32
2016						2	12	15	20	22
2017							5	46	55	53
2018								6	16	23
2019									3	13
2020										4
Total										**$ 310**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Assumed Reinsurance

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)										
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2012	$ 107	$ 99	$ 93	$ 88	$ 115	$ 120	$ 119	$ 120	$ 120	$ —	1,441
2013		115	119	103	105	102	102	103	104	—	1,647
2014			119	142	122	118	115	116	116	—	1,760
2015				102	92	94	94	95	96	—	1,497
2016					89	91	98	100	102	(1)	1,626
2017						129	153	162	157	—	1,966
2018							129	128	130	(14)	1,960
2019								181	190	38	2,025
2020									183	110	833
Total									**$ 1,198**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)								
Accident Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2012	$ 38	$ 77	$ 83	$ 85	$ 112	$ 118	$ 118	$ 119	$ 119
2013		53	83	91	98	100	101	103	103
2014			66	119	106	109	112	113	114
2015				42	65	77	83	91	94
2016					36	66	84	90	95
2017						44	116	135	145
2018							25	112	134
2019								62	132
2020									50
Total									**$ 986**

Personal Automobile Liability

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2011	$ 1,181	$ 1,170	$ 1,180	$ 1,173	$ 1,166	$ 1,154	$ 1,154	$ 1,153	$ 1,153	$ 1,153	$ 4	221,891
2012		1,141	1,149	1,146	1,142	1,133	1,130	1,130	1,130	1,129	5	210,757
2013			1,131	1,145	1,144	1,153	1,152	1,153	1,157	1,156	7	205,480
2014				1,146	1,153	1,198	1,200	1,199	1,202	1,201	8	209,013
2015					1,195	1,340	1,338	1,330	1,331	1,328	15	216,871
2016						1,407	1,402	1,393	1,397	1,395	28	215,797
2017							1,277	1,275	1,228	1,214	50	187,408
2018								1,108	1,104	1,072	105	155,821
2019									1,018	1,010	220	138,430
2020										805	400	90,933
Total										**$ 11,463**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Accident Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	$ 447	$ 826	$ 1,006	$ 1,088	$ 1,126	$ 1,140	$ 1,145	$ 1,146	$ 1,146	$ 1,148
2012		441	818	986	1,067	1,104	1,114	1,120	1,122	1,123
2013			442	816	1,002	1,091	1,121	1,135	1,142	1,144
2014				430	843	1,032	1,125	1,165	1,182	1,186
2015					475	935	1,142	1,243	1,292	1,304
2016						505	968	1,188	1,308	1,345
2017							441	836	1,033	1,123
2018								359	710	888
2019									323	654
2020										238
Total										**$ 10,153**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Personal Automobile Physical Damage

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)				
Accident Year	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2018	$ 509	$ 498	$ 488	$ 1	305,389
2019		445	442	—	276,688
2020			349	(6)	199,623
Total			**$ 1,279**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)		
Accident Year	**2018**	**2019**	**2020**
2018	$ 474	$ 491	$ 488
2019		427	441
2020			333
Total			**$ 1,262**

Homeowners

Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)											
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR Reserves	Claims Reported
2011	$ 955	$ 920	$ 919	$ 916	$ 914	$ 911	$ 908	$ 907	$ 907	$ 907	$ —	179,405
2012		774	741	741	741	739	738	738	738	737	—	142,855
2013			673	638	637	634	632	630	629	630	1	113,546
2014				710	707	702	700	698	698	698	—	121,914
2015					690	703	690	684	684	684	1	119,981
2016						669	673	663	658	658	2	119,742
2017							866	889	884	783	6	124,581
2018								903	910	673	(11)	102,603
2019									501	475	27	83,915
2020										525	89	82,246
Total										**$ 6,770**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Accident Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
2011	$ 709	$ 871	$ 891	$ 899	$ 903	$ 905	$ 908	$ 907	$ 908	$ 907
2012		547	696	719	727	731	734	735	736	736
2013			467	590	611	622	626	627	628	628
2014				526	663	684	691	695	697	697
2015					487	645	665	674	680	681
2016						481	621	640	649	653
2017							538	747	795	757
2018								484	712	616
2019									318	425
2020										335
Total										**$ 6,435**

Property and casualty reserves, including IBNR reserves

The Company estimates ultimate losses and allocated loss adjustment expenses by accident year. IBNR represents the excess of estimated ultimate loss reserves over case reserves. The process to estimate ultimate losses and loss adjustment expenses is an integral part of the Company's reserve setting. Reserves for allocated and unallocated loss adjustment expenses are generally established separate from the reserves for losses.

Reserves for losses are set by line of business within the reporting segments. Case reserves are established by a claims handler on each individual claim and are adjusted as new information becomes known during the course of handling the claim. Lines of business for which reported losses emerge over a long period of time are referred to as long-tail lines of business. Lines of business for which reported losses emerge more quickly are referred to as short-tail lines of business. The Company's shortest tail lines of business are homeowners, commercial property and automobile physical damage. The longest tail lines of business include workers' compensation, general liability and professional liability. For short-tail lines of business, emergence of paid loss and case reserves is credible and likely indicative of ultimate losses. For long-tail lines of business, emergence of paid losses and case reserves is less credible in the early periods after a given accident year and, accordingly, may not be indicative of ultimate losses.

The Company's reserving actuaries regularly review reserves for both current and prior accident years using the most current claim data. A variety of actuarial methods and judgments are used for most lines of business to arrive at selections of estimated ultimate losses and loss adjustment expenses. The reserve selections incorporate input, as appropriate, from claims personnel, pricing actuaries and operating management about reported loss cost trends and other factors that could affect the reserve estimates.

For both short-tail and long-tail lines of business, an expected loss ratio is used to record initial reserves. This expected loss ratio is determined by starting with the average loss ratio of recent prior accident years and adjusting that ratio for the effect of expected changes to earned pricing, loss frequency and severity, mix of business, ceded reinsurance and other factors. For short-tail lines, IBNR for the current accident year is initially recorded as the product of the expected loss ratio for the period, earned premium for the period and the proportion of losses expected to be reported in future calendar periods for the current accident period. For long-tailed lines, IBNR reserves for the current accident year are initially recorded as the product of the expected loss ratio for the period and the earned premium for the period, less reported losses for the period. For certain short-tailed lines of business, IBNR amounts in the above loss development triangles are negative due to anticipated salvage and subrogation recoveries on paid losses.

As losses for a given accident year emerge or develop in subsequent periods, reserving actuaries use other methods to estimate ultimate unpaid losses in addition to the expected loss ratio method. These primarily include paid and reported loss development methods, frequency/severity techniques and the Bornhuetter-Ferguson method (a combination of the expected loss ratio and paid development or reported development method). Within any one line of business, the methods that are given more weight vary based primarily on the maturity of the accident year, the mix of business and the particular internal and external influences impacting the claims experience or the methods. The output of the reserve reviews are reserve estimates that are referred to as actuarial indications.

Paid development and reported development techniques are used for most lines of business though more weight is given to the reported development method for some of the long-tailed lines like general liability. In addition, for long-tailed lines of business, the Company relies on the expected loss ratio method for immature accident years. Frequency/severity techniques are used predominantly for professional liability and are also used for automobile liability. The Berquist-Sherman technique is also used for automobile liability, marine and assumed reinsurance. For most lines, reserves for allocated loss adjustment expenses ("ALAE", or those expenses related to specific claims) are analyzed using paid development techniques and an analysis of the relationship between ALAE and loss payments. For most of the lines acquired through the Navigators Group book of business, loss and ALAE are reviewed on a combined basis. Reserves for ULAE are determined using the expected cost per claim year and the anticipated claim closure pattern as well as the ratio of paid ULAE to paid losses.

In the final step of the reserve review process, senior reserving actuaries and senior management apply their judgment to determine the appropriate level of reserves considering the actuarial indications and other factors not contemplated in the actuarial indications. Those factors include, but are not limited to, the assessed reliability of key loss trends and assumptions used in the current actuarial indications, the maturity of the accident year, pertinent trends observed over the recent past, the level of volatility within a particular line of business, and the improvement or deterioration of actuarial indications. The Company also considers the magnitude of the difference between the actuarial indication and the recorded reserves.

Cumulative number of reported claims

For most property and casualty lines, claim counts represent the number of claim features on a reported claim where a claim feature is each separate coverage for each claimant affected by the claim event. For example, one car accident that results in two bodily injury claims and one automobile damage liability claim would be counted as three claims within the personal automobile liability triangle. Similarly, a fire that impacts one commercial building may result in multiple claim features due to the potential for claims related to business interruption, structural damage, and loss of the physical contents of the building. Claim features that result in no paid losses are included in the reported claim counts. For some property and casualty lines, such as marine and assumed reinsurance, a claim count represents each reported claim regardless of the number of features. For assumed bordereau business and business written on binders, one claim count is posted for each bordereau received, which could account for multiple claims.

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

	(Unaudited)									
Reserve Line	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**6th Year**	**7th Year**	**8th Year**	**9th Year**	**10th Year**
Workers' compensation	15.2 %	19.1 %	12.4 %	8.3 %	5.7 %	4.2 %	2.6 %	2.3 %	1.7 %	1.1 %
General liability	2.9 %	8.2 %	14.6 %	18.4 %	16.2 %	10.9 %	6.6 %	4.5 %	2.8 %	1.5 %
Marine	26.1 %	32.4 %	18.4 %	8.4 %	7.0 %	2.8 %	2.2 %	3.9 %	(0.5 %)	
Package business	37.5 %	21.7 %	10.0 %	8.6 %	6.0 %	2.9 %	2.1 %	1.2 %	0.3 %	0.3 %
Commercial property	53.6 %	30.9 %	7.6 %	3.2 %	0.9 %	0.3 %	0.2 %	(0.1 %)	(0.1 %)	
Commercial automobile liability	16.2 %	20.8 %	20.9 %	17.7 %	11.4 %	4.9 %	2.7 %	1.1 %	0.5 %	0.2 %
Commercial automobile physical damage	88.2 %	10.1 %	(0.5 %)							
Professional liability	5.4 %	19.0 %	18.2 %	14.5 %	10.4 %	6.3 %	3.9 %	2.0 %	— %	
Bond	12.7 %	24.3 %	11.7 %	4.9 %	2.4 %	0.1 %	5.3 %	1.2 %	0.1 %	2.1 %
Assumed Reinsurance	36.3 %	38.7 %	8.8 %	4.9 %	8.0 %	2.5 %	1.0 %	0.3 %	(0.1 %)	
Personal automobile liability	35.5 %	33.2 %	15.8 %	7.6 %	3.1 %	1.1 %	0.5 %	0.1 %	0.1 %	0.1 %
Personal automobile physical damage	96.5 %	3.2 %	(0.7 %)							
Homeowners	71.8 %	22.7 %	1.2 %	0.4 %	0.6 %	0.3 %	0.1 %	0.1 %	— %	— %

Group Life, Disability and Accident Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the years ended December 31,		
	2020	**2019**	**2018**
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 8,256**	**$ 8,445**	**$ 8,512**
Reinsurance recoverables [1]	247	239	209
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**8,009**	**8,206**	**8,303**
Aetna U.S. group life and disability business acquisition [2]	—	—	42
Provision for unpaid losses and loss adjustment expenses			
Current incurral year	4,511	4,385	4,470
Prior year's discount accretion	209	219	227
Prior incurral year development [3]	(445)	(410)	(324)
Total provision for unpaid losses and loss adjustment expenses [4]	**4,275**	**4,194**	**4,373**
Payments			
Current incurral year	(2,288)	(2,277)	(2,377)
Prior incurral years	(2,000)	(2,114)	(2,135)
Total payments	**(4,288)**	**(4,391)**	**(4,512)**
Ending liabilities for unpaid losses and loss adjustment expenses, net	**7,996**	**8,009**	**8,206**
Reinsurance recoverables	237	247	239
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 8,233**	**$ 8,256**	**$ 8,445**

[1] Includes a cumulative effect adjustment of $(1) representing an adjustment to the ACL recorded on adoption of accounting guidance for credit losses on January 1, 2020. See Note 1 - Basis of Presentation and Significant Accounting Policies.
[2]Amount recognized in 2018 represents an adjustment to Aetna U.S. group life and disability business reserves, net of reinsurance as of the acquisition date, upon finalization of the opening balance sheet.
[3]Prior incurral year development represents the change in estimated ultimate incurred losses and loss adjustment expenses for prior incurral years on a discounted basis.
[4]Includes unallocated loss adjustment expenses of $178, $178 and $194 for the years ended December 31, 2020, 2019 and 2018, respectively, that are recorded in insurance operating costs and other expenses in the Consolidated Statements of Operations.

Group Life, Disability and Accident Products Reserves, Net of Reinsurance, that are Discounted

	For the years ended December 31,		
	2020	2019	2018
Liability for unpaid losses and loss adjustment expenses, at undiscounted amounts	$ 8,380	$ 8,636	$ 8,957
Amount of discount	(1,353)	(1,401)	(1,505)
Carrying value of liability for unpaid losses and loss adjustment expenses	$ 7,027	$ 7,235	$ 7,452
Weighted average discount rate	3.4 %	3.4 %	3.4 %
Range of discount rate	2.1 % - 8.0 %	2.1 % - 8.0 %	2.1 % - 8.0 %

Reserves are discounted at rates in effect at the time claims were incurred, ranging from 2.1% for life and disability reserves acquired from Aetna based on interest rates in effect at the acquisition date of November 1, 2017, to 8.0% for the Company's pre-acquisition reserves for incurral year 1990, and vary by product. Prior year's discount accretion has been calculated as the average reserve balance for the year times the weighted average discount rate.

2020 re-estimates of prior incurral year reserves

Group disability- Prior period reserve estimates decreased by approximately $365 largely driven by group long-term disability lower claim incidence and higher recoveries on prior incurral year claims, and a refund on the New York Paid Family Leave program.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $65 largely driven by lower-than-previously expected claim incidence in group life premium waiver.

Supplemental Accident & Health- Prior period reserve estimates decreased by approximately $15 driven by lower-than-expected emergence of prior year claims, especially for voluntary critical Illness and voluntary accident products.

2019 re-estimates of prior incurral year reserves

Group disability- Prior period reserve estimates decreased by approximately $340 largely driven by group long-term disability claim incidence lower than prior assumptions and strong recoveries on prior incurral year claims, including the impact of updating long-term disability ("LTD") recovery probabilities to be based on more recent experience. New York Paid Family Leave also experienced favorable claim emergence including an experience refund.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $60 largely driven by lower-than-previously expected claim incidence in group life premium waiver.

2018 re-estimates of prior incurral year reserves

Group disability- Prior period reserve estimates decreased by approximately $230 largely driven by group long-term disability claim recoveries higher than prior reserve assumptions and, primarily for the 2017 incurral year, claim incidence lower than prior assumptions. Short-term disability also experienced favorable claim recoveries.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $90 largely driven by lower-than-previously expected claim incidence inclusive of group life, group life premium waiver, and group accidental death & dismemberment, principally for the 2017 incurral year.

Reconciliation of Loss Development to Liability for Unpaid Losses and Loss Adjustment Expenses as of December 31, 2020

	Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance					Subtotal		
Reserve Line	Cumulative Incurred for Incurral Years Displayed in Triangles	Cumulative Paid for Incurral Years Displayed in Triangles	Unpaid for Incurral Years not Displayed in Triangles	Unpaid Unallocated Loss Adjustment Expenses, Net of Reinsurance	Discount	Unpaid Losses and Loss Adjustment Expenses, Net of Reinsurance	Reinsurance and Other Recoverables	Liability for Unpaid Losses and Loss Adjustment Expenses
Group long-term disability	$ 14,411	$ (8,420)	$ 1,554	$ 182	$ (1,233)	$ 6,494	$ 227	$ 6,721
Group life and accident, excluding premium waiver	5,888	(5,283)	163	4	(17)	755	3	758
Group short-term disability			117	4	—	121	—	121
Group life premium waiver			688	10	(103)	595	2	597
Group supplemental health			31	—	—	31	5	36
Total Group Benefits	**$ 20,299**	**$ (13,703)**	**$ 2,553**	**$ 200**	**$ (1,353)**	**$ 7,996**	**$ 237**	**$ 8,233**

The following loss triangles present historical loss development for incurred and paid claims by the year the insured claim occurred, referred to as the incurral year. Triangles are limited to the number of years for which claims incurred typically remain outstanding, not exceeding ten years. Short-tail lines, which represent claims generally expected to be paid within a few years, have three years of claim development displayed.

Group Long-Term Disability

Undiscounted Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31,											
	(Unaudited)											
Incurral Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	IBNR Reserves	Claims Reported
2011	$ 1,917	$ 1,761	$ 1,660	$ 1,659	$ 1,669	$ 1,660	$ 1,649	$ 1,638	$ 1,631	$ 1,615	$ —	37,347
2012		1,829	1,605	1,539	1,532	1,530	1,515	1,504	1,486	1,479	—	35,626
2013			1,660	1,479	1,429	1,429	1,416	1,413	1,399	1,385	—	30,611
2014				1,636	1,473	1,430	1,431	1,431	1,408	1,395	—	31,756
2015					1,595	1,442	1,422	1,420	1,401	1,385	—	32,527
2016						1,651	1,481	1,468	1,437	1,417	1	33,244
2017							1,597	1,413	1,358	1,316	2	30,883
2018								1,647	1,387	1,309	6	28,364
2019									1,650	1,424	38	27,136
2020										1,686	885	15,861
Total										**$ 14,411**		

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)									
Incurral Year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
2011	$ 118	$ 508	$ 743	$ 886	$ 996	$ 1,087	$ 1,167	$ 1,231	$ 1,286	$ 1,324
2012		108	483	708	835	933	1,014	1,080	1,138	1,185
2013			102	443	664	791	881	954	1,016	1,067
2014				103	448	675	801	884	960	1,025
2015					108	460	687	806	891	962
2016						112	479	705	819	907
2017							109	452	658	757
2018								105	447	639
2019									101	454
2020										100
Total										**$ 8,420**

Group Life and Accident, excluding Premium Waiver

Undiscounted Incurred Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)				
Incurral Year	**2018**	**2019**	**2020**	**IBNR Reserves**	**Claims Reported**
2018	$ 1,952	$ 1,940	$ 1,950	$ 10	52,500
2019		1,902	1,866	19	57,109
2020			2,072	401	46,597
Total			**$ 5,888**		

Cumulative Paid Losses & Allocated Loss Adjustment Expenses, Net of Reinsurance

	For the years ended December 31, (Unaudited)		
Incurral Year	**2018**	**2019**	**2020**
2018	$ 1,532	$ 1,916	$ 1,929
2019		1,471	1,830
2020			1,524
Total			**$ 5,283**

Group life, disability and accident reserves, including IBNR

The majority of Group Benefits' reserves are for LTD claimants who are known to be disabled and are currently receiving benefits. A Disabled Life Reserve ("DLR") is calculated for each LTD claim. The DLR for each claim is the expected present value of all estimated future benefit payments and includes estimates of claim recovery, investment yield, and offsets from other income, including offsets from Social Security benefits and workers' compensation. Estimated future benefit payments represent the monthly income benefit that is paid until recovery, death or expiration of benefits. Claim recoveries are estimated based on claim characteristics such as age and diagnosis and represent an estimate of benefits that will terminate, generally as a result of the claimant returning to work or being deemed able to return to work. The DLR also includes a liability for payments to claimants who have not yet been approved for LTD either because they have not yet satisfied the waiting (or elimination) period or because the approval or denial decision has not yet been made. In these cases, the present value of future benefits is reduced for the likelihood of claim denial based on Company experience. For claims recently closed due to recovery, a portion of the DLR is retained for the possibility that the claim reopens upon further evidence of disability. In addition, a reserve for estimated unpaid claim expenses is included in the DLR.

For incurral years with IBNR claims, estimates of ultimate losses are made by applying completion factors to the dollar amount of claims reported or expected depending on the market segment. IBNR represents estimated ultimate losses less both DLR and cumulative paid amounts for all reported claims. Completion factors are derived using standard actuarial techniques using triangles that display historical claim count emergence by incurral month. These estimates are reviewed for reasonableness and are adjusted for current trends and other factors expected to cause a change in claim emergence. The IBNR includes an estimate of unpaid claim expenses, including a provision for the cost of initial set-up of the claim once reported.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For all products, including LTD, there is a period generally ranging from two to twelve months, depending on the product and market segment, where emerged claim information for an incurral year is not yet credible enough to be a basis for an IBNR projection. In these cases, the ultimate losses and allocated loss adjustment expenses are estimated using earned premium multiplied by an expected loss ratio.

The Company also records reserves for future death benefits under group term life policies that provide for premiums to be waived in the event the insured is unable to work due to disability and has satisfied an elimination period, which is typically nine months (premium waiver reserves). The death benefit reserve for these group life premium waiver claims is estimated for a known disabled claimant equal to the present value of expected future cash outflows (typically a lump sum face amount payable at death plus claim expenses) with separate estimates for claimant recovery (when no death benefit is payable) and for death before recovery or benefit expiry (when death benefit is payable). The IBNR for premium waiver death benefits is estimated with standard actuarial development methods.

In addition, the Company also records reserves for group term life, accidental death & dismemberment, short term disability, and other group products that have short claim payout periods. For these products, reserves are determined using paid or reported actuarial development methods. The resulting claim triangles produce a completion pattern and estimate of ultimate loss. IBNR for these lines of business equals the estimated ultimate losses and loss adjustment expenses less the amount of paid or reported claims depending on whether the paid or reported development method was used. Estimates are reviewed for reasonableness and are adjusted for current trends or other factors that affect the development pattern.

Cumulative number of reported claims

For group life, disability and accident coverages, claim counts include claims that are approved, pending approval and terminated and exclude denied claims. Due to the nature of the claims, one claimant represents one event.

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

	(Unaudited)									
	1st Year	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**6th Year**	**7th Year**	**8th Year**	**9th Year**	**10th Year**
Group long-term disability	7.4 %	25.2 %	15.6 %	8.5 %	6.4 %	5.4 %	4.6 %	3.9 %	3.3 %	2.3 %
Group life and accident, excluding premium waiver	77.0 %	19.5 %	0.7 %							

13. RESERVE FOR FUTURE POLICY BENEFITS

Changes in Reserves for Future Policy Benefits [1]

Liability balance, as of January 1, 2020	**$**	**635**
Incurred		85
Paid		(85)
Change in unrealized investment gains and losses		3
Liability balance, as of December 31, 2020	**$**	**638**
Reinsurance recoverable asset, as of January 1, 2020	**$**	**31**
Incurred		(2)
Paid		(1)
Reinsurance recoverable asset, as of December 31, 2020	**$**	**28**
Liability balance, as of January 1, 2019	**$**	**642**
Incurred		86
Paid		(102)
Change in unrealized investment gains and losses		9
Liability balance, as of December 31, 2019	**$**	**635**
Reinsurance recoverable asset, as of January 1, 2019	**$**	**27**
Incurred		4
Paid		—
Reinsurance recoverable asset, as of December 31, 2019	**$**	**31**

[1]Reserves for future policy benefits includes paid-up life insurance and whole-life policies resulting from conversion from group life policies included within the Group Benefits segment and reserves for run-off structured settlement and terminal funding agreement liabilities which are in the Corporate category.

14. DEBT

The Company's long-term debt securities are issued by HFSG Holding Company, are unsecured obligations of HFSG Holding Company, and rank on a parity with all other unsecured and unsubordinated indebtedness of HFSG Holding Company.

Debt is carried net of discount and issuance cost.

Interest expense on debt is included in the Corporate category for segment reporting.

Short-term and Long-term Debt by Issuance

	As of December 31,	
	2020	2019
Revolving Credit Facilities	$ —	$ —
Senior Notes and Debentures		
5.5% Notes, due 2020	—	500
2.8% Notes, due 2029	600	600
5.95% Notes, due 2036	300	300
6.625% Notes, due 2040	295	295
6.1% Notes, due 2041	409	409
6.625% Notes, due 2042	178	178
4.3% Notes, due 2043	300	300
4.4% Notes, due 2048	500	500
3.6% Notes, due 2049	800	800
Junior Subordinated Debentures		
7.875% Notes, due 2042	600	600
3 Month LIBOR + 2.125% Notes, due 2067 [1]	500	500
8.125% Notes, due 2068	—	—
Total Notes and Debentures	**4,482**	**4,982**
Unamortized discount and debt issuance cost [2]	(130)	(134)
Total Debt	**4,352**	**4,848**
Less: Current maturities	—	500
Long-Term Debt	**$ 4,352**	**$ 4,348**

[1]In April 2017, the Company entered into an interest rate swap agreement expiring February 15, 2027 to effectively convert the variable interest payments for this debenture into fixed interest payments of approximately 4.39%.
[2]This amount includes unamortized discount of $75 and $76 as of December 31, 2020 and 2019, respectively, on the 6.1% Notes, due 2041.

The effective interest rate on the 6.1% senior notes due 2041 is 7.9%. The effective interest rate on the remaining notes does not differ materially from the stated rate. The Company incurred interest expense of $236, $259 and $298 on debt for the years ended December 31, 2020, 2019 and 2018, respectively.

Shelf Registrations

On May 17, 2019, the Company filed with the Securities and Exchange Commission an automatic shelf registration statement (Registration No. 333-231592) for the potential offering and sale of debt and equity securities. The registration statement allows for the following types of securities to be offered: debt securities, junior subordinated debt securities, guarantees, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, and stock purchase units. In that The Hartford is a well-known seasoned issuer, as defined in Rule 405 under the Securities Act of 1933, the registration statement went effective immediately upon filing and The Hartford may offer and sell an unlimited amount of securities under the registration statement during the three-year life of the registration statement.

Senior Notes

On March 30, 2020, The Hartford repaid at maturity the $500 principal amount of its 5.5% senior notes.

In the Navigators Group acquisition, the Company assumed $265 par value 5.75% Senior notes due on October 15, 2023 with a fair value of $284 as of the acquisition date.

On August 19, 2019, The Hartford issued $600 of 2.8% senior notes ("2.8% Notes") due August 19, 2029 and $800 of 3.6% senior notes ("3.6% Notes") due August 19, 2049 for net proceeds of approximately $1.38 billion, after deducting underwriting discounts and expenses. Under both senior note issuances, interest is payable semi-annually in arrears on August 19 and February 19, commencing February 19, 2020. The Hartford, at its option, can redeem the 2.8% Notes and the 3.6% Notes at any time, in whole or part, at a redemption price equal to the greater of 100% of the principal amount being redeemed or a make-whole amount based on a comparable maturity US Treasury rate plus a basis point spread, plus any accrued and unpaid interest, except the make-whole amount is not applicable within the final three months of maturity for the 2.8% Notes and the final six months of maturity for the 3.6% Notes. The spread over the comparable maturity US Treasury rates for determining the make-whole amount is 20 and 25 basis points for the 2.8% Notes and 3.6% Notes, respectively.

After receiving proceeds from the issuance of the 2.8% Notes and 3.6% Notes, in third quarter 2019, The Hartford repaid $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition and $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc., and recognized a loss on extinguishment of debt of $90.

On January 15, 2019, The Hartford repaid at maturity the $413 principal amount of its 6.0% senior notes.

Junior Subordinated Debentures

Junior Subordinated Debentures by Issuance as of December 31, 2020

Issue	7.875% Debentures		3 Month LIBOR + 2.125%	
Face Value	$ 600		$ 500	
Interest Rate [1]	7.875 %	[2]	N/A	[3]
Call Date	April 15, 2022		February 15, 2022	[4]
Interest Rate Subsequent to Call Date [2]	3 Month LIBOR + 5.596%		3 Month LIBOR + 2.125%	[5]
Final Maturity	April 15, 2042		February 12, 2067	

[1]Interest rate in effect until call date.
[2]Payable quarterly in arrears.
[3]Debentures were issued on the original call date of February 15, 2017. The interest rate is variable and resets quarterly.
[4]Although the original call date was February 15, 2017, a Replacement Capital Covenant associated with the debenture prohibits the Company from redeeming all or any portion of the notes on or prior to February 15, 2022, unless consent from covered bondholders is obtained.
[5]In April 2017, the company entered into an interest rate swap agreement expiring February 15, 2027 to effectively convert the interest payments for the 3 Month LIBOR + 2.125% debenture into fixed interest payments of approximately 4.39%.

The debentures are unsecured, subordinated and junior in right of payment and upon liquidation to all of the Company’s existing and future senior indebtedness. In addition, the debentures are effectively subordinated to all of the Company’s subsidiaries’ existing and future indebtedness and other liabilities, including obligations to policyholders. The debentures do not limit the Company’s or the Company’s subsidiaries’ ability to incur additional debt, including debt that ranks senior in right of payment and upon liquidation to the debentures.

The Company has the right to defer interest payments for up to a consecutive ten years without giving rise to an event of default. Deferred interest will continue to accrue and will accrue additional interest at the then applicable interest rate. If the Company defers interest payments, the Company generally may not make payments on or redeem or purchase any shares of its capital stock or any of its debt securities or guarantees that rank upon liquidation, dissolution or winding up equally with or junior to the debentures, subject to certain limited exceptions.

The 7.875% and 3 Month LIBOR plus 2.125% debentures may be redeemed in whole prior to the call date upon certain tax or rating agency events, at a price equal to the greater of 100% of the principal amount being redeemed and the applicable make-whole amount plus any accrued and unpaid interest. The Company may elect to redeem the 7.875% and 3 Month LIBOR plus 2.125% debentures in whole or in part on or after the call date for the principal amount being redeemed plus accrued and unpaid interest to the date of redemption.

In connection with the offering of the 3 Month LIBOR plus 2.125% debenture, the Company entered into a Replacement Capital Covenant ("RCC") for the benefit of holders of one or more designated series of the Company's indebtedness, initially the Company's 4.3% notes due 2043. Under the terms of the RCC, if the Company redeems the debenture any time prior to February 12, 2047 (or such earlier date on which the RCC terminates by its terms) it can only do so with the proceeds from the sale of certain qualifying replacement securities. The RCC also prohibits the Company from redeeming all or any portion of the notes on or prior to February 15, 2022.

In July 2017, the U.K. Financial Conduct Authority ("FCA") announced that, by the end of 2021, it intends to stop persuading or compelling banks to report information used to set LIBOR, which could result in LIBOR no longer being published after 2021 or a determination by regulators that LIBOR is no longer representative of its underlying market. In December 2020, based on feedback from the banks that report information used to set LIBOR and following discussions with the FCA, the administrator of LIBOR, ICE Benchmark Administration, released a consultation on the potential for it to continue publication of the most widely-used U.S. dollar LIBOR rates until the end of June 2023. Subject to the results of the consultation, it is possible that some U.S. dollar LIBOR rates will continue to be available for a limited period beyond the end of 2021.The Company continues to monitor and assess the potential impacts of the discontinuation of LIBOR on its outstanding junior subordinated debentures.

Long-Term Debt

Long-term Debt Maturities (at par value) as of December 31, 2020

2021 - Current maturities	$	—
2022	$	—
2023	$	—
2024	$	—
2025	$	—
Thereafter	$	4,482

Revolving Credit Facilities

The Company has a senior unsecured five-year revolving credit facility (“Credit Facility”) that provides up to $750 of unsecured credit through March 29, 2023. Revolving loans from the Credit Facility may be in multiple currencies. U.S. dollar loans will bear interest at a floating rate equivalent to an indexed rate depending on the type of borrowing and a basis point spread based on The Hartford's credit rating and will mature no later than March 29, 2023. Letters of credit issued from the Credit Facility bear a fee based on The Hartford's credit rating and expire no later than March 29, 2024. The Credit Facility requires the Company to maintain a minimum consolidated net worth, excluding AOCI, of $9 billion, limit the ratio of senior debt to capitalization, excluding AOCI, at 35% and meet other customary covenants. The Credit Facility is for general corporate purposes.

As of December 31, 2020, no borrowings were outstanding, no letters of credit were issued under the Credit Facility and the Company was in compliance with all financial covenants.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford had two letter of credit facility agreements: the Club Facility and the Bilateral Facility, which were used to provide a portion of the capital requirements at Lloyd's. As of September 30, 2020, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million, or $78, were outstanding under the Club Facility and £18 million, or $23, was outstanding under the $25 Bilateral Facility. These agreements terminated on November 5, 2020.

On November 5, 2020, The Hartford entered into a new committed credit facility agreement with a syndicate of lenders (the “Club Facility”). The Club Facility has two tranches with one tranche extending a $104 commitment and the other tranche extending a £85 million ($116 as of December 31, 2020) commitment. In addition, on November 5, 2020, The Hartford entered into a new non-committed $25 credit facility with a lender (the “Bilateral Facility”). The term of both of these facilities is two years. The purpose of these facilities is to issue letters of credit that may be treated as Funds at Lloyd’s to support underwriting capacity provided by the Navigators Corporate Underwriters Limited to the Lloyd’s Syndicate 1221 for the 2021 and 2022 underwriting years of account (and prior open years). As of December 31, 2020, letters of credit with an aggregate face amount of $104 and £85 million, or $116, were outstanding under the Club Facility and no letters of credit were outstanding under the Bilateral Facility.

Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding The Hartford’s consolidated net worth and financial leverage and that limit the amount of letters of credit that can support Funds at Lloyd’s, consistent with Lloyd’s requirements. As of December 31, 2020, The Hartford was in compliance with all financial covenants of both facilities.

Commercial Paper

On December 17, 2020, the Board of Directors terminated the HFSG Holding Company's commercial paper program, under which the maximum borrowings available were $750.

Collateralized Advances with Federal Home Loan Bank of Boston

The Company’s subsidiaries, Hartford Fire Insurance Company (“Hartford Fire”) and HLA, are members of the Federal Home Loan Bank of Boston (“FHLBB”). Membership allows these subsidiaries access to collateralized advances, which may be short- or long-term with fixed or variable rates. FHLBB membership required the purchase of member stock and requires additional member stock ownership of 3% or 4% of any amount borrowed. Acceptable forms of collateral include real estate backed fixed maturities and mortgage loans and the amount of advances that can be taken is limited to a percentage of the fair value of the assets that ranges from a high of 97% for US government-backed fixed maturities maturing within 3 years to a low of 40% for A-rated commercial mortgage-backed fixed maturities maturing in 5 years or more. In its consolidated balance sheets, The Hartford presents the liability for advances taken based on use of the funds with advances for general corporate purposes presented in short- or long-term debt and advances to earn incremental investment income presented in other liabilities, consistent with other collateralized financing transactions such as securities lending and repurchase agreements. The Connecticut Department of Insurance permits Hartford Fire and HLA to pledge up to $1.2 billion and $0.6 billion in qualifying assets, respectively, without prior approval, to secure FHLBB advances in 2021. The pledge limit is determined quarterly based on statutory admitted assets and capital and surplus of Hartford Fire and HLA, respectively.

As of December 31, 2020, there were no advances outstanding under the FHLBB facility.

15. COMMITMENTS AND CONTINGENCIES

Management evaluates each contingent matter separately. A loss is recorded if probable and reasonably estimable. Management establishes liabilities for these contingencies at its "best estimate," or, if no one number within the range of possible losses is more probable than any other, the Company records an estimated liability at the low end of the range of losses.

Litigation

The Hartford is involved in claims litigation arising in the ordinary course of business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The Hartford accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. Subject to the uncertainties related to sexual molestation and sexual abuse claims discussed in Note 12, Reserve for Unpaid Losses and Loss Adjustment Expense, and in the following discussion under the caption "COVID-19 Pandemic Business Income Insurance Coverage Litigation" and under the caption "Run-off Asbestos and Environmental Claims," management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.

The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. In addition to the matter described below, these actions include putative class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, underpayment of claims or improper sales or underwriting practices in connection with various kinds of insurance policies, such as personal and commercial automobile, property, disability, life and inland marine. The Hartford also is involved in individual actions in which punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims or other allegedly unfair or improper business practices. Like many other insurers, The Hartford also has been joined in actions by asbestos plaintiffs asserting, among other things, that insurers had a duty to protect the public from the dangers of asbestos and that insurers committed unfair trade practices by asserting defenses on behalf of their policyholders in the underlying asbestos cases. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of The Hartford. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, the outcome in certain matters could, from time to time, have a material adverse effect on the Company's results of operations or cash flows in particular quarterly or annual periods.

COVID-19 Pandemic Business Income Insurance Coverage Litigation

Like many others in the property and casualty insurance industry, beginning in April 2020, various direct and indirect subsidiaries of the Company (collectively the "Hartford Writing Companies"), and in some instances the Company itself, have been served as defendants in lawsuits seeking insurance coverage under commercial insurance policies issued by the Hartford Writing Companies for alleged losses resulting from the shutdown or suspension of their businesses due to the spread of COVID-19. More than 230 such lawsuits have been filed, of which more than 50 purport to be filed on behalf of broad nationwide or statewide classes of policyholders. These lawsuits have been filed in state and federal courts in roughly 31 states. Although the allegations vary, the plaintiffs generally seek a declaration of insurance coverage, damages for breach of contract in unspecified amounts, interest, and attorney's fees. Many of the lawsuits also allege that the insurance claims were denied in bad faith or otherwise in violation of state laws and seek extra-contractual or punitive damages.

The Company and its subsidiaries deny the allegations and intend to defend vigorously. The Hartford Writing Companies maintain that they have no coverage obligations with respect to these suits for business income allegedly lost by the plaintiffs due to the COVID-19 pandemic based on the clear terms of the applicable insurance policies. Although the policy terms vary depending, among other things, upon the size, nature, and location of the policyholder's business, in general, the claims at issue in these lawsuits were denied because the claimant identified no direct physical damage or loss to property at the insured premises, and the governmental orders that led to the complete or partial shutdown of the business were not due to the existence of any direct physical loss or damage in the immediate vicinity of the insured premises and did not prohibit access to the insured premises, as required by the terms of the insurance policies. In addition, the vast majority of the policies at issue expressly exclude from coverage any loss caused directly or indirectly by the presence, growth, proliferation, spread or activity of a virus, subject to a narrow set of exceptions not applicable in connection with this pandemic, and contain a pollution and contamination exclusion that, among other things, expressly excludes from coverage any loss caused by material that threatens human health or welfare.

In addition to the inherent difficulty in predicting litigation outcomes, the COVID-19 pandemic business income coverage lawsuits present numerous uncertainties and contingencies that are not yet known, including how many policyholders will ultimately file claims, the number of lawsuits that will be filed, the extent to which any state or nationwide classes will be certified, and the size and scope of any such classes. The legal theories advocated by plaintiffs vary significantly by case as do the state laws that govern the policy interpretation. Many of these lawsuits remain in the earliest stages of litigation, many complaints are in the process of being amended, some have been dismissed voluntarily and may be refiled, while others have been dismissed through rulings in favor of the Hartford Writing Companies. Accordingly, little discovery has occurred. Some policyholders have appealed dismissals in favor of the Hartford Writing Companies; none of these appeals has been fully briefed at this time. In addition, business income calculations depend upon a wide range of factors that are particular to the circumstances of each individual policyholder and, here, virtually none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss, and, in any event, the Company's experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. Accordingly, management cannot now reasonably estimate the possible loss or range of loss, if any. Nonetheless, given the large number of claims and potential claims, the indeterminate amounts sought, and the inherent unpredictability of litigation, it is possible that adverse outcomes, if any, in the aggregate, could have a material adverse effect on the Company's consolidated operating results.

Run-off Asbestos and Environmental Claims

The Company continues to receive A&E claims. Asbestos claims relate primarily to bodily injuries asserted by people who came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up costs.

The vast majority of the Company's exposure to A&E relates to Run-off A&E, reported within the P&C Other Operations segment. In addition, since 1986, the Company has written asbestos and environmental exposures under general liability policies and pollution liability under homeowners policies, which are reported in the Commercial Lines and Personal Lines segments.

Prior to 1986, the Company wrote several different categories of insurance contracts that may cover A&E claims. First, the Company wrote primary policies providing the first layer of coverage in an insured's liability program. Second, the Company wrote excess and umbrella policies providing higher layers of coverage for losses that exhaust the limits of underlying coverage. Third, the Company acted as a reinsurer assuming a portion of those risks assumed by other insurers writing primary, excess, umbrella and reinsurance coverages.

Significant uncertainty limits the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid gross losses and expenses related to environmental and particularly asbestos claims. The degree of variability of gross reserve estimates for these exposures is significantly greater than for other more traditional exposures.

In the case of the reserves for asbestos exposures, factors contributing to the high degree of uncertainty include inadequate loss development patterns, plaintiffs' expanding theories of liability, the risks inherent in major litigation, and inconsistent emerging legal doctrines. Furthermore, over time, insurers, including the Company, have experienced significant changes in the rate at which asbestos claims are brought, the claims experience of particular insureds, and the value of claims, making predictions of future exposure from past experience uncertain. Plaintiffs and insureds also have sought to use bankruptcy proceedings, including "pre-packaged" bankruptcies, to accelerate and increase loss payments by insurers. In addition, some policyholders have asserted new classes of claims for coverages to which an aggregate limit of liability may not apply. Further uncertainties include insolvencies of other carriers and unanticipated developments pertaining to the Company's ability to recover reinsurance for A&E claims. Management believes these issues are not likely to be resolved in the near future.

In the case of the reserves for environmental exposures, factors contributing to the high degree of uncertainty include expanding theories of liability and damages, the risks inherent in major litigation, inconsistent decisions concerning the existence and scope of coverage for environmental claims, and uncertainty as to the monetary amount being sought by the claimant from the insured.

The reporting pattern for assumed reinsurance claims, including those related to A&E claims, is much longer than for direct claims. In many instances, it takes months or years to determine that the policyholder's own obligations have been met and how the reinsurance in question may apply to such claims. The delay in reporting reinsurance claims and exposures adds to the uncertainty of estimating the related reserves.

It is also not possible to predict changes in the legal and legislative environment and their effect on the future development of A&E claims.

Given the factors described above, the Company believes the actuarial tools and other techniques it employs to estimate the ultimate cost of claims for more traditional kinds of insurance exposure are less precise in estimating reserves for A&E exposures. For this reason, the Company principally relies on exposure-based analysis to estimate the ultimate costs of these claims, both gross and net of reinsurance, and regularly evaluates new account information in assessing its potential A&E exposures. The Company supplements this exposure-based analysis with evaluations of the Company's historical direct net loss and expense paid and reported experience, and net loss and expense paid and reported experience by calendar and/or report year, to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and reported activity.

While the Company believes that its current A&E reserves are appropriate, significant uncertainties limit the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not estimable now, could be material to The Hartford's consolidated operating results and liquidity.

For its Run-off A&E, as of December 31, 2020, the Company reported $702 of net asbestos reserves and $87 of net environmental reserves. In addition, the Company has recorded a $210 deferred gain within other liabilities for losses economically ceded to NICO but for which the benefit is not recognized in earnings until later periods. While the Company believes that its current Run-off A&E reserves are appropriate, significant uncertainties limit our ability to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not reasonably estimable now, could be material to The Hartford's consolidated operating results and liquidity.

The Company's A&E ADC reinsurance agreement with NICO reinsures substantially all A&E reserve development for 2016 and prior accident years, including Run-off A&E and A&E reserves included in Commercial Lines and Personal Lines. The A&E ADC has a coverage limit of $1.5 billion above the Company's existing net A&E reserves as of December 31, 2016 of approximately $1.7 billion. As of December 31, 2020, the Company has incurred $860 in cumulative adverse development on A&E reserves that have been ceded under the A&E ADC treaty with NICO, leaving $640 of coverage available for future adverse net reserve development, if any. Cumulative adverse development of A&E claims for accident years 2016 and prior could ultimately exceed

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

the $1.5 billion treaty limit in which case any adverse development in excess of the treaty limit would be absorbed as a charge to earnings by the Company. In these scenarios, the effect of these charges could be material to the Company's consolidated operating results and liquidity. For more information on the A&E ADC, refer to Note 12, Reserve for Unpaid Losses and Loss Adjustment Expenses.

Unfunded Commitments

As of December 31, 2020, the Company has outstanding commitments totaling $1,119, of which $804 is primarily committed to fund limited partnerships and other alternative investments, which may be called by the partnership during the commitment period to fund the purchase of new investments and partnership expenses. Additionally, $79 of the outstanding commitments relate to various funding obligations primarily associated with private debt and equity securities. The remaining outstanding commitments of $236 relate to mortgage loans. Of the $1,119 in total outstanding commitments, $149 are related to mortgage loan commitments which the Company can cancel unconditionally.

Guaranty Funds and Other Insurance-Related Assessments

In all states, insurers licensed to transact certain classes of insurance are required to become members of a guaranty fund. In most states, in the event of the insolvency of an insurer writing any such class of insurance in the state, the guaranty funds may assess its members to pay covered claims of the insolvent insurers. Assessments are based on each member's proportionate share of written premiums in the state for the classes of insurance in which the insolvent insurer was engaged. Assessments are generally limited for any year to one or two percent of the premiums written per year depending on the state. Some states permit member insurers to recover assessments paid through surcharges on policyholders or through full or partial premium tax offsets, while other states permit recovery of assessments through the rate filing process.

Liabilities for guaranty fund and other insurance-related assessments are accrued when an assessment is probable, when it can be reasonably estimated, and when the event obligating the Company to pay an imposed or probable assessment has occurred. Liabilities for guaranty funds and other insurance-related assessments are not discounted and are included as part of other liabilities in the Consolidated Balance Sheets. As of December 31, 2020 and 2019 the liability balance was $83 and $89, respectively. As of December 31, 2020 and 2019 amounts related to premium tax offsets of $0 and $2, respectively, were included in other assets.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings, as set by nationally recognized statistical agencies, of the individual legal entity that entered into the derivative agreement. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and, in certain instances, enable the counterparties to terminate the agreements and demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of December 31, 2020 was $86. For this $86, the legal entities have posted collateral of $90 in the normal course of business. Based on derivative market values as of December 31, 2020, a downgrade of one level below the current financial strength ratings by either Moody's or S&P would not require additional assets to be posted as collateral. A downgrade of two levels below the current financial strength ratings by either Moody's or S&P would require an additional $2 of assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the additional collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

Guarantees

In the ordinary course of selling businesses or entities to third parties, the Company has agreed to indemnify purchasers for losses arising subsequent to the closing due to breaches of representations and warranties with respect to the business or entity being sold or with respect to covenants and obligations of the Company and/or its subsidiaries. These obligations are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or applicable. The Company does not expect to make any payments on these guarantees and is not carrying any liabilities associated with these guarantees.

The Hartford has guaranteed the timely payment of contractual claims under certain life, accident and health and annuity contracts issued by its former life and annuity business with most of the guaranteed contracts issued between 1990 and 1997 (the "Talcott Guarantees"). Upon the sale of the life and annuity business in May 2018, the purchaser indemnified the Company for any liability arising under the guarantees. The Talcott Guarantees cover contractual obligations only but otherwise have no limitation as to maximum potential future payments. Prior to January 1, 2020, the Company had not recorded a liability because the likelihood of any payment under the Talcott Guarantees is remote. Upon adoption of new credit loss guidance on January 1, 2020, the Company estimated a liability for credit loss ("LCL") of $25. For further information refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

The LCL is calculated for the estimated amount payable under guaranteed contracts multiplied by the probability of default and the amount of loss given a default. The probability of default is assigned by credit rating of the applicable insurance company that issued the contract and is based on historical insurance industry defaults for liabilities with similar durations estimated through multiple economic cycles. Credit ratings are current and forward-looking and consider a variety of economic outcomes. Because annuities represent the majority of the contracts issued, the loss given default factors are based on a historical study of annuity policyholder recoveries from insolvent estate assets. The Company's exposure is expected to run off over a period that will include more than one economic cycle.

The Company's evaluation of the required LCL for the Talcott Guarantees considers the current economic environment as well as macroeconomic scenarios similar to the approach used to estimate the ACL for mortgage loans. See Note 6 - Investments. In response to significant economic stress experienced as a result of the COVID-19 pandemic, the Company increased the weight of both a moderate and severe recession scenario in our estimate of the LCL as of December 31, 2020. The Company has never experienced a loss on financial guarantees of this nature and we believe the risk of loss is remote.

16. EQUITY

Capital Purchase Program ("CPP") Warrants

CPP warrants were issued in 2009 as part of a program established by the U.S. Department of the Treasury under the Emergency Economic Stabilization Act of 2008. The CPP warrants expired on June 26, 2019.

The declaration of common stock dividends by the Company in excess of a threshold triggered a provision in the Company's warrant agreement with The Bank of New York Mellon resulting in adjustments to the CPP warrant exercise price and the number of shares deliverable for each warrant exercised (“Warrant Share Number”). Accordingly, the CPP warrant exercise price was $8.836 and the Warrant Share Number was 1.1 as of December 31, 2018. The exercise price was settled by the Company withholding the number of common shares issuable upon exercise of the warrants equal to the value of the aggregate exercise price of the warrants so exercised determined by reference to the closing price of the Company's common stock on the trading day on which the warrants were exercised and notice was delivered to the warrant agent. CPP warrant exercises were 1.9 million and 0.3 million during the years ended December 31, 2019 and 2018, respectively.

Equity Repurchase Program

The Hartford’s $1.0 billion equity repurchase program authorized by its Board of Directors in February 2019, expired on December 31, 2020. For the years ended December 31, 2020 and 2019, The Hartford repurchased $150 (2.7 million shares) and $200 (3.4 million shares), respectively, of common stock under this program.

In December, 2020, the Company announced a $1.5 billion share repurchase authorization by the Board of Directors which is effective from January 1, 2021 through December 31, 2022. The timing of any future repurchases will be dependent upon several factors, including the market price of the Company's securities, the Company's capital position, consideration of the effect of any repurchases on the Company's financial strength or credit ratings, and other considerations.

Preferred Stock

On November 6, 2018, the Company issued 13.8 million depositary shares each representing 1/1000th interest in a share of the Company’s 6.0% Series G non-cumulative perpetual preferred stock (“Preferred Stock”) with a liquidation preference of $25,000 per share (equivalent to $25.00 per depositary share), for net cash proceeds of $334. The Preferred Stock is perpetual and has no maturity date. Dividends are recorded when declared. Dividends are payable, if declared, quarterly in arrears on the 15th day of February, May, August and November of each year. If a dividend is not declared and paid or made payable on all outstanding shares of the Preferred Stock for the latest completed dividend period, no dividends may be paid or declared on The Hartford’s common stock and The Hartford may not purchase, redeem, or otherwise acquire its common stock.

The Preferred Stock is redeemable at the Company’s option in whole or in part, on or after November 15, 2023 at a redemption price of $25,000 per share, plus unpaid dividends attributable to the current dividend period. Prior to November 15, 2023, the Preferred Stock is redeemable at the Company’s option, in whole but not in part, within 90 days of the occurrence of (a) a rating agency event at a redemption price equal to $25,500 per share, plus unpaid dividends attributable to the current dividend period in circumstances where a rating agency changes its criteria used to assign equity credit to securities like the Preferred Stock; or (b) a regulatory capital event at a redemption price equal to $25,000 per share, plus unpaid dividends attributable to the current dividend period in circumstances where a capital regulator such as a state insurance regulator changes or proposes to change capital adequacy rules.

Statutory Results

The U.S. domestic insurance subsidiaries of The Hartford prepare their statutory financial statements in conformity with statutory accounting practices prescribed or permitted by the applicable state insurance department which vary materially from U.S. GAAP. Prescribed statutory accounting practices include publications of the NAIC, as well as state laws, regulations and general administrative rules. The differences between statutory financial statements and financial statements prepared in accordance with U.S. GAAP vary between domestic and foreign jurisdictions. The principal differences are that statutory financial statements do not reflect deferred policy acquisition costs and limit deferred income taxes, recognize a deferred gain on retroactive reinsurance within a special surplus account rather than as other liabilities, predominately use interest rate and mortality assumptions prescribed by the NAIC for life benefit reserves, generally carry bonds at amortized cost, and present reinsurance assets and liabilities net of reinsurance. For reporting purposes, statutory capital and surplus is referred to collectively as "statutory capital".

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

U.S. Statutory Net Income

	For the years ended December 31,		
	2020	2019	2018
Group Benefits Insurance Subsidiary	$ 310	$ 513	$ 390
Property and Casualty Insurance Subsidiaries	1,598	1,391	1,114
Life and annuity business sold in May, 2018	—	—	196
Total	**$ 1,908**	**$ 1,904**	**$ 1,700**

U.S. Statutory Capital

	As of December 31,	
	2020	2019
Group Benefits Insurance Subsidiary	$ 2,601	$ 2,644
Property and Casualty Insurance Subsidiaries	10,795	10,208
Total	**$ 13,396**	**$ 12,852**

Regulatory Capital Requirements

The Company's U.S. insurance companies' states of domicile impose risk-based capital (“RBC”) requirements. The requirements provide a means of measuring the minimum amount of statutory capital appropriate for an insurance company to support its overall business operations based on its size and risk profile. Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. All of the Company's operating insurance subsidiaries had RBC ratios in excess of the minimum levels required by the applicable insurance regulations.

Similar to the RBC ratios that are employed by U.S. insurance regulators, regulatory authorities in the international jurisdictions in which the Company operates generally establish minimum solvency requirements for insurance companies. All of the Company's international insurance subsidiaries expect to maintain capital levels in excess of the minimum levels required by the applicable regulatory authorities.

Dividend Restrictions

Dividends to HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. Upon the acquisition of Navigators Group, the Company’s principal insurance subsidiaries are domiciled in the United States, the United Kingdom and Belgium.

The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer’s statutory policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer’s earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner.

Property casualty insurers domiciled in New York, including Navigators Insurance Company ("NIC") and Navigators Specialty Insurance Company ("NSIC"), generally may not, without notice to and approval by the state insurance commissioner, pay dividends out of earned surplus in any twelve-month period that exceeds the lesser of (i) 10% of the insurer’s statutory policyholders’ surplus as of the most recent financial statement on file, or (ii) 100% of its adjusted net investment income, as defined, for the same twelve month period. As part of the New York state insurance commissioner's approval of the Navigators Group acquisition, and as is common practice, any dividend from NIC and NSIC before May 2021 will require prior approval from the state insurance commissioner.

Corporate members of Lloyd's Syndicates may pay dividends to its parent to the extent of available profits that have been distributed from the syndicate in excess of the FAL capital requirement. The FAL is determined based on the syndicate’s solvency capital requirement of the syndicate under the Solvency II capital adequacy model, the current regulatory framework governing UK domiciled insurers, plus a Lloyd’s specific economic capital assessment.

Insurers domiciled in the United Kingdom may pay dividends to its parent out of its statutory profits subject to restrictions imposed under U.K. Company law and Solvency II. Belgium domiciled insurers may only pay dividends if, at the end of its previous fiscal year, the total amount of its assets, as reduced by its provisions and debts, are in excess of certain minimum capital thresholds calculated under Belgian law.

The insurance holding company laws of the other jurisdictions in which The Hartford’s insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances more restrictive) limitations on the payment of dividends. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiaries, regulatory capital requirements , liquidity requirements of the individual operating company and are also dependent on the extent to which COVID-19 impacts our business, results of operations, financial condition, and liquidity.

In 2020, the Company received $350 of dividends from HLA and $127 from Hartford Funds. In addition, HFSG Holding Company received $900 of net dividends from P&C subsidiaries in 2020 which excludes $50 of P&C dividends that were subsequently contributed to a run-off P&C subsidiary and $78 of P&C dividends related to interest payments on an intercompany note owed by Hartford Holdings, Inc. ("HHI") to Hartford Fire Insurance Company.

The Company’s property and casualty insurance subsidiaries have dividend capacity of $1.7 billion for 2021, with $850 to $900 of net dividends expected in 2021.

HLA has dividend capacity of $295 in 2021 with $250 to $295 of dividends expected in 2021.

There are no current restrictions on HFSG Holding Company's ability to pay dividends to its stockholders.

Restricted Net Assets

The Company's insurance subsidiaries had net assets of $17.5 billion, determined in accordance with U.S. GAAP, that were restricted from payment to the HFSG Holding Company, without prior regulatory approval at December 31, 2020.

17. INCOME TAXES

Income Tax Expense

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions, as applicable. Income from continuing operations before income taxes included income from domestic operations of $2,222, $2,644 and $1,753 for the years ended December 31, 2020, 2019 and 2018, and income (losses) from foreign operations of $(102), $(84) and $0 for the years ended December 31, 2020, 2019 and 2018.

Income Tax Expense

	For the years ended December 31,		
	2020	2019	2018
Income tax expense (benefit)			
Current - U.S. federal	$ 410	$ 8	$ (18)
Foreign	—	—	—
Total current	**410**	**8**	**(18)**
Deferred - U.S. federal	(20)	476	286
Foreign	(7)	(9)	—
Total deferred	**(27)**	**467**	**286**
Total income tax expense	**$ 383**	**$ 475**	**$ 268**

Income Tax Rate Reconciliation

	For the years ended December 31,		
	2020	2019	2018
Tax provision at U.S. Federal statutory rate	$ 445	$ 538	$ 368
Tax-exempt interest	(46)	(56)	(66)
Increase in deferred tax valuation allowance	9	2	—
Sale of business	(8)	—	—
Carryback benefit	(5)	—	—
Tax law change	(6)	—	(39)
Other	(6)	(9)	5
Provision for income taxes	**$ 383**	**$ 475**	**$ 268**

Deferred Taxes

Deferred tax assets and liabilities on the consolidated balance sheets represent the tax consequences of differences between the financial reporting and tax basis of assets and liabilities.

The Company predominantly pays non-income state taxes as a percentage of premiums written which are accounted for as policy acquisition costs. State income taxes were $3, $5 and $4 for the years ended December 31, 2020, 2019 and 2018, respectively, and are included in other expenses. The Hartford has not recorded state deferred taxes, including net deferred tax assets from state operating loss carryforwards because the Company does not expect to earn state taxable income to utilize such state tax benefits.

Deferred Tax Assets (Liabilities)

	As of December 31,	
	2020	2019
Deferred tax assets		
Loss reserves and tax discount	$ 312	$ 214
Unearned premium reserve and other underwriting related reserves	384	385
Investment-related items	125	130
Employee benefits	282	287
Net operating loss carryover	11	84
Other	34	27
Total deferred tax assets	**1,148**	**1,127**
Valuation allowance	(4)	(4)
Deferred tax assets, net of valuation allowance	**1,144**	**1,123**
Deferred tax liabilities		
Deferred acquisition costs	(120)	(143)
Net unrealized gains on investments	(758)	(458)
Other depreciable and amortizable assets	(220)	(223)
Total deferred tax liabilities	**(1,098)**	**(824)**
Net deferred tax asset	**$ 46**	**$ 299**

For the year ended December 31, 2020, the Company has utilized all US net operating loss carryforwards as a reduction of 2020 current tax liability. The Company has foreign net operating losses of $11 for which a valuation allowance of $4 has been established. While the foreign net operating losses ("NOLs") do not expire, this assessment reflects uncertainty in the Company's ability to generate sufficient taxable income in the near term in those specific jurisdictions.

Management has assessed the need for a valuation allowance against its deferred tax assets based on tax character and jurisdiction. In making the assessment, management considered future taxable temporary difference reversals, future taxable income exclusive of reversing temporary differences and carryovers, taxable income in open carry back years and other tax planning strategies. From time to time, tax planning strategies could include holding a portion of fixed income securities with market value losses until recovery, altering the level of tax exempt securities held, making investments which have specific tax characteristics, and business considerations such as asset-liability matching. Management views such tax planning strategies as prudent and feasible and would implement them, if necessary, to realize the deferred tax assets.

Uncertain Tax Positions

Rollforward of Unrecognized Tax Benefits

	For the years ended December 31,		
	2020	2019	2018
Balance, beginning of period	**$ 14**	**$ 14**	**$ 9**
Gross increases - tax positions in prior period	—	—	5
Gross decreases - tax positions in prior period	—	—	—
Gross increases - tax positions in current period	1	—	—
Balance, end of period	**$ 15**	**$ 14**	**$ 14**

The entire amount of unrecognized tax benefits, if recognized, would affect the effective tax rate in the period of the release.

In addition, for the year ended December 31, 2018 the Company recorded a receivable of $5 related to a tax indemnification agreement associated with the life and annuity business sold in May 2018. The receivable is separate from the tax liability and is classified in other assets on the balance sheet.

Other Tax Matters

On March 27, 2020, as part of the business stimulus package in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act established new tax provisions including, but not limited to: (1) five-year carryback of net operating losses generated in 2018, 2019 and 2020; (2) accelerated refund of alternative minimum tax ("AMT") credit carryforwards; and (3) retroactive changes to allow accelerated depreciation for certain depreciable property.

The legislation results in a benefit of $6 related to the ability to carryback non-insurance losses to recover taxes paid in prior years as described below. The changes to AMT recovery periods do not impact the Company due to the fact that the Company has received a refund or reduction of regular tax payable for all the remaining AMT credits in 2020.

For the year ended December 31, 2020 the Company recorded a tax benefit of $11 related to the expected carryback of losses from the Navigators Group 2019 pre-acquisition tax returns to recover taxes paid in prior years at the previous statutory tax rate of 35%, of which $6 was by virtue of the non-insurance carryback provision of the CARES Act.

Included in 2018 is a benefit of $39, primarily due to the elimination of the sequestration fee on alternative minimum tax credits included in the Tax Cuts and Jobs Act ("TCJA").

For the year ended December 31, 2020 the Company recorded a tax benefit of $8 related to the excess tax over GAAP basis on the sale of the continental Europe operations. Refer to Note 22 - Business Dispositions and Discontinued Operations.

The federal audits for the Company have been completed through 2013, and the Company is not currently under federal examination for any open years. The statute of limitations is closed through the 2016 tax year with the exception of NOL carryforwards utilized in open tax years. Management believes that adequate provision has been made in the Company's Consolidated Financial Statements for any potential adjustments that may result from tax examinations and other tax-related matters for all open tax years.

The Company classifies interest and penalties (if applicable) as income tax expense in the Consolidated Financial Statements. The Company recognized net interest income of $1, $1 and $0 for the years ended December 31, 2020, 2019 and 2018. The Company has no interest payable as of December 31, 2020, 2019 and 2018. The Company does not believe it would be subject to any penalties in any open tax years and, therefore, has not recorded any accrual for penalties.

18. CHANGES IN AND RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in AOCI, Net of Tax for the Year Ended December 31, 2020

	Changes in					
	Net Unrealized Gain on Fixed Maturities	Unrealized loss on Fixed Maturities with ACL	Net Gain (Loss) on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	**$ 1,684**	**$ (3)**	**$ 9**	**$ 34**	**$ (1,672)**	**$ 52**
OCI before reclassifications	1,285	1	24	9	(92)	1,227
Amounts reclassified from AOCI	(135)	—	(21)	—	47	(109)
OCI, net of tax	1,150	1	3	9	(45)	1,118
Ending balance	**$ 2,834**	**$ (2)**	**$ 12**	**$ 43**	**$ (1,717)**	**$ 1,170**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Changes in AOCI, Net of Tax for the Year Ended December 31, 2019

	Changes in					
	Net Unrealized Gain on Fixed Maturities	OTTI Losses in OCI	Net Gain (Loss) on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	**$ 24**	**$ (4)**	**$ (5)**	**$ 30**	**$ (1,624)**	**$ (1,579)**
OCI before reclassifications [2]	1,797	1	22	4	(82)	1,742
Amounts reclassified from AOCI	(137)	—	(8)	—	34	(111)
OCI, net of tax	1,660	1	14	4	(48)	1,631
Ending balance	**$ 1,684**	**$ (3)**	**$ 9**	**$ 34**	**$ (1,672)**	**$ 52**

Changes in AOCI, Net of Tax for the Year ended December 31, 2018

	Changes in					
	Net Unrealized Gain on Fixed Maturities	OTTI Losses in OCI	Net Gain on Cash Flow Hedging Instruments	Foreign Currency Translation Adjustments	Pension and Other Postretirement Plan Adjustments	AOCI, net of tax
Beginning balance	**$ 1,931**	**$ (3)**	**$ 18**	**$ 34**	**$ (1,317)**	**$ 663**
Cumulative effect of accounting changes, net of tax [1]	273	—	2	4	(284)	(5)
Adjusted balance, beginning of period	**$ 2,204**	**$ (3)**	**$ 20**	**$ 38**	**$ (1,601)**	**$ 658**
OCI before reclassifications [2]	(2,245)	—	8	(8)	(61)	(2,306)
Amounts reclassified from AOCI	65	(1)	(33)	—	38	69
OCI, net of tax	(2,180)	(1)	(25)	(8)	(23)	(2,237)
Ending balance	**$ 24**	**$ (4)**	**$ (5)**	**$ 30**	**$ (1,624)**	**$ (1,579)**

[1]Includes reclassification to retained earnings of $88 of stranded tax effects and $93 of net unrealized gains, net of tax, related to equity securities. Refer to Note 1 - Basis of Presentation and Significant Accounting Policies.

[2]The reduction in AOCI included the effect of removing $758 of AOCI from the balance sheet when the life and annuity business was sold in May 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reclassifications from AOCI

AOCI	Amount Reclassified from AOCI			Affected Line Item in the Consolidated Statement of Operations
	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018	
Net Unrealized Gain on Fixed Maturities				
Fixed maturities, AFS	$ 171	$ 174	$ (80)	Net realized capital gains (losses)
	171	**174**	**(80)**	**Total before tax**
	36	37	(17)	Income tax expense
	—	—	(2)	Income from discontinued operations, net of tax
	$ 135	**$ 137**	**$ (65)**	**Net income**
Unrealized Loss on Fixed Maturities with ACL [1]				
Fixed maturities, AFS	$ —	$ —	$ —	Net realized capital gains (losses)
	—	**—**	**—**	**Total before tax**
	—	—	—	Income tax expense
	—	—	1	Income from discontinued operations, net of tax
	$ —	**$ —**	**$ 1**	**Net income**
Net Gains on Cash Flow Hedging Instruments				
Interest rate swaps	$ —	$ 2	$ 6	Net realized capital gains (losses)
Interest rate swaps	29	4	30	Net investment income
Interest rate swaps	(7)	1	—	Interest expense
Foreign currency swaps	(1)	—	—	Net realized capital gains (losses)
Foreign currency swaps	5	3	—	Net investment income
	26	**10**	**36**	**Total before tax**
	5	2	8	Income tax expense
	—	—	5	Income from discontinued operations, net of tax
	$ 21	**$ 8**	**$ 33**	**Net income**
Pension and Other Postretirement Plan Adjustments				
Amortization of prior service credit	$ 7	$ 7	$ 7	Insurance operating costs and other expenses
Amortization of actuarial loss	(67)	(50)	(55)	Insurance operating costs and other expenses
	(60)	**(43)**	**(48)**	**Total before tax**
	(13)	(9)	(10)	Income tax expense
	(47)	**(34)**	**(38)**	**Net income**
Total amounts reclassified from AOCI	**$ 109**	**$ 111**	**$ (69)**	**Net income**

[1] Prior to January 1, 2020, includes OTTI in OCI on fixed maturities, AFS. See Note 1 - Basis of Presentation and Significant Accounting Policies.

19. EMPLOYEE BENEFIT PLANS

Investment and Savings Plan

Substantially all U.S. employees of the Company are eligible to participate in The Hartford Investment and Savings Plan under which designated contributions may be invested in a variety of investments, including up to 10% in a fund consisting largely of common stock of The Hartford. The Company's contributions include a non-elective contribution of 2.0% of eligible compensation and a dollar-for-dollar matching contribution of up to 6.0% of eligible compensation contributed by the employee each pay period. The Company also maintains a non-qualified savings plan, The Hartford Excess Savings Plan, with the dollar-for-dollar matching contributions of employee compensation in excess of the amount that can be contributed under the tax-qualified Investment and Savings Plan. An employee's eligible compensation includes overtime and bonuses but for the Investment and Savings Plan and Excess Savings Plan combined, is limited to $1 annually. The total cost to The Hartford for these plans was approximately $153, $156 and $134 for the years ended December 31, 2020, 2019 and 2018, respectively.

Additionally, The Hartford has established defined contribution pension plans for certain employees of the Company's international subsidiaries. The cost to The Hartford for the years ended December 31, 2020, 2019 and 2018 for these plans was immaterial.

Post Retirement Benefit Plans

Defined Benefit Pension Plan- The Company maintains The Hartford Retirement Plan for U.S. Employees, a U.S. qualified defined benefit pension plan ("Pension Plan") that covers substantially all U.S. employees hired prior to January 1, 2013. The Company also maintains non-qualified pension plans to provide retirement benefits previously accrued that are in excess of Internal Revenue Code limitations.

The Pension Plan includes two benefit formulas, both of which are frozen: a final average pay formula (for which all accruals ceased as of December 31, 2008) and a cash balance formula for which benefit accruals ceased as of December 31, 2012, although interest will continue to accrue to existing cash balance formula account balances. Employees who were participants as of December 31, 2012 continue to earn vesting credit with respect to their frozen accrued benefits if they continue to work. The interest crediting rate on the cash balance plan is the greater of the average annual yield on 10-year U.S. Treasury Securities or 3.3%. The Hartford Excess Pension Plan II, the Company's non-qualified excess pension benefit plan for certain highly compensated employees, is also frozen.

Group Retiree Health Plan- The Company provides certain health care and life insurance benefits for eligible retired employees. The Company's contribution for health care benefits are a function of the retiree's date of retirement and years of service. In addition, the plan has a defined dollar cap for certain retirees which limits average Company contributions. The Hartford has prefunded a portion of the health care obligations through a trust fund where such prefunding can be accomplished on a tax effective basis. Beginning January 1, 2017, for retirees 65 and older who were participating in the Retiree PPO Medical Plan, the Company funds the cost of medical and dental health care benefits through contributions to a Health Reimbursement Account and covered individuals can access a variety of insurance plans from a health care exchange. Effective January 1, 2002, Company-subsidized retiree medical, retiree dental and retiree life insurance benefits were eliminated for employees with original hire dates with the Company on or after January 1, 2002. The Company also amended its postretirement medical, dental and life insurance coverage plans to no longer provide subsidized coverage for employees who retired on or after January 1, 2014.

Assumptions

Pursuant to accounting principles related to the Company's pension and other postretirement obligations to employees under its various benefit plans, the Company is required to make a significant number of assumptions in order to calculate the related liabilities and expenses each period. The two economic assumptions that have the most impact on pension and other postretirement expense under the defined benefit pension plan and group retiree health plan are the discount rate and the expected long-term rate of return on plan assets. The assumed discount rates and yield curve is based on high-quality fixed income investments consistent with the maturity profile of the expected liability cash flows. Based on all available market and industry information, it was determined that 2.65% and 2.36% were the appropriate discount rates as of December 31, 2020 to calculate the Company's pension and other postretirement obligations, respectively.

The expected long-term rate of return considers the actual compound rates of return earned over various historical time periods. The Company also considers the investment volatility, duration and total returns for various time periods related to the characteristics of the pension obligation, which are influenced by the Company's workforce demographics. In addition, for the pension plan, the Company anticipates an allocation of approximately 60% in fixed income securities and 40% in non fixed income securities (global equities, hedge funds and private market alternatives) to derive an expected long-term rate of return. For the other post-retirement plans, the Company anticipates an allocation of approximately 70% in fixed income securities and 30% in non fixed income securities. Based upon these analyses, management determined the long-term rate of return assumption to be 6.00% and 5.60% for the Company's pension and other postretirement obligations, respectively, for the year ended December 31, 2020 and 6.45% and 6.00% for the Company's pension and other postretirement obligations, respectively, for the year ended December 31, 2019. To determine the Company's 2021 expense, the Company has assumed an expected long-term rate of return on plan assets of 5.40% and 4.90% for the Company's pension and other post retirement obligations, respectively.

Weighted Average Assumptions Used in Calculating the Benefit Obligations and the Net Amount Recognized

	Pension Benefits		Other Postretirement Benefits	
	For the years ended December 31,			
	2020	2019	2020	2019
Discount rate	2.65 %	3.33 %	2.36 %	3.15 %

Weighted Average Assumptions Used in Calculating the Net Periodic Benefit Cost for Pension Plans

	For the years ended December 31,		
	2020	2019	2018
Discount rate	3.33 %	4.35 %	3.73 %
Expected long-term rate of return on plan assets	6.00 %	6.45 %	6.60 %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Weighted Average Assumptions Used in Calculating the Net Periodic Benefit Cost for Other Postretirement Plans

	For the years ended December 31,		
	2020	2019	2018
Discount rate	3.15 %	4.23 %	3.55 %
Expected long-term rate of return on plan assets	5.60 %	6.00 %	6.60 %

Assumed Health Care Cost Trend Rates

	For the years ended December 31,		
	2020	2019	2018
Pre-65 health care cost trend rate	7.00 %	7.00 %	6.50 %
Post-65 health care cost trend rate	N/A	N/A	N/A
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2033	2033	2028

Obligations and Funded Status

The following tables set forth a reconciliation of beginning and ending balances of the benefit obligation and fair value of plan assets, as well as the funded status of the Company's defined benefit pension and postretirement health care and life insurance benefit plans. International plans represent an immaterial percentage of total pension assets, liabilities and expense and, for reporting purposes, are combined with domestic plans.

Change in Benefit Obligation

	Pension Benefits		Other Postretirement Benefits	
	For the years ended December 31,			
	2020	2019	2020	2019
Benefit obligation — beginning of year	**$ 4,498**	**$ 4,000**	**$ 223**	**$ 220**
Service cost	4	4	—	—
Interest cost	127	159	6	8
Plan participants' contributions	—	—	11	13
Actuarial loss (gain)	12	48	(2)	6
Amendments	—	—	—	(2)
Changes in assumptions	437	488	16	19
Benefits and expenses paid	(203)	(201)	(34)	(41)
Benefit obligation — end of year	**$ 4,875**	**$ 4,498**	**$ 220**	**$ 223**

Changes in assumptions in 2020 primarily included a $434 increase in the benefit obligation for pension benefits as a result of a decrease in the discount rate from 3.33% as of the December 31, 2019 valuation to 2.65% as of the December 31, 2020 valuation. Changes in assumptions in 2019 included a $508 increase in the benefit obligation for pension benefits as a result of a decrease in the discount rate from 4.35% as of the December 31, 2018 valuation to 3.33% as of the December 31, 2019 valuation.

The cash balance plan pension benefit obligation was $443 and $420 as of December 31, 2020 and 2019, respectively. The interest crediting rate was 3.30% in 2020, 2019, and 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Change in Plan Assets

	Pension Benefits		Other Postretirement Benefits	
	For the years ended December 31,			
	2020	2019	2020	2019
Fair value of plan assets — beginning of year	**$ 3,914**	**$ 3,344**	**$ 75**	**$ 85**
Actual return on plan assets	568	701	6	12
Employer contributions [1]	70	70	5	—
Benefits paid [2]	(177)	(176)	(23)	(22)
Expenses paid	(12)	(26)	—	—
Foreign exchange adjustment	—	1	—	—
Fair value of plan assets — end of year	**$ 4,363**	**$ 3,914**	**$ 63**	**$ 75**
Funded status — end of year	**$ (512)**	**$ (584)**	**$ (157)**	**$ (148)**

[1]Employer contributions in 2020 and 2019 to the U.S. qualified defined benefit pension plan were discretionary, made in cash, and did not include contributions of the Company's common stock.

[2]Other postretirement benefits paid represent non-key employee postretirement medical benefits paid from the Company's prefunded trust fund.

The fair value of assets for pension benefits, and hence the funded status, presented in the table above excludes assets of $186 and $161 as of December 31, 2020 and 2019, respectively, held in rabbi trusts and designated for the non-qualified pension plans. The assets do not qualify as plan assets; however, the assets are available to pay benefits for certain retired, terminated and active participants. Such assets are available to the Company's general creditors in the event of insolvency. The rabbi trust assets consist of equity and fixed income investments. To the extent the fair value of these rabbi trusts were included in the table above, pension plan assets would have been $4,549 and $4,075 as of December 31, 2020 and 2019, respectively, and the funded status of pension benefits would have been $(326) and $(423) as of December 31, 2020 and 2019, respectively.

Defined Benefit Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets

	As of December 31,	
	2020	2019
Projected benefit obligation	$ 4,875	$ 4,498
Accumulated benefit obligation	$ 4,875	$ 4,498
Fair value of plan assets	$ 4,363	$ 3,914

Amounts Recognized in the Consolidated Balance Sheets

	Pension Benefits		Other Postretirement Benefits	
	As of December 31,			
	2020	2019	2020	2019
Other liabilities	$ 512	$ 584	$ 157	$ 148

Net Periodic Cost (Benefit)

	Pension Benefits			Other Postretirement Benefits		
	For the years ended December 31,					
	2020	2019	2018	2020	2019	2018
Service cost	$ 4	$ 4	$ 4	$ —	$ —	$ —
Interest cost	127	159	142	6	8	7
Expected return on plan assets	(215)	(226)	(227)	(4)	(4)	(7)
Amortization of prior service credit	—	—	—	(7)	(7)	(7)
Amortization of actuarial loss	60	44	49	7	6	6
Net periodic cost (benefit)	**$ (24)**	**$ (19)**	**$ (32)**	**$ 2**	**$ 3**	**$ (1)**

Amounts Recognized in Other Comprehensive Income (Loss)

	Pension Benefits			Other Postretirement Benefits		
	For the years ended December 31,					
	2020	2019	2018	2020	2019	2018
Amortization of actuarial loss	$ 60	$ 44	$ 49	$ 7	$ 6	$ 6
Amortization of prior service credit	—	—	—	(7)	(7)	(6)
Net loss arising during the year	(106)	(88)	(91)	(11)	(18)	3
Prior service cost (credit)	—	—	—	—	2	—
Total	**$ (46)**	**$ (44)**	**$ (42)**	**$ (11)**	**$ (17)**	**$ 3**

Amounts in Accumulated Other Comprehensive Income (Loss), Before Tax, not yet Recognized as Components of Net Periodic Benefit Cost

	Pension Benefits			Other Postretirement Benefits		
	As of December 31,					
	2020	2019	2018	2020	2019	2018
Net loss	$ (2,098)	$ (2,052)	$ (2,008)	$ (136)	$ (132)	$ (120)
Prior service credit	—	—	—	60	67	72
Total	**$ (2,098)**	**$ (2,052)**	**$ (2,008)**	**$ (76)**	**$ (65)**	**$ (48)**

Pension Plan Assets

Investment Strategy and Target Allocation

The overall investment strategy of the Pension Plan is to maximize total investment returns to provide sufficient funding for present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. With respect to asset management, the oversight responsibility of the Pension Plan rests with The Hartford's Pension Investment Committee composed of individuals whose responsibilities include establishing overall objectives and the setting of investment policy; selecting appropriate investment options and ranges; reviewing the asset allocation mix and asset allocation targets on a regular basis; and monitoring performance to determine whether or not the rate of return objectives are being met and that policy and guidelines are being followed. The Company believes that the asset allocation decision will be the single most important factor determining the long-term performance of the Pension Plan.

Target Asset Allocation

	Pension Plans		Other Postretirement Plans	
	Minimum	Maximum	Minimum	Maximum
Equity securities	5 %	35 %	15 %	45 %
Fixed income securities	50 %	70 %	55 %	85 %
Alternative assets	— %	45 %	— %	— %

Divergent market performance among different asset classes may, from time to time, cause the asset allocation to deviate from the desired asset allocation ranges. The asset allocation mix is reviewed on a periodic basis. If it is determined that an asset allocation mix rebalancing is required, future portfolio additions and withdrawals will be used, as necessary, to bring the allocation within tactical ranges.

The Pension Plan invests in commingled funds and partnerships managed by unaffiliated managers to gain exposure to emerging markets, equity, hedge funds and other alternative investments. These portfolios encompass multiple asset classes reflecting the current needs of the Pension Plan, the investment preferences and risk tolerance of the Pension Plan and the desired degree of diversification. These asset classes include publicly traded equities, bonds and alternative investments and are made up of individual investments in cash and cash equivalents, equity securities, debt securities, asset-backed securities, mortgage loans and hedge funds. Hedge fund investments represent a diversified portfolio of partnership investments in a variety of strategies.

In addition, the Company uses U.S. Treasury bond futures contracts and U.S. Treasury STRIPS in a duration overlay program to adjust the duration of Pension Plan assets to better match the duration of the benefit obligation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Plan Assets at Fair Value

	As of December 31, 2020				As of December 31, 2019			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investments:	$ 75	$ 25	$ —	$ 100	$ 34	$ 54	$ —	$ 88
Fixed Income Securities:								
Corporate	—	2,303	39	2,342	—	2,058	27	2,085
RMBS	—	41	1	42	—	61	—	61
U.S. Treasuries	—	47	—	47	—	101	—	101
Foreign government	—	16	9	25	—	17	1	18
CMBS	—	30	—	30	—	32	—	32
Other fixed income [1]	—	137	—	137	—	96	1	97
Mortgage Loans	—	—	161	161	—	—	131	131
Equity Securities:								
Domestic	513	—	—	513	429	1	—	430
International	271	—	—	271	261	—	—	261
Total pension plan assets at fair value, in the fair value hierarchy [2]	**$ 859**	**$ 2,599**	**$ 210**	**$ 3,668**	**$ 724**	**$ 2,420**	**$ 160**	**$ 3,304**
Other Investments, at net asset value [3]:								
Private Market Alternatives				451				358
Hedge funds				224				212
Total pension plan assets at fair value	**$ 859**	**$ 2,599**	**$ 210**	**$ 4,343**	**$ 724**	**$ 2,420**	**$ 160**	**$ 3,874**

[1]Includes ABS, municipal bonds, and CDOs.
[2]Excludes approximately $20 and $40 as of December 31, 2020 and 2019, respectively, of investment receivables net of investment payables that are excluded from this disclosure requirement because they are trade receivables in the ordinary course of business where the carrying amount approximates fair value.
[3]Investments that are measured at net asset value per share or an equivalent and have not been classified in the fair value hierarchy.

The tables below provide fair value level 3 rollforwards for the Pension Plan Assets for which significant unobservable inputs ("Level 3") are used in the fair value measurement on a recurring basis. The Pension Plan classifies the fair value of financial instruments within Level 3 if there are no observable markets for the instruments or, in the absence of active markets, if one or more of the significant inputs used to determine fair value are based on the Pension Plan’s own assumptions. Therefore, the gains and losses in the tables below include changes in fair value due to both observable and unobservable factors.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Plan Asset Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Assets	Corporate	RMBS	Foreign government	Mortgage loans	Other [1]	Totals
Fair Value as of January 1, 2020	**$ 27**	**$ —**	**$ 1**	**$ 131**	**$ 1**	**$ 160**
Realized gains (losses), net	—	—	—	—	(1)	(1)
Changes in unrealized gains, net	1	—	—	4	1	6
Purchases	14	1	9	32	—	56
Settlements	—	—	—	—	—	—
Sales	(3)	—	—	(6)	—	(9)
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	(1)	—	(1)	(2)
Fair Value as of December 31, 2020	**$ 39**	**$ 1**	**$ 9**	**$ 161**	**$ —**	**$ 210**
Fair Value as of January 1, 2019	**$ 14**	**$ 1**	**$ 2**	**$ 133**	**$ 1**	**$ 151**
Realized gains, net	3	—	—	—	—	3
Changes in unrealized gains, net	2	—	—	4	—	6
Purchases	7	—	—	—	—	7
Settlements	—	—	—	—	—	—
Sales	(3)	(1)	(1)	(6)	—	(11)
Transfers into Level 3	4	—	—	—	—	4
Transfers out of Level 3	—	—	—	—	—	—
Fair Value as of December 31, 2019	**$ 27**	**$ —**	**$ 1**	**$ 131**	**$ 1**	**$ 160**

[1]"Other" includes U.S. Treasuries, Other fixed income and CMBS investments.

During the year ended December 31, 2020, transfers into and (out) of Level 3 are primarily attributable to the appearance of or lack thereof of market observable information and the re-evaluation of the observability of pricing inputs.

During the year ended December 31, 2019, transfers into and (out) of Level 3 are primarily attributable to the appearance of or lack thereof of market observable information and the re-evaluation of the observability of pricing inputs.

There was less than $1 in Company common stock included in the Pension Plan's assets as of December 31, 2020 and 2019.

Other Postretirement Plan Assets at Fair Value

	As of December 31, 2020				As of December 31, 2019			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investments	$ 2	$ —	$ —	$ 2	$ 3	$ —	$ —	$ 3
Fixed Income Securities:								
Corporate	—	16	—	16	—	18	—	18
RMBS	—	9	—	9	—	12	—	12
U.S. Treasuries	—	16	—	16	—	20	—	20
CMBS	—	1	—	1	—	1	—	1
Other fixed income	—	2	—	2	—	2	—	2
Equity Securities:								
Large-cap	17	—	—	17	19	—	—	19
Total other postretirement plan assets at fair value	**$ 19**	**$ 44**	**$ —**	**$ 63**	**$ 22**	**$ 53**	**$ —**	**$ 75**

There was no Company common stock included in the other postretirement benefit plan assets as of December 31, 2020 and 2019.

Concentration of Risk

In order to minimize risk, the Pension Plan maintains a listing of permissible and prohibited investments. In addition, the Pension Plan has certain concentration limits and investment quality requirements imposed on permissible investment options. Permissible investments include U.S. equity, international equity, alternative asset and fixed income investments including derivative instruments. Permissible derivative instruments include futures contracts, options, swaps, currency forwards, caps or floors and may be used to control risk or enhance return but will not be used for leverage purposes.

Securities specifically prohibited from purchase include, but are not limited to: shares or fixed income instruments issued by The Hartford, short sales of any type within long-only portfolios, non-derivative securities involving the use of margin, leveraged floaters and inverse floaters, including money market obligations, natural resource real properties such as oil, gas or timber and precious metals.

Other than U.S. government and certain U.S. government agencies backed by the full faith and credit of the U.S. government, the Pension Plan does not have any material exposure to any concentration risk of a single issuer.

Expected Employer Contributions

The Company does not have a 2021 required minimum funding contribution for the U.S. qualified defined benefit pension plan. The Company has not determined whether, and to what extent, contributions may be made to the U. S. qualified defined benefit pension plan in 2021. The Company will monitor the funded status of the U.S. qualified defined benefit pension plan during 2021 to make this determination.

Benefit Payments

Amounts of Benefits Expected to be Paid over the next Ten Years from Pension and other Postretirement Plans as of December 31, 2020

	Pension Benefits	Other Postretirement Benefits
2021	$ 223	$ 22
2022	229	20
2023	235	18
2024	242	17
2025	246	15
2026 - 2030	1,252	59
Total	**$ 2,427**	**$ 151**

20. STOCK COMPENSATION PLANS

The Company's stock-based compensation plans are described below. Shares issued in satisfaction of stock-based compensation may be made available from authorized but unissued shares, shares held by the Company in treasury or from shares purchased in the open market. In 2020, 2019 and 2018, the Company issued shares from treasury in satisfaction of stock-based compensation.

Stock-based compensation expense, included in insurance operating costs and other expenses in the consolidated statement of operations, was as follows:

Stock-Based Compensation Expense

	For the years ended December 31,		
	2020	2019	2018
Stock-based compensation plans expense	$ 116	$ 125	$ 130
Income tax benefit	(20)	(21)	(27)
Excess tax benefit on awards vested, exercised and expired	(1)	(6)	(5)
Total stock-based compensation plans expense, net of tax	**$ 95**	**$ 98**	**$ 98**

The Company did not capitalize any cost of stock-based compensation. As of December 31, 2020, the total compensation cost related to non-vested awards not yet recognized was $68, which is expected to be recognized over a weighted average period of 2 years.

In the second quarter of 2018, The Hartford modified the terms of the portion of its outstanding 2016 and 2017 performance share awards that are based on actual versus targeted return on equity over the performance period. The modification eliminated the benefit to return on equity that arose from the charge against earnings in 2017 driven by the effect of the lower corporate income tax rate on the carrying value of net deferred tax assets.

This modification had no impact on compensation cost recognized over the vesting period since compensation cost based on the original performance share conditions is projected to be higher than what the cost would be based on the performance share conditions as modified.

Stock Plan

Future stock-based awards may be granted under The Hartford's 2020 Stock Incentive Plan (the "Stock Incentive Plan") other than the Subsidiary Stock Plan and the Employee Stock Purchase Plan described below. The Stock Incentive Plan provides for awards to be granted in the form of non-qualified or incentive stock options qualifying under Section 422 of the Internal Revenue Code, stock appreciation rights, performance shares, restricted stock or restricted stock units, or any other form of stock-based award. The maximum number of shares, subject to adjustments set forth in the 2020 Stock Plan, that may be issued to Company employees and third-party service providers during the 10-year duration of the Stock Incentive Plan is the sum of 11,250,000 shares, any shares cancelled subsequent to February 29, 2020, plus any shares used for tax withholding purposes. If any award under an earlier incentive stock plan is forfeited, terminated, surrendered, exchanged, expires unexercised, or is settled in cash in lieu of stock (including to effect tax withholding) or for the net issuance of a lesser number of shares than the number subject to the award, the shares of stock subject to such award (or the relevant portion thereof) shall be available for awards under the Stock Incentive Plan and such shares shall be added to the maximum limit. As of December 31, 2020, there were 11,735,111 shares available for future issuance.

The fair values of awards granted under the Stock Incentive Plan are measured as of the grant date and expensed ratably over the awards' vesting periods, generally 3 years. For stock option awards to retirement-eligible employees the Company recognizes the expense over a period shorter than the stated vesting period because the employees receive accelerated vesting upon retirement and therefore the vesting period is

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

considered non-substantive. Beginning with awards granted in 2017, employees with restricted stock units and performance shares receive accelerated vesting upon meeting certain retirement eligibility criteria.

Stock Option Awards

Under the Stock Incentive Plan, options granted have an exercise price at least equal to the market price of the Company's common stock on the date of grant, and an option's maximum term is not to exceed 10 years. Options generally become exercisable over a period of three years commencing one year from the date of grant. Certain other options become exercisable at the later of three years from the date of grant or upon specified market appreciation of the Company's common shares.

The Company uses a hybrid lattice/Monte-Carlo based option valuation model (the "Plan Valuation Model") that incorporates the possibility of early exercise of options into the valuation. The Plan Valuation Model also incorporates the Company's historical termination and exercise experience to determine the option value.

The Plan Valuation Model incorporates ranges of assumptions for inputs, and those ranges are disclosed below. The term structure of volatility is generally constructed utilizing implied volatilities from exchange-traded options, CPP warrants related to the Company's stock, historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the Plan Valuation Model, and accommodates variations in employee preference and risk-tolerance by segregating the grantee pool into a series of behavioral cohorts and conducting a fair valuation for each cohort individually. The expected term of options granted is derived from the output of the option Plan Valuation Model and represents, in a mathematical sense, the period of time that options are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Constant Maturity Treasury yield curve in effect at the time of grant.

Stock Options Valuation Assumptions

	For the years ended December 31,		
	2020	2019	2018
Expected dividend yield	2.6%	2.5%	1.8%
Expected annualized spot volatility	22.2 % - 36.2%	20.7 % - 36.7%	20.8 % - 36.5%
Weighted average annualized volatility	30.9%	29.3%	29.0%
Risk-free spot rate	1.3 % - 1.6%	2.4 % - 2.6%	1.5 % - 2.9%
Expected term	6.6 years	5.9 years	5.7 years

Non-qualified Stock Option Activity Under the Stock Incentive Plan

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	For the year ended December 31, 2020			
Outstanding at beginning of year	5,846	$ 43.43		
Granted	998	$ 55.27		
Exercised	(128)	$ 24.15		
Forfeited	(23)	$ 51.27		
Expired	—	$ —		
Outstanding at end of year	6,693	$ 45.54	5.8	$ 34
Outstanding, fully vested and expected to vest	6,693	$ 63.59	5.8	$ 33
Exercisable at end of year	4,793	$ 42.62	4.7	$ 34

Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the period in excess of the exercise price multiplied by the number of options outstanding or exercisable. The aggregate intrinsic value excludes the effect of stock options that have a zero or negative intrinsic value. The weighted average grant-date fair value per share of options granted during the years ended December 31, 2020, 2019, and 2018 was $12.97, $11.71 and $14.04, respectively. The total intrinsic value of options exercised during the years ended December 31, 2020, 2019 and 2018 was $2, $16, and $14, respectively.

Share Awards

Share awards granted under the Stock Incentive Plan and outstanding include restricted stock units and performance shares.

Restricted Stock and Restricted Stock Units

Restricted stock units are share equivalents that are credited with dividend equivalents. Dividend equivalents are accumulated and paid in incremental shares when the underlying units vest. Restricted stock are shares of The Hartford's common stock with restrictions as to transferability until vested. Restricted stock units and restricted stock awards are valued equal to the market price of the Company's common stock on the date of grant. Generally, restricted stock units vest at the end of or over three years; certain restricted stock units vest at the end of five years. Beginning in 2017, restricted stock units vest at the earlier of an employee's retirement eligibility date or three years. Equity awards granted to non-employee directors generally vest in one year and were made in the form of restricted stock units in 2020, 2019 and 2018.

Performance Shares

Performance shares become payable within a range of 0% to 200% of the number of shares initially granted based upon the attainment of specific performance goals achieved at the end of or over three years. While most performance shares vest at the end of or over three years, certain performance shares vest at the end of five years. Beginning in 2017, performance shares vest at the earlier of an employee's retirement eligibility date or three years.

Performance share awards granted prior to 2020 that are not dependent on market conditions are valued equal to the market price of the Company's common stock on the date of grant less a discount for the absence of dividends. Performance share awards granted in 2020 that are not dependent on market conditions are valued equal to the market price of the Company's common stock on the date of grant. Stock-compensation expense for these performance share awards without market conditions is based on a current estimate of the number of awards expected to vest based on the performance level achieved and, therefore, may change during the performance period as new estimates of performance are available.

Other performance share awards or portions thereof have a market condition based upon the Company's total stockholder return relative to a group of peer companies within a period of three years from the date of grant. Stock compensation expense for these performance share awards is based on the number of awards expected to vest as estimated at the grant date and, therefore, does not change for changes in estimated performance. The Company uses a risk neutral Monte-Carlo Plan Valuation Model that incorporates time to maturity, implied volatilities of the Company and the peer companies, and correlations between the Company and the peer companies and interest rates.

Assumptions for Total Shareholder Return Performance Shares

	For the years ended December 31,		
	2020	2019	2018
Volatility of common stock	19.6%	19.4%	20.8%
Average volatility of peer companies	18.0 % - 31.0%	16.0 % - 27.0%	17.0 % - 25.0%
Average correlation coefficient of peer companies	51.0%	50.0%	54.0%
Risk-free spot rate	1.2%	2.4%	2.4%
Term	3.0 years	3.0 years	3.0 years

Total Share Awards

Non-vested Share Award Activity Under the Stock Incentive Plan

	Restricted Stock and Restricted Stock Units		Performance Shares	
	Number of Shares (in thousands)	Weighted-Average Grant-Date Fair Value	Number of Shares (in thousands)	Weighted-Average Grant date Fair Value
Non-vested shares	For the year ended December 31, 2020			
Non-vested at beginning of year	3,912	$ 50.83	770	$ 52.31
Granted	1,323	$ 54.64	391	$ 55.62
Performance based adjustment, net			(73)	$ 50.09
Vested	(1,224)	$ 49.19	(276)	$ 50.90
Forfeited	(145)	$ 52.71	(22)	$ 53.54
Non-vested at end of year	3,866	$ 52.58	790	$ 54.82

The weighted average grant-date fair value per share of restricted stock units and restricted stock granted during the years ended December 31, 2020, 2019, and 2018 was $54.64, $50.49 and $53.11, respectively. The weighted average grant-date fair value per share of performance shares granted during the years ended December 31, 2020, 2019, and 2018 was $55.62, $54.07 and $50.26, respectively.

The total fair value of shares vested during the years ended December 31, 2020, 2019 and 2018 was $73, $102 and $114, respectively, based on actual or estimated performance factors. The Company did not make cash payments in settlement of stock compensation during the years ended December 31, 2020, 2019 and 2018.

Subsidiary Stock Plan

In 2013 the Company established a subsidiary stock-based compensation plan similar to the Stock Incentive Plan, except that it awards non-public subsidiary stock as compensation. The Company recognized stock-based compensation plan expense of $11, $11 and $9 in the years ended December 31, 2020, 2019 and 2018, respectively, for the subsidiary stock plan. Upon employee vesting of subsidiary stock, the Company recognizes a noncontrolling equity interest. Employees are restricted from selling vested subsidiary stock to anyone other than the Company and the Company has discretion on the amount of stock to repurchase. Therefore, the subsidiary stock is classified as equity because it is not mandatorily redeemable. For the year ended December 31, 2020, the Company repurchased $10 in subsidiary stock.

Employee Stock Purchase Plan

The Company sponsors The Hartford Employee Stock Purchase Plan ("ESPP"). Under this plan, eligible employees of The Hartford purchase common stock of the Company at a discount rate of 5% of the market price per share on the last trading day of the offering period. Accordingly, the plan is a non-compensatory plan. Employees purchase a variable number of shares of stock through payroll deductions elected as of the beginning of the offering period. The Company may sell up to 15,400,000 shares of stock to eligible employees under the ESPP. As of December 31, 2020, there were 3,743,847 shares available for future issuance. During the years ended December 31, 2020, 2019 and 2018, 340,653 shares, 213,472 shares, and 219,661 shares were sold, respectively. The weighted average per share fair value of the discount under the ESPP was $1.99, $2.82 and $2.56 during the years ended December 31, 2020, 2019 and 2018, respectively. The fair value is estimated based on the 5% discount off the market price per share on the last trading day of the offering period.

21. LEASES

The Hartford has operating leases for real estate and equipment. The right-of-use asset as of December 31, 2020 and 2019 was $209 and $191, respectively, and is included in property and equipment, net, in the Consolidated Balance Sheet. The lease liability as of December 31, 2020 and 2019 was $221 and $201, respectively, and is included in other liabilities in the Consolidated Balance Sheet. Variable lease costs include changes in interest rates on variable rate leases primarily for automobiles.

Components of Lease Expense

	For the years ended December 31,	
	2020	2019
Operating lease cost	$ 52	$ 49
Short-term lease cost	—	2
Variable lease cost	—	1
Sublease income	(5)	(5)
Total lease costs included in insurance operating costs and other expenses	**$ 47**	**$ 47**

The total rental expense recognized in accordance with prior lease guidance was $56 in 2018, which excludes sublease rental income of $4 in 2018.

Supplemental Operating Lease Information

	For the years ended December 31,	
	2020	2019
Operating cash flows for operating leases (for the twelve months ended)	$ 54	$ 50
Right-of-use asset obtained in exchange for new operating lease liabilities	49	42
Weighted-average remaining lease term in years for operating leases	7 years	6 years
Weighted-average discount rate for operating leases	3.1 %	3.5 %

Maturities of Operating Lease Liabilities as of December 31, 2020

	Operating Leases
2021	$ 47
2022	42
2023	39
2024	30
2025	22
Thereafter	63

Total lease payments		**243**
Less: Discount on lease payments to present value		22
Total lease liability	**$**	**221**

22. BUSINESS DISPOSITIONS AND DISCONTINUED OPERATIONS

Sale of life and annuity business

On May 31, 2018, the Company's wholly-owned subsidiary, Hartford Holdings, Inc, completed the sale of its life and annuity business to a group of investors led by Cornell Capital LLC, Atlas Merchant Capital LLC, TRB Advisors LP, Global Atlantic Financial Group, Pine Brook and J. Safra Group. Under the terms of the sale agreement signed December 3, 2017, the investor group formed a limited partnership, Hopmeadow Holdings LP, that acquired HLI, and its life and annuity operating subsidiaries, for cash of approximately $1.4 billion after a pre-closing dividend to The Hartford of $300. The Hartford received a 9.7% ownership interest in the limited partnership, valued at a cost of $164 as of the sale date. In addition, as part of the terms of the sale agreement, The Hartford reduced its long-term debt by $142 because the debt, which was issued by HLI, was included as part of the sale. Including cash proceeds and the retained equity interest and net of transaction costs, net proceeds for the sale were approximately $1.5 billion. The life and annuity operations met the criteria for reporting as discontinued operations and are reported in the Corporate category through the date of sale.

After having recognized a loss on sale within discontinued operations of approximately $3.3 billion in 2017, the Company recognized a reduction in loss on sale of $202 in 2018. The reduction in loss on sale in 2018 primarily resulted from the reclassification to retained earnings of $193 of tax effects stranded in AOCI due to the accounting for Tax Reform and a $141 increase in estimated retained tax benefits, primarily net operating loss carryovers, partially offset by $104 of operating income from discontinued operations during the period up until the closing date and a reclassification of $10 of net unrealized capital gains from AOCI to retained earnings. See Note 1 - Adoption of New Accounting Standards within Basis of Presentation and Significant Accounting Policies, for additional information about the reclassifications from AOCI to retained earnings. The estimated amount of retained net operating loss carryovers depends on the estimated tax basis of the business sold which increased subsequent to the date the Company entered into the sale agreement. At closing, stockholders' equity was further reduced for the amount of AOCI of the life and annuity business, which was approximately $758, largely consisting of net unrealized gains on investments, net of shadow DAC.

Cash inflows and outflows from and to the life and annuity business after closing were immaterial to the overall inflows and outflows of the Company. Additionally, the revenues and expenses presented in continuing operations related to pre-disposal operations were immaterial.

The Company has been managing invested assets of the life and annuity business sold in May 2018 for an initial term of five years and provided transition services through February, 2020.

The Hartford reported its 9.7% ownership interest in Hopmeadow Holdings LP, which is accounted for under the equity method, in other assets in the Consolidated Balance Sheet.

The Hartford recognizes its share of income in other revenues in the Consolidated Statement of Operations on a three month delay, when financial information from the investee becomes available. The Company recognized $42 and $66, before tax, of income in 2020 and 2019, respectively. Cash inflows for dividends received from Hopmeadow Holdings LP were $30 and $67, respectively. Other cash inflows and outflows from and to the life and annuity business after closing were immaterial to the overall inflows and outflows of the Company.

Major Classes of Assets and Liabilities Transferred to the Buyer in Connection with the Sale

		Carrying Value as of Closing
Assets		
Cash and investments	$	27,058
Reinsurance recoverables		20,718
Loss accrual [1]		(3,044)
Other assets		2,907
Separate account assets		110,773
Total assets held for sale	**$**	**158,412**
Liabilities		
Reserve for future policy benefits and unpaid loss and loss adjustment expenses	$	14,308
Other policyholder funds and benefits payable		28,680
Long-term debt		142
Other liabilities		2,222
Separate account liabilities		110,773
Total liabilities held for sale	**$**	**156,125**

[1]Represents the estimated accrued loss on sale of the Company's life and annuity business.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reconciliation of the Major Line Items Constituting Pretax Profit (Loss) of Discontinued Operations

	For the year ended December 31,	
	2018	
Revenues		
Earned premiums	$	39
Fee income and other		382
Net investment income		519
Net realized capital losses		(68)
Total revenues		**872**
Benefits, losses and expenses		
Benefits, losses and loss adjustment expenses		535
Amortization of DAC		58
Insurance operating costs and other expenses [1]		157
Total benefits, losses and expenses		**750**
Income before income taxes		**122**
Income tax expense		2
Income from operations of discontinued operations, net of tax		**120**
Net realized capital gain (loss) on disposal, net of tax		202
Income (loss) from discontinued operations, net of tax	**$**	**322**

[1]Corporate allocated overhead has been included in continuing operations.

Cash Flows from Discontinued Operations included in the Consolidated Statement of Cash Flows

	For the year ended December 31,	
	2018	
Net cash provided by operating activities from discontinued operations	$	603
Net cash provided by investing activities from discontinued operations	$	463
Net cash used in financing activities from discontinued operations [1]	$	(737)

[1]Excludes return of capital to parent of $619 for 2018.

Sale of Continental Europe Operations

On September 30, 2020, the Company entered into a definitive agreement to sell our Continental Europe Operations. The transaction is expected to close by the second quarter of 2021, subject to customary closing conditions, including regulatory approvals. The complete sale of the Continental Europe Operations consists of multiple arrangements designed as a single transaction. The assets and liabilities of the Continental Europe Operations have been classified as held for sale in the Company's Consolidated Balance Sheets as of December 31, 2020.

Total consideration less costs to sell is estimated to be approximately $14, resulting in an estimated loss on the sale of approximately $48, before tax, which has been recorded within net realized capital gains (losses) for the year ended December 31, 2020 in the Consolidated Statements of Operations. The Company also recorded related income tax benefits of $18, for an estimated after tax loss of $30 on the sale, for the year ended December 31, 2020. The accrual for the estimated before tax loss is included as a reduction of the carrying value of assets held for sale in the Company's Consolidated Balance Sheets as of December 31, 2020. The Continental Europe Operations are reported under the Commercial Lines segment. The estimate of consideration less costs to sell of $14 includes an estimate of consideration that is contingent on how the ultimate amounts required to settle claims on 2020 and prior accident years, as determined at the end of 2024, compare with recorded reserves as currently estimated. The contingent consideration has been estimated at its fair value of $12 and could increase or decrease depending on how ultimate losses develop. Any change in the estimated fair value of contingent consideration in a future period would increase or decrease the estimated loss on sale in that period.

Carrying Value of Assets and Liabilities to be Transferred in Connection With the Sale [1]

	As of December 31, 2020
Assets	
Investments and cash	$ 142
Reinsurance recoverables and other	35
Total assets held for sale	**177**
Liabilities	
Unpaid losses and loss adjustment expenses	84
Unearned premiums	31
Other liabilities	43
Total liabilities held for sale	**$ 158**

[1] As of December 31, 2020, the estimated fair value of the disposal group is $14 based on the estimated consideration to be received less cost to sell. Within the disposal group, as of December 31, 2020, investments in fixed maturities and short-term investments, which are measured at fair value on a recurring basis, had a fair value of $84, of which $1 was based on quoted prices in active markets for identical assets and $83 was based on significant observable inputs. The remaining fair value less costs to sell for the disposal group is ($70), which is measured on a nonrecurring basis using significant unobservable inputs. See Note 5—Fair Value Measurements for more information.

23. RESTRUCTURING AND OTHER COSTS

In recognition of the need to become more cost efficient and competitive along with enhancing the experience we provide to agents and customers, on July 30, 2020 the Company announced an operational transformation and cost reduction plan it refers to as Hartford Next. Hartford Next is intended to reduce annual insurance operating costs and other expenses through reduction of the Company's headcount, investment in information technology ("IT") to further enhance our capabilities, and other activities. The activities are expected to be substantially complete by the end of 2022.

Termination benefits related to workforce reductions and professional fees are included within restructuring and other costs in the Consolidated Statement of Operations and unpaid restructuring costs are included in other liabilities in the December 31, 2020 Consolidated Balance Sheet. Subsequent to December 31, 2020, the Company expects to incur additional costs including, amortization of right of use assets and other lease exit costs, other IT costs to retire applications, professional fees and other expenses. Total restructuring and other costs are expected to be approximately $158, before tax, and will be recognized in Corporate for segment reporting.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Restructuring and Other Costs, Before Tax

	Incurred in the Year Ended December 31, 2020 [1]	Total Amount Expected to be Incurred
Severance benefits	$ 73	$ 73
IT costs	2	26
Professional fees and other expenses	29	59
Total restructuring and other costs, before tax	**$ 104**	**$ 158**

[1] Amounts incurred for the twelve months ended December 31, 2020 are the cumulative incurred under the restructuring program.

Accrued Restructuring and Other Costs

	Year Ended December 31, 2020			
	Severance Benefits and Related Costs	IT Costs	Professional Fees and Other	Total Restructuring and Other Costs Liability
Balance, beginning of period	**$ —**	**$ —**	**$ —**	**$ —**
Incurred	73	2	29	104
Payments	(19)	(2)	(29)	(50)
Balance, end of period	**$ 54**	**$ —**	**$ —**	**$ 54**

24. QUARTERLY RESULTS (UNAUDITED)

Current and Historical Quarterly Results of the Company

	Three months ended							
	March 31,		June 30,		September 30,		December 31,	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	$ 4,956	$ 4,940	$ 5,068	$ 5,092	$ 5,171	$ 5,347	$ 5,328	$ 5,361
Benefits, losses and expenses	4,612	4,165	4,476	4,636	4,639	4,694	4,676	4,685
Net income	**$ 273**	**$ 630**	**$ 468**	**$ 372**	**$ 459**	**$ 535**	**$ 537**	**$ 548**
Less: Preferred stock dividends	5	5	5	—	6	11	5	5
Net income available to common stockholders	**$ 268**	**$ 625**	**$ 463**	**$ 372**	**$ 453**	**$ 524**	**$ 532**	**$ 543**
Net income available to common stockholders per common share								
Basic	$ 0.75	$ 1.74	$ 1.29	$ 1.03	$ 1.26	$ 1.45	$ 1.48	$ 1.51
Diluted	$ 0.74	$ 1.71	$ 1.29	$ 1.02	$ 1.26	$ 1.43	$ 1.47	$ 1.49

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE I
SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN AFFILIATES
(in millions)

	As of December 31, 2020		
Type of Investment	**Cost**	**Fair Value**	**Amount at which shown on Balance Sheet**
Fixed Maturities			
Bonds and notes			
U.S. government and government agencies and authorities (guaranteed and sponsored)	$ 4,872	$ 5,214	$ 5,214
States, municipalities and political subdivisions	8,564	9,503	9,503
Foreign governments	842	919	919
Public utilities	1,999	2,249	2,249
All other corporate bonds	16,402	18,024	18,024
All other mortgage-backed and asset-backed securities	8,882	9,126	9,126
Total fixed maturities, available-for-sale	**41,561**	**45,035**	**45,035**
Equity Securities			
Common stocks			
Industrial, miscellaneous and all other	932	932	932
Non-redeemable preferred stocks	506	506	506
Total equity securities, at fair value	**1,438**	**1,438**	**1,438**
Mortgage loans [1]	4,531	4,792	4,493
Futures, options and miscellaneous	247	201	201
Short-term investments	3,283	3,283	3,283
Investments in partnerships and trusts	2,082		2,082
Total investments	**$ 53,142**		**$ 56,532**

[1] Cost of mortgage loans excludes the allowance for credit losses ("ACL") of $38. For further information, refer to Schedule V - Valuation and Qualifying Accounts.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Registrant)

(in millions)

	As of December 31,	
Condensed Balance Sheets	**2020**	**2019**
Assets		
Fixed maturities, available-for-sale, at fair value (amortized cost of $127 and $293)	$ 127	$ 294
Equity securities, at fair value	—	31
Other investments	20	159
Short-term investments	1,678	874
Cash	—	—
Investment in affiliates	22,986	21,243
Deferred income taxes	493	561
Unamortized issue costs	2	2
Other assets	66	71
Total assets	**$ 25,372**	**$ 23,235**
Liabilities and Stockholders' Equity		
Net payable to affiliates	$ 1,757	$ 1,602
Short-term debt (includes current maturities of long-term debt)	—	500
Long-term debt	4,352	4,348
Other liabilities	707	515
Total liabilities	**6,816**	**6,965**
Total stockholders' equity	**18,556**	**16,270**
Total liabilities and stockholders' equity	**$ 25,372**	**$ 23,235**

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF THE HARTFORD FINANCIAL SERVICES GROUP, INC. (continued)

(Registrant)

(in millions)

	For the years ended December 31,		
Condensed Statements of Operations and Comprehensive Income	**2020**	**2019**	**2018**
Net investment income	$ 9	$ 50	$ 41
Net realized capital gains (losses)	(2)	3	37
Total revenues	**7**	**53**	**78**
Interest expense	236	255	298
Loss on extinguishment of debt	—	68	6
Other expense (income)	(8)	15	(6)
Total expenses	**228**	**338**	**298**
Loss before income taxes and earnings of subsidiaries	**(221)**	**(285)**	**(220)**
Income tax expense (benefit)	(39)	(60)	(630)
Income (loss) before earnings of subsidiaries	**(182)**	**(225)**	**410**
Earnings (losses) of subsidiaries	1,919	2,310	1,397
Net income (loss)	**1,737**	**2,085**	**1,807**
Other comprehensive income (loss) - parent company:			
Change in net gain or loss on cash-flow hedging instruments	(28)	(24)	8
Change in net unrealized gain or loss on fixed maturities	(1)	5	(271)
Change in pension and other postretirement plan adjustments	(36)	(35)	(26)
Other comprehensive income (loss), net of taxes before other comprehensive income of subsidiaries	**(65)**	**(54)**	**(289)**
Other comprehensive income (loss) of subsidiaries	1,183	1,685	(1,948)
Total other comprehensive income (loss)	**1,118**	**1,631**	**(2,237)**
Total comprehensive income (loss)	**$ 2,855**	**$ 3,716**	**$ (430)**

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE II
CONDENSED FINANCIAL INFORMATION OF THE HARTFORD FINANCIAL SERVICES GROUP, INC. (continued)

(Registrant)

(in millions)

	For the years ended December 31,		
Condensed Statements of Cash Flows	**2020**	**2019**	**2018**
Operating Activities			
Net income	$ 1,737	$ 2,085	$ 1,807
Loss on extinguishment of debt	—	68	6
Dividends received from subsidiaries	995	18	3,115
Equity in net income of subsidiaries	(1,919)	(2,310)	(1,397)
Net realized capital losses (gains)	2	3	(37)
Change in operating assets and liabilities	504	640	(716)
Cash provided by operating activities	**1,319**	**504**	**2,778**
Investing Activities			
Net proceeds from (payments for) short-term investments	(802)	1,731	(2,161)
Proceeds from the sale/maturity/prepayment of:			
Fixed maturities, available-for-sale	311	478	—
Equity securities, at fair value	124	—	—
Payments for the purchase of:			
Fixed maturities, available-for-sale	(128)	—	—
Net payments for derivatives	(57)	(33)	—
Net additions to property and equipment	—	—	(69)
Amount paid for business acquired	—	(2,098)	—
Capital returned from (contributions to) subsidiaries	386	(20)	(148)
Cash provided by (used for) investing activities	**(166)**	**58**	**(2,378)**
Financing Activities			
Proceeds from issuance of debt	—	1,376	490
Repayments of debt	(500)	(1,278)	(826)
Preferred stock issued, net of issuance costs	—	—	334
Treasury stock acquired	(150)	(200)	—
Net return of shares under incentive and stock compensation plans	(21)	(6)	(18)
Dividends paid on common shares	(461)	(436)	(379)
Dividends paid on preferred shares	(21)	(21)	—
Cash used for financing activities	**(1,153)**	**(565)**	**(399)**
Net increase (decrease) in cash	—	(3)	1
Cash — beginning of period	—	3	2
Cash — end of period	**$ —**	**$ —**	**$ 3**
Supplemental Disclosure of Cash Flow Information			
Interest Paid	$ 232	$ 255	$ 290

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE III
SUPPLEMENTARY INSURANCE INFORMATION
(*in millions*)

Segment	Deferred Policy Acquisition Costs	Unpaid Losses and Loss Adjustment Expenses	Reserve for Future Policy Benefits	Unearned Premiums	Other Policyholder Funds and Benefits Payable
As of December 31, 2020					
Commercial Lines	$ 641	$ 25,058	$ —	$ 5,081	$ —
Personal Lines	103	1,836	—	1,506	—
Property & Casualty Other Operations	—	2,728	—	2	—
Group Benefits	38	8,233	420	40	415
Hartford Funds	7	—	—	—	—
Corporate	—	—	218	—	286
Consolidated	**$ 789**	**$ 37,855**	**$ 638**	**$ 6,629**	**$ 701**
As of December 31, 2019					
Commercial Lines	$ 615	$ 23,363	$ —	$ 5,015	$ —
Personal Lines	111	2,201	—	1,578	—
Property & Casualty Other Operations	—	2,697	—	3	—
Group Benefits	51	8,256	411	39	459
Hartford Funds	8	—	—	—	—
Corporate	—	—	224	—	296
Consolidated	**$ 785**	**$ 36,517**	**$ 635**	**$ 6,635**	**$ 755**

Part IV - Schedule III. Supplementary Insurance Information

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE III
SUPPLEMENTARY INSURANCE INFORMATION

(in millions)

Segment	Earned Premiums, Fee Income and Other	Net Investment Income	Benefits, Losses and Loss Adjustment Expenses	Amortization of Deferred Policy Acquisition Costs	Insurance Operating Costs and Other Expenses [1]	Net Written Premiums [2]
For the year December 31, 2020						
Commercial Lines	$ 8,941	$ 1,160	$ 5,929	$ 1,397	$ 1,683	$ 8,969
Personal Lines	3,123	157	1,466	244	663	2,936
Property & Casualty Other Operations	—	55	258	—	10	—
Group Benefits	5,536	448	4,137	50	1,348	—
Hartford Funds	989	4	—	14	773	—
Corporate	102	22	15	1	415	9
Consolidated	**$ 18,691**	**$ 1,846**	**$ 11,805**	**$ 1,706**	**$ 4,892**	**$ 11,914**
For the year December 31, 2019						
Commercial Lines	$ 8,326	$ 1,129	$ 5,192	$ 1,296	$ 1,776	$ 8,452
Personal Lines	3,318	179	2,185	259	702	3,131
Property & Casualty Other Operations	2	84	21	—	12	—
Group Benefits	5,603	486	4,055	54	1,352	—
Hartford Funds	999	7	—	12	813	—
Corporate	146	66	19	1	431	12
Consolidated	**$ 18,394**	**$ 1,951**	**$ 11,472**	**$ 1,622**	**$ 5,086**	**$ 11,595**
For the year December 31, 2018						
Commercial Lines	$ 7,081	$ 997	$ 4,112	$ 1,048	$ 1,396	$ 7,136
Personal Lines	3,523	155	2,763	275	684	3,276
Property & Casualty Other Operations	—	90	65	—	13	(4)
Group Benefits	5,598	474	4,214	45	1,342	—
Hartford Funds	1,032	5	—	16	831	—
Corporate	53	59	11	—	387	—
Consolidated	**$ 17,287**	**$ 1,780**	**$ 11,165**	**$ 1,384**	**$ 4,653**	**$ 10,408**

[1] Includes interest expense, loss on extinguishment of debt, restructuring and other costs, loss on reinsurance transaction and amortization of intangible assets.
[2]Excludes life insurance pursuant to Regulation S-X.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE IV
REINSURANCE
(in millions)

	Gross Amount	Ceded Amount	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
For the year ended December 31, 2020					
Life insurance in-force	**$ 1,134,390**	**$ 19,055**	**$ 20,373**	**$ 1,135,708**	2 %
Insurance revenues					
Property and casualty insurance	$ 12,551	$ 1,173	$ 540	$ 11,918	5 %
Life insurance and annuities	2,251	24	207	2,434	9 %
Accident and health insurance	2,994	72	180	3,102	6 %
Total insurance revenues	**$ 17,796**	**$ 1,269**	**$ 927**	**$ 17,454**	**5 %**
For the year ended December 31, 2019					
Life insurance in-force	**$ 879,496**	**$ 18,483**	**$ 254,739**	**$ 1,115,752**	23 %
Insurance revenues					
Property and casualty insurance	$ 12,010	$ 936	$ 416	$ 11,490	4 %
Life insurance and annuities	1,739	25	807	2,521	32 %
Accident and health insurance	2,383	66	765	3,082	25 %
Total insurance revenues	**$ 16,132**	**$ 1,027**	**$ 1,988**	**$ 17,093**	**12 %**
For the year ended December 31, 2018					
Life insurance in-force	**$ 722,048**	**$ 16,674**	**$ 442,817**	**$ 1,148,191**	39 %
Insurance revenues					
Property and casualty insurance	$ 10,824	$ 599	$ 221	$ 10,446	2 %
Life insurance and annuities	1,551	22	1,082	2,611	41 %
Accident and health insurance	2,064	39	962	2,987	32 %
Total insurance revenues	**$ 14,439**	**$ 660**	**$ 2,265**	**$ 16,044**	**14 %**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE V
VALUATION AND QUALIFYING ACCOUNTS

(in millions)

	Balance January 1, [1]	Increase (decrease) in Costs and Expenses	Write-offs/ Payments/ Other	Balance December 31,
2020				
Allowance for credit losses ("ACL") on fixed maturities, available-for-sale		$ 30	$ (7)	$ 23
ACL on mortgage loans	$ 19	$ 19	$ —	$ 38
ACL on premiums receivable and agents' balances	$ 122	$ 74	$ (44)	$ 152
Allowance for uncollectible reinsurance	$ 116	$ 4	$ (12)	$ 108
Valuation allowance for deferred taxes	$ 4	$ 9	$ (9)	$ 4
2019				
ACL on mortgage loans	$ 1	$ (1)	$ —	$ —
ACL on premiums receivable and agents' balances	$ 135	$ 42	$ (32)	$ 145
Allowance for uncollectible reinsurance	$ 126	$ 2	$ (14)	$ 114
Valuation allowance for deferred taxes	$ —	$ —	$ 4	$ 4
2018				
ACL on mortgage loans	$ 1	$ —	$ —	$ 1
ACL on premiums receivable and agents' balances	$ 132	$ 40	$ (37)	$ 135
Allowance for uncollectible reinsurance	$ 104	$ 3	$ 19	$ 126
Valuation allowance for deferred taxes	$ —	$ —	$ —	$ —

[1] The balance as of January 1, 2020 reflects a cumulative effect adjustments recorded to retained earnings of $19, ($23), and $2, for the ACL on mortgage loans, ACL on premiums receivable and agents' balances, and the allowance for uncollectible reinsurance, respectively. For more information see Note 1 - Basis of Presentation and Significant Accounting Policies.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
SCHEDULE VI
SUPPLEMENTAL INFORMATION CONCERNING
PROPERTY AND CASUALTY INSURANCE OPERATIONS

(in millions)

	Discount Deducted From Liabilities [1]	Losses and Loss Adjustment Expenses Incurred Related to:		Paid Losses and Loss Adjustment Expenses
		Current Year	Prior Year	
Years ended December 31,				
2020	$ 367	$ 7,794	$ (136)	$ (6,404)
2019	$ 388	$ 7,463	$ (65)	$ (6,748)
2018	$ 388	$ 7,107	$ (167)	$ (6,406)

[1]Indemnity reserves for a portion of workers' compensation claims that have a fixed and determinable payment stream have been discounted using the weighted average interest rates of 2.68%, 2.91%, and 2.98% for the years ended December 31, 2020, 2019, and 2018, respectively.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
FORM 10-K
EXHIBITS INDEX

The exhibits attached to this Form 10-K are those that are required by Item 601 of Regulation S-K.

		Incorporated by Reference			
Exhibit No.	**Description**	**Form**	**File No.**	**Exhibit No.**	**Filing Date**
2.01	Purchase and Sale Agreement by and among Massachusetts Mutual Life Insurance Company, Hartford Life, Inc. and The Hartford Financial Services Group, Inc. ("The Hartford") dated as of September 4, 2012.	10-Q	001-13958	2.01	11/01/2012
2.02	Purchase and Sale Agreement by and among Hartford Life, Inc., Prudential Financial, Inc. and The Hartford dated as of September 27, 2012.	10-Q	001-13958	2.02	11/01/2012
2.03	Stock and Asset Purchase Agreement dated December 3, 2017 by and between The Hartford Financial Services Group, Inc., Hartford Holdings, Inc. Hopmeadow Acquisition, Inc. Hopmeadow Holdings, LP and Hopmeadow Holdings GP LLC.	8-K	001-13958	2.01	12/04/2017
2.04	Master Transaction Agreement by and between Hartford Life & Accident Insurance Company, a subsidiary of The Hartford Financial Services Group, Inc., and Aetna Inc. dated as of October 22, 2017.	8-K	001-13958	2.01	10/23/2017
2.05	Commitment Agreement by and between The Hartford Financial Services Group, Inc., The Prudential Insurance Company of America and State Street Global Advisors Trust Company, as the Independent Fiduciary of The Hartford Retirement Plan for U.S. Employees, dated as of June 23, 2017.†	10-Q	001-13958	2.01	07/27/2017
2.06	Agreement and Plan of Merger, dated as of August 22, 2018, by and among The Navigators Group, Inc., The Hartford Financial Services Group, Inc. and Renato Acquisition Co.	8-K/A	001-13958	2.1	08/22/2018
3.01	Restated Certificate of Incorporation of The Hartford, as filed with the Delaware Secretary of State on October 20, 2014.	8-K	001-13958	3.01	10/20/2014
3.02	Certificate of Designations with respect to the Series G Preferred Stock of the Company, dated October 30, 2018.	8-K	001-13958	3.1	11/05/2018
3.03	Amended and Restated By-Laws of The Hartford, amended effective December 17, 2020	8-K	001-13958	3.1	12/17/2020
4.01	Senior Indenture, dated as of March 9, 2004, between The Hartford and JPMorgan Chase Bank, as Trustee.	8-K	001-13958	4.1	03/12/2004
4.02	Junior Subordinated Indenture, dated as of February 12, 2007, between The Hartford Financial Services Group, Inc., and Wilmington Trust Company (as successor to LaSalle Bank, National Association), as Trustee.	8-K	001-13958	4.01	02/16/2007
4.03	Senior Indenture, dated as of April 11, 2007, between The Hartford and The Bank of New York Trust Company, N.A., as Trustee.	S-3ASR	333-142044	4.03	04/11/2007
4.04	Junior Subordinated Indenture, dated as of June 6, 2008, between The Hartford and The Bank of New York Trust Company, N.A., as Trustee.	8-K	001-13958	4.1	06/06/2008
4.05	First Supplemental Indenture, dated as of June 6, 2008, between The Hartford and The Bank of New York Trust Company, N.A., as Trustee.	8-K	001-13958	4.2	06/06/2008
4.06	Third Supplemental Indenture, dated as of April 5, 2012, between The Hartford and The Bank of New York Mellon Trust Company, N.A., as Trustee.	8-K/A	001-13958	4.3	04/06/2012
4.07	First Supplemental Indenture, dated as of August 9, 2013, between The Hartford and The Bank of New York Mellon Trust Company, N.A., as Trustee.	S-3ASR	333-190506	4.07	08/09/2013
4.08	Replacement Capital Covenant dated as of February 15, 2017.	8-K	001-13958	4.01	02/15/2017
4.09	Form of Series G Preferred Stock Certificate (included as Exhibit A to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 5, 2018).	8-K	001-13958	3.1	11/05/2018
4.10	Deposit Agreement, dated November 6, 2018, among the Company, Computershare Inc. and Computershare Trust Company, N.A., collectively as depositary, and the holders from time to time of the depositary receipts described therein.	8-K	001-13958	4.2	11/06/2018

		Incorporated by Reference			
Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date
4.11	Form of Depositary Receipt (included as Exhibit A to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 6, 2018)	8-K	001-13958	4.3	11/06/2018
4.12	Second Supplemental Indenture, dated as of August 19, 2019, between The Hartford Financial Services Group, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee	8-K	001-13958	4.3	08/19/2019
4.13	Description of Securities**				
10.01	Aggregate Excess of Loss Reinsurance Agreement by and between Hartford Fire Insurance Company, First State Insurance Company, New England Insurance Company, New England Reinsurance Corporation, Hartford Accident and Indemnity Company, Hartford Casualty Insurance Company, Hartford Fire Insurance Company, Hartford Insurance Company of Illinois, Hartford Insurance Company of the Midwest, Hartford Insurance Company of the Southeast, Hartford Lloyd's Insurance Company, Hartford Underwriters Insurance Company, Nutmeg Insurance Company, Pacific Insurance Company, Limited, Property and Casualty Insurance Company of Hartford, Sentinel Insurance Company, Ltd., Trumbull Insurance Company, Twin City Fire Insurance Company (collectively, the "Reinsured") and National Indemnity Company (the "Reinsurer") dated as of December 30, 2016. ††	10-K	001-13958	10.01	02/24/2017
10.02	Amendment dated March 29, 2018 to the Existing Credit Agreement, dated as of October 31, 2014, among The Hartford Financial Services Group, Inc. as borrower, Bank of America, N.A., as administrative agent and the other parties signatory thereto.	8-K	001-13958	10.1	03/30/2018
10.03	Amended and Restated Credit Agreement dated as of the Extension Date (as defined therein), among The Hartford Financial Services Group, Inc. as borrower, Bank of America, N.A., as administrative agent and the other parties signatory thereto.	8-K	001-13958	10.2	03/30/2018
*10.04	The Hartford Senior Executive Officer Severance Pay Plan, as amended and restated, effective October 1, 2014.	10-K	001-13958	10.04	02/27/2015
*10.05	The Hartford Senior Executive Severance Pay Plan, as amended and restated, effective October 1, 2014.	10-K	001-13958	10.05	02/27/2015
*10.06	The Hartford 2014 Incentive Stock Plan Administrative Rules Relating to Awards for Non-Employee Directors.	10-K	001-13958	10.06	02/27/2015
*10.07	The Hartford 2010 Incentive Stock Plan, as amended and restated, effective February 25, 2014.	10-K	001-13958	10.05	02/28/2014
*10.08	The Hartford 2014 Incentive Stock Plan, effective May 21, 2014.	S-8	333-197671	4.03	07/28/2014
*10.09	The Hartford Protection Agreement between The Hartford and Christopher Swift, effective June 9, 2014.	10-Q	001-13958	10.03	07/30/2014
*10.10	The Hartford 2014 Incentive Stock Plan Form of Non-Employee Directors Award Agreement.	10-Q	001-13958	10.01	07/27/2015
*10.11	The Hartford 2010 Incentive Stock Plan Administrative Rules Related to Awards for Key Employees, as amended effective December 15, 2010.	10-K	001-13958	10.10	02/25/2011
*10.12	The Hartford 2010 Incentive Stock Plan Forms of Individual Award Agreements.	10-Q	001-13958	10.04	08/04/2010
*10.13	The Hartford 2005 Incentive Stock Plan, as amended for the fiscal year ended 2009.	10-K	001-13958	10.10	02/23/2010
*10.14	The Hartford 2005 Incentive Stock Plan Forms of Individual Award Agreements.	8-K	001-13958	10.2	05/24/2005
*10.15	Form of Key Executive Employment Protection Agreement between The Hartford and certain executive officers of The Hartford, as amended.	10-K	001-13958	10.06	02/12/2009
*10.16	The Hartford Deferred Restricted Stock Unit Plan, as amended.	10-K	001-13958	10.12	02/24/2006
*10.17	The Hartford Excess Savings Plan IA, as amended effective May 28, 2013.	8-K	001-13958	10.01	07/29/2013
*10.18	The Hartford Deferred Compensation Plan, as amended December 20, 2012.	10-K	001-13958	10.18	03/01/2013
*10.19	The Hartford Excess Pension Plan II, as amended January 1, 2013.	10-K	001-13958	10.19	03/01/2013
*10.20	The Hartford 2014 Incentive Stock Plan Forms of Individual Award Agreements	10-Q	001-13958	10.02	04/26/2018

Exhibit No.	Description	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date
*10.21	The Hartford Financial Services Group, Inc. Annual Incentive Plan	8-K	001-13958	10.01	02/21/2019
*10.22	Amendment to The Hartford Excess Savings Plan IA	10-Q	001-13958	10.01	11/04/2019
*10.23	The Hartford 2020 Stock Incentive Plan, effective May 20, 2020	8-K	001-13958	10.01	05/21/2020
*10.24	The Hartford 2020 Stock Incentive Plan Forms of Individual Award Agreements.**				
*10.25	The Hartford 2020 Stock Incentive Plan Administrative Rules Relating to Awards for Non-Employee Directors.**				
*10.26	The Hartford 2020 Stock Incentive Plan Form of Non-Employee Directors Award Agreement.**				
21.01	Subsidiaries of The Hartford Financial Services Group, Inc. **				
23.01	Consent of Deloitte & Touche LLP to the incorporation by reference into The Hartford's Registration Statements on Form S-8 and Form S-3 of the report of Deloitte & Touche LLP contained in this Form 10-K regarding the audited financial statements is filed herewith.**				
24.01	Power of Attorney. **				
31.01	Certification of Christopher J. Swift pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **				
31.02	Certification of Beth A. Costello pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **				
32.01	Certification of Christopher J. Swift pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **				
32.02	Certification of Beth A. Costello pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema.				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.**				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.**				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.**				
104.01	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101				

* Management contract, compensatory plan or arrangement.

** Filed with the Securities and Exchange Commission as an exhibit to this report.

† Certain portions of this exhibit have been omitted pursuant to the Securities and Exchange Commission Order Granting Confidential Treatment Under the Securities Exchange Act of 1934, dated August 7, 2017

†† Certain portions of this exhibit have been omitted pursuant to the Securities and Exchange Commission Order Granting Confidential Treatment Under the Securities Exchange Act of 1934, dated March 17, 2017

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

By: /s/ Scott R. Lewis

Scott R. Lewis
Senior Vice President and Controller
(Chief accounting officer and duly authorized signatory)

Date: February 19, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Christopher J. Swift	Chairman, Chief Executive Officer and Director	February 19, 2021
Christopher J. Swift	(Principal Executive Officer)	
/s/ Beth A. Costello	Executive Vice President and Chief Financial Officer	February 19, 2021
Beth A. Costello	(Principal Financial Officer)	
/s/ Scott R. Lewis	Senior Vice President and Controller	February 19, 2021
Scott R. Lewis	(Principal Accounting Officer)	
*	Director	February 19, 2021
Robert B. Allardice III		
*	Director	February 19, 2021
Larry D. De Shon		
*	Director	February 19, 2021
Carlos Dominguez		
*	Director	February 19, 2021
Trevor Fetter		
*	Director	February 19, 2021
Kathryn A. Mikells		
*	Director	February 19, 2021
Michael G. Morris		
*	Director	February 19, 2021
Teresa W. Roseborough		
*	Director	February 19, 2021
Virginia P. Ruesterholz		
*	Director	February 19, 2021
Matthew E. Winter		
*	Director	February 19, 2021
Greig Woodring		

*By: /s/ David C. Robinson

David C. Robinson
As Attorney-in-Fact

Exhibit 4.13

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2020, The Hartford Financial Services Group, Inc. (the "Company") had four classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (1) Common Stock, par value $0.01 per share; (2) 6.10% Notes due 2041; (3) 7.875% Junior Subordinated Debentures due 2042; and (4) Depositary Shares Each Representing a 1/1,000th Interest in a Share of 6.000% Non-Cumulative Preferred Stock, Series G, par value $0.01 per share. Unless otherwise indicated, or the context otherwise requires, references in this prospectus to the "Company," "we," "us" and "our" or similar terms are to The Hartford Financial Services Group, Inc. and not to any of its subsidiaries and references to the "The Hartford" are to The Hartford Financial Services Group, Inc. and its subsidiaries, collectively.

Description of Common Stock

The following description of our Common Stock, par value $0.01 per share ("Common Stock"), is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and our Amended and Restated By-Laws (the "By-Laws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part. We encourage you to read our Certificate of Incorporation, our By-Laws and General Corporation Law of the State of Delaware (the "DGCL") for additional information.

Authorized Shares

Under our Certificate of Incorporation, we have the authority to issue 1,500,000,000 shares of Common Stock, with a par value of $0.01 per share.

Dividend Rights

The holders of our Common Stock are entitled to receive dividends when, as, and if declared by our board of directors out of legally available funds, subject to the rights of any then outstanding preferred stock created by our board of directors.

No Preemptive and/or Other Similar Rights

Holders of our Common Stock have no preference, conversion, exchange, sinking fund or redemption rights, are not entitled to any preemptive rights by virtue of their status as stockholders and that status does not entitle them to purchase their pro rata share of any offering of shares of any class or series, and generally have no appraisal rights except in certain limited transactions. Under Delaware law, our stockholders generally are not liable for our debts or obligations.

Voting rights

Holders of our Common Stock are entitled to one vote per share on all matters voted on by our stockholders. Our Common Stock does not have cumulative voting rights. In addition, the holders of outstanding shares of Common Stock shall have and possess the exclusive right to notice of stockholders' meetings and the exclusive power to vote.

Liquidation rights

Upon any liquidation, dissolution or winding up of, whether voluntary or involuntary, and after any holders of preferred stock then outstanding shall have been paid in full in cash the amounts to which they respectively shall be entitled or a sum sufficient for such payment in full shall have been set aside, the remaining net assets of the Company shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interest, to the exclusion of any holders of our preferred stock then outstanding.

Certain Anti-Takeover Effects

Certain provisions of the DGCL and our Certificate of Incorporation and By-Laws contain provisions that could have certain anti-takeover effects and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, as discussed below:

Authorized But Unissued Shares - Our board of directors has the authority, without the approval of our stockholders, to cause our preferred stock to be issued in one or more classes or series, or both, with the numbers of shares of each class or series and the provisions, designations, powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof, of each class or series to be determined by it.

No Action by Written Consent or Special Meeting - Our Certificate of Incorporation and By-Laws provide that stockholder action can be taken only at an annual or special meeting and cannot be taken by written consent. Our Certificate of Incorporation and By-Laws also provide that special meetings of stockholders can be called by the chairman of our board of directors or by a vote of the majority of the entire board of directors. In addition, our By-Laws provide that only such business as is specified in the notice of any special meeting of stockholders may come before the meeting.

Advance Notice Requirements - Our Bylaws establish an advance notice procedure for stockholders seeking to nominate candidates for election to the board of directors or for proposing matters which can be acted upon at stockholders' meetings.

Number of Directors; Filling of Vacancies **-** Our By-Laws provide that the number of directors that constitute our board of directors may be set from time to time by resolution adopted by a majority of the entire board of directors, but that such number shall not be less than three nor more than twenty-five. In addition, newly created directorships resulting from any increase in the authorized number of directors, or any vacancy, may be filled by a vote of a majority of directors then in office

No Cumulative Voting - Holders of our Common Stock are entitled to one vote for each share of Common Stock and do not have any right to cumulate votes in the election of directors.

Delaware Business Combination Statute - As a Delaware corporation, we are subject to Section 203 of the DGCL. In general, Section 203 of the DGCL provides that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that such stockholder becomes an interested stockholder unless:

- the transaction or the business combination that results in a person becoming an interested stockholder is approved by the board of directors of the corporation before the person becomes an interested stockholder;
- upon consummation of the transaction that results in the stockholder becoming an interested stockholder, the interested stockholder owns 85% or more of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers and shares owned by certain employee stock plans, or
- on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by holders of at least two-thirds of the corporation's outstanding voting stock, excluding shares owned by the interested stockholder, at a meeting of stockholders.

Under Section 203, an "interested stockholder" is defined as any person (or the affiliates or associates of such person), other than the corporation and any direct or indirect majority-owned subsidiary that is:

- the owner of 15% or more of the outstanding voting stock of the corporation, or
- an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether the person is an interested stockholder.

Listing

Our Common Stock is listed on the New York Stock Exchange, or the NYSE, under the symbol "HIG."

Description of Notes

The following description of our 6.10% Notes due 2041 (the "Notes") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of March 9, 2004, between the

Company and JPMorgan Chase Bank, N.A., as trustee (the “2004 Indenture”), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part.

We encourage you to read the above referenced 2004 Indenture, for additional information.

General

The Notes were issued under the 2004 Indenture, which provides that debt securities may be issued under the 2004 Indenture from time to time in one or more series. The 2004 Indenture and the Notes are governed by, and construed in accordance with, the laws of the State of New York. The 2004 Indenture does not limit the amount of debt securities that we may issue under that 2004 Indenture. Subject to certain tax limitations, we may, without the consent of any holders of any of the Notes, re-open this series of Notes on terms identical in all respects to the outstanding Notes (except the date of issuance, the date interest begins to accrue and, in certain circumstances, the first interest payment date), so that such additional notes of the Company shall be consolidated with, form a single issue with and increase the aggregate principal amount of the Notes.

Maturity, Interest and Principal

The Notes were initially issued with an aggregate principal amount of $408,774,000. The Notes will mature on October 1, 2041. The Notes bear interest from October 10, 2006 at a fixed interest rate of 6.10% per annum. We pay interest semi-annually in arrears on April 1 and October 1 of each year, having commenced on April 1, 2007, to the record holders at the close of business on the preceding March 15 or September 15 (whether or not a business day). Interest is computed on the basis of a 360-day year consisting of twelve 30-day months.

Optional Redemption

We may redeem the Notes at our option, in whole or in part, at any time and from time to time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate (as defined in the 2004 Indenture) plus 20 basis points. In addition, we will pay accrued and unpaid interest to the date of redemption.

The Notes are not redeemable at the option of the holder prior to maturity and do not benefit from any sinking fund.

Defeasance and Covenant Defeasance

The 2004 Indenture provides that we may discharge all of our obligations, other than as to transfers and exchanges and certain other specified obligations, under the Notes at any time. This procedure is referred to as “defeasance.” In addition, we may also be released from our obligations subject to the “Limitation upon Liens” and “Consolidation, Merger and Sale of Assets” (described in the sections below) and from certain other obligations, including obligations imposed by supplemental indentures with respect to the Notes, if any, and elect not to comply with those sections and obligations without creating an event of default. This second procedure is referred to as “covenant defeasance.”

Defeasance or covenant defeasance, will be conditioned upon, among other things, on our irrevocable deposit with the trustee money or United States government obligations or a combination thereof, as trust funds in an amount certified to be sufficient to pay and discharge on the respective stated maturities, the principal of and any premium and interest on, all outstanding debt securities of that series.

Limitations upon Liens

With certain exceptions as set forth below, the 2004 Indenture provides that neither we nor our restricted subsidiaries may create, incur, assume or permit to exist any lien, except liens created, incurred, assumed or existing prior to the execution date of the 2004 Indenture, on, any property or assets (including the capital stock of any restricted subsidiary) now owned or hereafter acquired by it, or sell or transfer or create any lien on any income or revenues or rights in respect thereof.

General Exceptions

The restriction on our and our restricted subsidiaries’ ability to create, incur, assume or permit to exist liens will not apply to:

- liens on any property or asset acquired, constructed or improved by us or any of our restricted subsidiaries subsequent to the execution of the 2004 Indenture which are created or assumed to secure or provide for the payment of any part of the purchase price of such property or asset or the cost of such construction or improvement, or any mortgage, pledge, lien, security interest or other encumbrance on any lien on any such property or asset existing at the time of acquisition thereof; provided, however, that such lien shall not extend to any other property owned by us or any of our restricted subsidiaries;
- liens existing upon any property or asset of a company which is merged with or into or is consolidated into, or substantially all the assets or shares of capital stock of which are acquired by, us or any of our restricted subsidiaries, at the time of such merger, consolidation or acquisition; provided that such lien does not extend to any other property or asset, other than improvements to the property or asset subject to such lien;
- any pledge or deposit to secure payment of workers' compensation or insurance premiums, or in connection with tenders, bids, contracts (other than contracts for the payment of money) or leases;
- any pledge of, or other lien upon, any assets as security for the payment of any tax, assessment or other similar charge by any governmental authority or public body, or as security required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or right;
- liens necessary to secure a stay of any legal or equitable process in a proceeding to enforce a liability or obligation contested in good faith by us or any of our restricted subsidiaries or required in connection with the institution by us or any of our restricted subsidiaries of any legal or equitable proceeding to enforce a right or to obtain a remedy claimed in good faith by us or any of our restricted subsidiaries, or required in connection with any order or decree in any such proceeding or in connection with any contest of any tax or other governmental charge; or the making of any deposit with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation in order to entitle us or any of our restricted subsidiaries to maintain self-insurance or to participate in any fund in connection with workers' compensation, unemployment insurance, old age pensions or other social security or to share in any provisions or other benefits provided for companies participating in any such arrangement or for liability on insurance of credits or other risks;
- mechanics', carriers', workmen's, repairmen's, or other like liens, if arising in the ordinary course of business, in respect of obligations which are not overdue or liability which is being contested in good faith by appropriate proceedings;
- liens on property in favor of the United States, or of any agency, department or other instrumentality thereof, to secure partial, progress or advance payments pursuant to the provisions of any contract;
- liens securing indebtedness of any of our restricted subsidiaries to us or to another restricted subsidiary; provided that in the case of any sale or other disposition of such indebtedness by us or such restricted subsidiary, such sale or other disposition shall be deemed to constitute the creation of another lien not permitted by this clause;
- liens affecting our or any of our restricted subsidiaries' property securing indebtedness of the United States or a state thereof (or any instrumentality or agency of either thereof) issued in connection with a pollution control or abatement program required in our opinion to meet environmental criteria with respect to our or any of our restricted subsidiaries' operations and the proceeds of which indebtedness have financed the cost of acquisition of such program; or
- the renewal, extension, replacement or refunding of any mortgage, pledge, lien, deposit, charge or other encumbrance, permitted as specified above; provided that in each case such amount outstanding at that time shall not be increased.

Exceptions for Specified Amount of Indebtedness

In addition, we and one or more of our restricted subsidiaries may create, incur, assume or permit to exist any lien which would otherwise be subject to the above restrictions, provided that immediately after the creation or assumption of such lien, the total of the aggregate principal amount of our and our restricted subsidiaries' indebtedness (not including any liens incurred pursuant to the exceptions described above under "General Exceptions") secured by such liens shall not exceed an amount equal to 10% of our consolidated net tangible assets.

Consolidation, Merger and Sale of Assets

We will not consolidate with or merge into any other person or convey, transfer or lease our assets substantially as an entirety to any person, and no person may consolidate with or merge into us, unless:

- we will be the surviving company in any merger or consolidation,
- if we consolidate with or merge into another person or convey, transfer or lease our assets substantially as an entirety to any person, the successor person is an entity organized and validly existing under the laws of the United States of America or any state thereof or the District of Columbia, and the successor entity expressly assumes our obligations relating to the Notes,

- immediately after giving effect to the consolidation, merger, conveyance or transfer, there exists no event of default, and no event which, after notice or lapse of time or both, would become an event of default, and
- other conditions described in the 2004 Indenture are met.

This covenant would not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of any of our wholly owned subsidiaries to us or to our other wholly owned subsidiaries. In addition, this covenant would not apply to any recapitalization transaction, a change of control of the Company or a highly leveraged transaction unless such transaction or change of control were structured to include a merger or consolidation by us or the conveyance, transfer or lease of our assets substantially as an entirety.

Events of Default

Under the terms of the 2004 Indenture, each of the following constitutes an event of default for the Notes:

- default for 30 days in the payment of any interest when due;
- default in the payment of principal, or premium, if any, when due;
- default in the performance, or breach, of any covenant or warranty in the 2004 Indenture for 60 days after written notice;
- certain events of bankruptcy, insolvency or reorganization, or
- any other event of default described in the applicable board resolution or supplemental indenture, if any, under which the Notes are issued.

We are required to furnish the trustee annually with a certificate as to the fulfillment of our obligations under the 2004 Indenture. The 2004 Indenture provides that the trustee may withhold notice to holders of the Notes of any default, except in respect of the payment of principal or interest on the Notes, if it considers it in the interests of the holders of such Notes to do so.

Effect of an Event of Default

If an event of default exists (other than an event of default with respect to the Notes in the case of certain events of bankruptcy), the trustee or the holders of not less than 25% in aggregate principal amount of outstanding Notes may declare the principal amount of the Notes to be due and payable immediately, by a notice in writing to us, and to the trustee if given by holders. Upon that declaration the principal amount will become immediately due and payable. However, at any time after a declaration of acceleration of outstanding Notes has been made, but before a judgment or decree for payment of the money due has been obtained, the holders of not less than a majority in aggregate principal amount of the Notes may, subject to conditions specified in the 2004 Indenture, rescind and annul that declaration.

If an event of default in the case of certain events of bankruptcy exists, the principal amount of all Notes outstanding under the 2004 Indenture shall automatically, and without any declaration or other action on the part of the trustee or any holder of such outstanding Notes, become immediately due and payable.

Subject to the provisions of the 2004 Indenture relating to the duties of the trustee, if an event of default then exists, the trustee will be under no obligation to exercise any of its rights or powers under the 2004 Indenture (other than the payment of any amounts on the Notes furnished to it pursuant to the 2004 Indenture) at a holder’s (or any other person’s) request, order or direction, unless the trustee has been offered reasonable security or indemnity against fees, advance costs, expense and liabilities which it might incur in connection with the exercise of such rights and powers. Subject to the provisions for the security or indemnification of the trustee, the holders of a majority in aggregate principal amount of the Notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee in connection with the Notes.

Modification and Waiver

Modification

We and the trustee may modify and amend the 2004 Indenture with the consent of the holders of a majority in aggregate principal amount of the Notes. However, no modification or amendment may, without the consent of the holder of each of the outstanding Notes:

- change the stated maturity of the principal of, or any installment of interest payable on, any outstanding Notes;

- reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, or the amount of principal of an original issue discount security that would be due and payable upon a redemption or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of, any outstanding Notes;
- change the place of payment, or the coin or currency in which any outstanding Notes or the interest on any outstanding Notes is payable;
- impair a holder's right to institute suit for the enforcement of any payment on any outstanding Notes on or after the stated maturity or redemption date;
- reduce the percentage of the holders of outstanding Notes necessary to modify or amend the 2004 Indenture, waive compliance with certain provisions of the 2004 Indenture or certain defaults and consequences of such defaults or to reduce the quorum or voting requirements set forth in the 2004 Indenture; or
- modify any of these provisions or any of the provisions relating to the collection of indebtedness in an event of default, the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect such action or to provide that certain other provisions may not be modified or waived without the consent of all of the holders of the Notes affected by such provisions.

Waiver

The holders of a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive compliance by us with certain restrictive covenants of the 2004 Indenture.

The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of the Notes, generally waive any past default under the 2004 Indenture relating to the Notes and the consequences of such default. However, a default in the payment of the principal of, or premium, if any, or any interest on, any of the Notes or relating to a covenant or provision which, under the 2004 Indenture relating to the Notes cannot, be modified or amended without the consent of the holder of each outstanding Note affected, cannot be so waived.

Ranking

The Notes are our unsecured senior indebtedness and rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.

Trustee

The trustee under the 2004 Indenture is JPMorgan Chase Bank, N.A. and has all the duties and responsibilities of an indenture trustee specified in the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The trustee is not required to expend or risk its own funds or otherwise incur financial liability in performing its duties or exercising its rights and powers if it reasonably believes that it is not reasonably assured of repayment or adequate indemnity.

The trustee acts as depositary for funds of, makes loans to, and performs other services for, us and our subsidiaries in the normal course of business.

Description of Junior Subordinated Debentures

The following description of our 7.875% Fixed-To-Floating Rate Junior Subordinated Debentures due 2042 ("Debentures") is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the indenture, dated as of June 6, 2008, between the Company and The Bank of New York Mellon Trust Company, N.A., (formerly known as The Bank of New York Trust Company, N.A.), as trustee, as supplemented by a Third Supplemental Indenture, dated April 5, 2012, between the Company and The Bank of New York Mellon Trust Company, as trustee (collectively, the "2012 Indenture"), which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part.

We encourage you to read the above referenced indenture, for additional information.

General

The Debentures were issued under the 2012 Indenture, which provides that Debentures may be issued under the 2012 Indenture from time to time in one or more series. The 2012 Indenture and the Debentures are governed by, and construed in accordance with, the laws of the State of New York. The 2012 Indenture does not limit the amount of Debentures that we may issue under 2012 Indenture. Subject to certain tax limitations, we may, without the consent of any holders of any of Debentures re-open this series of Debentures on terms identical in all respects to the outstanding Debentures (except the date of issuance, the date interest begins to accrue and, in certain circumstances, the first interest payment date), so that such additional Debentures of the Company shall be consolidated with, form a single issue with and increase the aggregate principal amount of the Debentures.

Maturity, Interest and Principal

The Debentures were initially issued with aggregate principal amount of $600,000,000. The Debentures will mature on April 15, 2042 (or if such day is not a business day, the following business day). The Debentures were issued in minimum denominations of $25.00 and integral multiples of $25.00 thereafter. The Debentures are unsecured, subordinated debt instruments, and commenced bearing interest on April 5, 2012 and continue to but excluding April 15, 2022 at an annual rate of 7.875%, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, having commenced on July 15, 2012, to and including April 15, 2022. Commencing on April 15, 2022 the Debentures will bear interest at an annual rate equal to three-month LIBOR, reset quarterly, plus 5.596%, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year, commencing on July 15, 2022. So long as no event of default with respect to the Debentures has occurred and is continuing, we have the right, on one or more occasions, to defer the payment of interest. The Debentures are not redeemable at the option of the holder prior to maturity and do not benefit from any sinking fund.

Option to Defer Interest Payments

So long as no event of default with respect to the Debentures has occurred and is continuing, we may, on one or more occasions, defer interest payments on the Debentures for one or more interest periods (each, a “deferral period”) of up to ten consecutive years without giving rise to an event of default under the terms of the Debentures. A deferral of interest payments cannot extend, however, beyond the maturity date or the earlier acceleration or redemption of the Debentures. During a deferral period, interest will continue to accrue on the Debentures, and deferred interest payments will accrue additional interest at the then applicable interest rate on the Debentures, compounded quarterly as of each interest payment date to the extent permitted by applicable law. No interest otherwise due during a deferral period will be due and payable on the Debentures until the end of such deferral period except upon an acceleration or redemption of the Debentures during such deferral period.

At the end of ten years following the commencement of a deferral period, we must pay all accrued and unpaid deferred interest, including compounded interest, and our failure to pay all accrued and unpaid deferred interest, including compounded interest, for a period of 30 days after the conclusion of such ten-year period will result in an event of default giving rise to a right of acceleration. If, at the end of any deferral period, we have paid all deferred interest due on the Debentures, including compounded interest, we can again defer interest payments on the Debentures as described above.

We will provide to the trustee and the holders of Debentures written notice of any deferral of interest at least one and not more than 60 business days prior to the applicable interest payment date. In addition, our failure to pay interest on the Debentures on any interest payment date will itself constitute the commencement of a deferral period unless we pay such interest within five business days after any such interest payment date, whether or not we provide a notice of deferral. We have no present intention of exercising our right to defer payments of interest.

Certain limitations during a deferral period

After the commencement of a deferral period until we have paid all accrued and unpaid interest on the Debentures, we will agree not to, and not to permit any of our subsidiaries to:

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of our capital stock other than:
    - purchases, redemptions or other acquisitions of our Common Stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;
    - purchases of our Common Stock pursuant to a contractually binding requirement to buy Common Stock entered into prior to the beginning of the related deferral period, including under a contractually binding stock repurchase plan;
    - as a result of any exchange, redemption or conversion of any class or series of our capital stock (or any capital stock of one of our subsidiaries) for any class or series of our capital stock or of any class or series of our indebtedness for any class or series of our capital stock;

    - the purchase of or payment of cash in lieu of fractional interests in our capital stock in accordance with the conversion or exchange provisions of such capital stock or the security being converted or exchanged; or
    - the redemption or repurchase of rights in accordance with any stockholders' rights plan;

- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities or guarantees that rank equally with the Debentures ("parity securities") or junior to the Debentures other than any payment of principal on parity securities necessary to avoid a breach of the instrument governing such parity securities.

Optional Redemption

We may, at our option, redeem the Debentures in $25.00 increments:

- in whole or in part from time to time on or after April 15, 2022, at a redemption price equal to their principal amount plus accrued and unpaid interest to but excluding the date of redemption; provided that if the Debentures are not redeemed in whole, at least $25 million aggregate principal amount of the Debentures must remain outstanding after giving effect to such redemption; or
- in whole, but not in part, at any time prior to April 15, 2022, within 90 days of the occurrence of a tax event or rating agency event at a redemption price equal to their principal amount or, if greater, the make-whole redemption amount described below, in each case, plus accrued and unpaid interest to but excluding the date of redemption.

"Make-whole redemption amount" means, with respect to any principal amount of any Debentures to be redeemed, the sum, as determined by the premium calculation agent, of the present value of the outstanding principal (discounted from April 15, 2022 to but excluding the redemption date) and remaining scheduled payments of interest that would have been payable from the redemption date to and including April 15, 2022 (discounted from their respective interest payment dates to but excluding the redemption date) on the Debentures to be redeemed (not including any portion of such payments of interest accrued and unpaid to but excluding the date of redemption) computed on the basis of a 360-day year consisting of twelve 30 day months at a discount rate equal to the treasury rate plus a spread of 0.700%.

Ranking

The payment of the principal of and interest on the Debentures is expressly subordinated, to the extent and in the manner set forth in the 2012 Indenture, to the prior payment in full of all of our senior indebtedness.

Subject to the qualifications described below, the term senior indebtedness is defined in the 2012 Indenture to include principal of, premium, if any, and interest on, and any other payment due pursuant to any of the following, whether incurred prior to, on or after the date hereof:

- all of our obligations (other than obligations pursuant to the 2012 Indenture and the Debentures) for money borrowed;
- all of our obligations evidenced by notes, debentures, bonds or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses and including all other debt securities issued by us to any trust or a trustee of such trust, or to a partnership or other affiliate that acts as a financing vehicle for us, in connection with the issuance of securities by such vehicles;
- all of our obligations under leases required or permitted to be capitalized under generally accepted accounting principles;
- all of our reimbursement obligations with respect to letters of credit, bankers' acceptances or similar facilities issued for our account;
- all of our obligations issued or assumed as the deferred purchase price of property or services, including all obligations under master lease transactions pursuant to which we or any of our subsidiaries have agreed to be treated as owner of the subject property for federal income tax purposes (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);
- all of our payment obligations under interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements at the time of determination, including any such obligations we incurred solely to act as a hedge against increases in interest rates that may occur under the terms of other outstanding variable or floating rate indebtedness of ours;
- all obligations of the types referred to in the preceding bullet points of another person and all dividends of another person the payment of which, in either case, we have assumed or guaranteed or for which we are responsible or liable, directly or indirectly, jointly or severally, as obligor, guarantor or otherwise;

- all compensation, reimbursement and indemnification obligations of ours to the trustee pursuant to the 2012 Indenture; and
- all amendments, modifications, renewals, extensions, refinancings, replacements and refundings of any of the above types of indebtedness.

The Debentures rank senior to all of our equity securities.

The senior indebtedness will continue to be senior indebtedness and entitled to the benefits of the subordination provisions of the 2012 Indenture irrespective of any amendment, modification or waiver of any term of the senior indebtedness or extension or renewal of the senior indebtedness. Notwithstanding anything to the contrary in the foregoing, senior indebtedness will not include (1) indebtedness incurred for the purchase of goods, materials or property, or for services obtained in the ordinary course of business or for other liabilities arising in the ordinary course of business (i.e., trade accounts payable), (2) any indebtedness which by its terms expressly provides that it is not senior to the Debentures, (3) any of our indebtedness owed to a person who is our subsidiary or employee, or (4) our Income Capital Obligation Notes due 2067 (the "ICON Securities"), which, in each case, will (unless it is by its terms subordinated to the Debentures) rank equally, subject to the provisions described above under "- Option to Defer Interest Payments - Certain limitations during a deferral period" with the Debentures.

All liabilities of our subsidiaries, including their trade accounts payable and other liabilities arising in the ordinary course of business (including obligations to policyholders), are effectively senior to the Debentures to the extent of the assets of such subsidiaries, as we are a holding company. Because we are a holding company, we rely primarily on dividends and other payments from our direct and indirect subsidiaries, which are generally regulated insurance companies, to pay interest and principal on our outstanding debt obligations. Regulatory rules may restrict our ability to withdraw capital from our subsidiaries by dividends, loans or other means.

If certain events in bankruptcy, insolvency or reorganization occur, we will first pay all senior indebtedness, including any interest accrued after the events occur, in full before we make any payment or distribution, whether in cash, securities or other property, on account of the principal of or interest on the Debentures. In such an event, we will pay or deliver directly to the holders of senior indebtedness, any payment or distribution otherwise payable or deliverable to holders of the Debentures. We will make the payments to the holders of senior indebtedness according to priorities existing among those holders until we have paid all senior indebtedness, including accrued interest, in full.

If such events of bankruptcy, insolvency or reorganization occur, after we have paid in full all amounts owed on senior indebtedness, the holders of Debentures together with the holders of any of our other obligations that rank equally with the Debentures will be entitled to receive from our remaining assets any principal, premium or interest due at that time on the Debentures and such other obligations before we make any payment or other distribution on account of any of our capital stock or obligations ranking junior to the Debentures.

If we violate the 2012 Indenture by making a payment or distribution to holders of the Debentures before we have paid all the senior indebtedness in full, then such holders of the Debentures will have to pay or transfer the payments or distributions to the trustee in bankruptcy, receiver, liquidating trustee or other person distributing our assets for payment of the senior indebtedness.

Because of the subordination provisions of the 2012 Indenture, if we become insolvent, holders of senior indebtedness may receive more, ratably, and holders of the Debentures having a claim pursuant to those securities may receive less, ratably, than our other creditors. This type of subordination will not prevent an event of default from occurring under the 2012 Indenture in connection with the Debentures.

The Debentures do not limit our or our subsidiaries' ability to incur additional debt, including debt that ranks senior to the Debentures. At December 31, 2020, indebtedness of the Company that would rank senior to the Debentures totaled approximately $3.4 billion. In addition, the Debentures are effectively subordinated to all of our subsidiaries' existing and future indebtedness and other liabilities, including obligations to policyholders.

Consolidation, Merger and Sale of Assets

We will not consolidate with or merge into any other person or convey, transfer or lease our assets substantially as an entirety to any person, and no person may consolidate with or merge into us, unless we will be the surviving company in any merger or consolidation, or:

- if we consolidate with or merge into another person or convey or transfer our assets substantially as an entirety to any person, the successor person is a corporation, partnership, trust or limited liability company, organized and validly existing under the laws of the United States or any state thereof or the District of Columbia, and the successor entity expressly assumes our obligations relating to the Debentures, and
- immediately after giving effect to the consolidation, merger, conveyance or transfer, there exists no event of default, and no event which, after notice or lapse of time or both, would become an event of default, and
- other conditions described in the 2012 Indenture are met.

This covenant does not apply to the direct or indirect conveyance, transfer or lease of all or any portion of the stock, assets or liabilities of any of our wholly owned subsidiaries to us or to our other wholly owned subsidiaries. In addition, this covenant does not apply to any recapitalization transaction, a change of control of the Company or a highly leveraged transaction unless such transaction or change of control is structured to include a merger or consolidation by us or the conveyance, transfer or lease of our assets substantially as an entirety.

Defeasance and Covenant Defeasance

The 2012 Indenture provides that we may discharge all of our obligations, other than as to transfers and exchanges and certain other specified obligations, under the Debentures at any time, and that we may also be released from our obligations described above under "Consolidation, Merger and Sale of Assets" and from certain other obligations, including obligations imposed by supplemental indentures with respect to the Debentures, if any, and elect not to comply with those sections and obligations without creating an event of default. Discharge under the first procedure is called "defeasance" and under the second procedure is called "covenant defeasance." Defeasance or covenant defeasance, will be conditioned upon, among other things, on our irrevocable deposit with the trustee money or United States government obligations or a combination thereof, as trust funds in an amount certified to be sufficient to pay and discharge on the respective stated maturities, the principal of and any premium and interest on, all outstanding Debentures.

Events of Default

The 2012 Indenture provides that any one or more of the following events with respect to the Debentures that has occurred and is continuing constitutes an event of default:

- the failure to pay interest in full, including compounded interest, on any Debenture for a period of 30 days after the conclusion of a ten-year period following the commencement of any deferral period or on the maturity date;
- the failure to pay principal of or premium, if any, on any Debenture on the maturity date or upon redemption; or
- certain events of our bankruptcy, insolvency or receivership.

If an event of default under 2012 Indenture arising from a default in the payment of interest, principal or premium has occurred and is continuing, the trustee or the holders of at least 25% in outstanding principal amount of the Debentures will have the right to declare the principal of and accrued but unpaid interest on the Debentures to be due and payable immediately. If an event of default under the 2012 Indenture arising from an event of our bankruptcy, insolvency or receivership has occurred, the principal of and accrued but unpaid interest on the Debentures will automatically, and without any declaration or other action on the part of the trustee or any holder of Debentures, become immediately due and payable. In case of any default that is not an event of default, there is no right to declare the principal amount of and accrued but unpaid interest on the Debentures immediately payable.

In cases specified in the 2012 Indenture the holders of a majority in principal amount of the Debentures may waive any default on behalf of all holders of the Debentures, except a default in the payment of principal or interest or a default in the performance of a covenant or provision of the 2012 Indenture which cannot be modified without the consent of each holder. We are required to file annually with the trustee a certificate as to whether or not we are in compliance with all the conditions and covenants applicable to us under the 2012 Indenture.

Within 90 days after actual knowledge by a responsible officer of the trustee of the occurrence of any default (the term "default" to include the events specified above without grace or notice) with respect to the Debentures, the trustee shall transmit by mail to all holders of Debentures, notice of such default unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of or interest on any Debentures, the trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or responsible officers of the trustee in good faith determines that the withholding of such notice is in the interests of the holders of the Debentures.

The holders of a majority of the aggregate outstanding principal amount of the Debentures have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee with respect to the Debentures.

Modification and Waiver

Modification

We and trustee may, without the consent of the holders of Debentures, amend, waive or supplement 2012 Indenture for specified purposes, including, among other things, curing ambiguities, defects or inconsistencies. However, no action may adversely affect in any material respect the interests of holders of the Debentures. We may also amend the 2012 Indenture to maintain the qualification of the 2012 Indenture under the Trust Indenture Act.

We and the indenture trustee may modify and amend 2012 Indenture, with the consent of the holders of not less than a majority in principal amount of the Debentures. However, no modification or amendment may, without the consent of the holder of each Debenture affected:

- change the stated maturity of the principal of, or any installment of interest, including additional interest, if any, payable on, the Debentures, except as permitted under 2012 Indenture,
- reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, the Debentures, except as permitted under the 2012 Indenture,
- reduce the amount of principal of an original issue discount security that would be due and payable upon a redemption or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of, any outstanding Debentures,
- change the place of payment, or the coin or currency in which any outstanding Debentures or the interest on any Debentures is payable,
- impair a holder’s right to institute suit for the enforcement of any payment on any outstanding Debentures after the stated maturity or redemption date,
- reduce the percentage of principal amount of outstanding Debentures, the holders of which are necessary to modify or amend the 2012 Indenture, to waive compliance with certain provisions of the 2012 Indenture or certain defaults and consequences of such defaults,
- modify any of the above provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect such action or to provide that certain other provisions may not be modified or waived without the consent of all of the holders of the Debentures affected, or
- modify the provisions with respect to the subordination of outstanding Debentures in a manner materially adverse to the holders of such outstanding Debentures.

In addition, we and the trustee may execute, without the consent of Holders of the Debentures, any supplemental indenture for the purpose of creating any new series of Debentures.

Waiver

The holders of a majority in aggregate principal amount of the outstanding Debentures may, on behalf of the holders of all Debentures, waive compliance by us with certain restrictive covenants of the Debentures.

The holders of not less than a majority in aggregate principal amount of the outstanding Debentures may, on behalf of the holders, generally waive any past default under the 2012 Indenture relating to the Debentures and the consequences of such default. However, no such waiver may occur for a default in the payment of the principal of, or premium, if any, or any interest, including additional interest, if any, on any Debentures or relating to a covenant or provision which under the 2012 Indenture relating to the Debentures cannot be modified or amended without the consent of the holder of each outstanding Debentures affected.

Trustee

The trustee under the 2012 Indenture is The Bank of New York Mellon Trust Company, N.A. and has all the duties and responsibilities of an indenture trustee specified in the Trust Indenture Act. The trustee is not required to expend or risk its own funds or otherwise incur financial liability in performing its duties or exercising its rights and powers if it reasonably believes that it is not reasonably assured of repayment or adequate indemnity.

The trustee acts as depositary for funds of, makes loans to, and performs other services for, us and our subsidiaries in the normal course of business.

Description of Depositary Shares

The following description of our Depositary Shares (the “Depositary Shares”), each representing a 1/1,000th Interest in a Share of 6.000% Non-Cumulative Preferred Stock, Series G (the “Series G Preferred Stock”), is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Deposit Agreement, dated as of November 6, 2018 (the “Deposit Agreement”), between the Company and Computershare Inc. and Computershare Trust Company, N.A. (the “Depositary), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part.

We encourage you to read the above referenced Deposit Agreement for additional information.

Dividends and Other Distributions

The Depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Series G Preferred Stock to the record holders of the Depositary Shares in proportion to the number of the Depositary Shares held by each holder on the relevant record date. The Depositary will distribute any property received by it other than cash to the record holders of the Depositary Shares entitled to those distributions, unless it determines that a distribution cannot be made proportionally among those holders or that it is not feasible to make such distribution. In that event, the Depositary may, with our approval, sell such property received by it and distribute the net proceeds from the sale to the holders of the Depositary Shares entitled to such distribution in proportion to the number of the Depositary Shares they hold.

Record dates for the payment of dividends and other matters relating to the Depositary Shares are the same as the corresponding record dates for the Series G Preferred Stock. In the event of any distribution other than in cash, the depositary will distribute property received by it to you based on instructions from us. The amounts distributed to holders of the Depositary Shares will be reduced by any amounts required to be withheld by the Depositary or by us on account of taxes or other governmental charges.

Redemption of the Depositary Shares

If we redeem the Series G Preferred Stock represented by the Depositary Shares, in whole or in part, a corresponding number of Depositary Shares will be redeemed from the proceeds received by the Depositary resulting from the redemption of the Series G Preferred Stock held by the Depositary. The redemption price per Depositary Share will be equal to 1/1,000th of the redemption price per share payable with respect to the Series G Preferred Stock, plus an amount equal to any dividends thereon that, pursuant to the provisions of the Certificate of Designations, are payable upon redemption. Whenever we redeem shares of the Series G Preferred Stock held by the Depositary, the Depositary will redeem, as of the same redemption date, the number of the Depositary Shares representing shares of the Series G Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding Depositary Shares, the Depositary Shares to be redeemed will be selected by the Depositary either pro rata, or by lot (or, in the event the Depositary Shares are in the form of global depositary receipts, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of the New York Stock Exchange). In any such case, the Depositary will redeem the Depositary Shares only in increments of 1,000 shares and any integral multiple thereof.

The Depositary will mail (or otherwise transmit by an authorized method) notice of redemption to holders of the Depositary Shares not less than 30, nor more than 60 days, prior to the date fixed for redemption of the Series G Preferred Stock and the Depositary Shares.

Voting of the Depositary Shares

When the Depositary receives notice of any meeting at which the holders of the Series G Preferred Stock are entitled to vote, the Depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the Depositary Shares. Each record holder of Depositary Shares on the record date, which will be the same date as the record date for the Series G Preferred Stock, may instruct the Depositary to vote the amount of the Series G Preferred Stock represented by the holder’s Depositary Shares. Although each Depositary Share is entitled to 1/1,000th of a vote, the Depositary can only vote whole shares of Series G Preferred Stock. To the extent possible, the Depositary will vote the amount of the Series G Preferred Stock represented by the Depositary Shares in accordance with the instructions it receives. We will agree to take all reasonable actions that the Depositary determines are necessary to enable the Depositary to vote as instructed. If the Depositary does not receive specific instructions from the holders of any Depositary Shares, it will not vote the amount of the Series G Preferred Stock represented by such Depositary Shares.

Description of Series G Preferred Stock

The following description of our Series G Preferred Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Certificate of Incorporation and the Certificate of Designations creating the Series G Preferred Stock (the "Certificate of Designations"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.13 is a part.

General

We have 50,000,000 shares of authorized preferred stock. Our board of directors is empowered, without the approval of our stockholders, to cause our preferred stock to be issued in one or more classes or series, or both, with the numbers of shares of each class or series and the provisions, designations, powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof, of each class or series to be determined by it. The shares of Series G Preferred Stock represented by Depositary Shares are part of a single series of authorized preferred stock consisting of 13,800 shares. We may from time to time, without notice to or the consent of, holders of the Depositary Shares and the underlying Series G Preferred Stock, issue additional Series G Preferred Stock.

The Series G Preferred Stock rank senior to our junior stock (as defined in the Certificate of Designations) and equally with each other series of our preferred stock that we may issue (except for any senior series that may be issued with the requisite consent of the holders of the Series G Preferred Stock), with respect to the payment of dividends and distributions of assets upon liquidation, dissolution or winding-up of us. In addition, we will generally be able to pay dividends, any redemption price and distributions upon liquidation, dissolution or winding-up of us only out of lawfully available funds for such payment (i.e., after taking account of all indebtedness and other non-equity claims). The Series G Preferred Stock were fully paid and nonassessable when issued, which means that holders have paid their purchase price in full and that we may not ask them to surrender additional funds. Holders of the Series G Preferred Stock do not have preemptive or subscription rights to acquire more of our stock.

The Series G Preferred Stock are not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series G Preferred Stock has no stated maturity and are not subject to any sinking fund, retirement fund or purchase fund or other obligation of the Company to redeem, repurchase or retire the Series G Preferred Stock.

Dividends

Dividends on the Series G Preferred Stock are not mandatory. Holders of Series G Preferred Stock are entitled to receive, when, as and if declared by our board of directors (or a duly authorized committee of the board of directors), out of funds legally available for the payment of dividends, under Delaware law, non-cumulative cash dividends that accrue for the relevant dividend period from the date of original issue, quarterly in arrears on the 15th day of February, May, August and November of each year. If we issue additional shares of Series G Preferred Stock after the original issue date, dividends on such shares may accrue from the original issue date or any other date we specify at the time such additional shares are issued. Payment dates are subject to adjustment for business days.

A "dividend period" is the period from, and including, a dividend payment date to, but excluding, the next dividend payment date, except that the initial dividend period commenced on, and included, the original issue date of the Series G Preferred Stock and ended on, but excluded, the February 15, 2019 dividend payment date.

Dividends are payable to holders of record of the Series G Preferred Stock as they appear on our books on the applicable record date, which shall be the 15th calendar day before that dividend payment date or such other record date fixed by our board of directors (or a duly authorized committee of the board) that is not more than 60 nor less than 10 days prior to such dividend payment date (each, a "dividend record date"). Dividend record dates will apply regardless of whether a particular dividend record date is a business day.

Dividends payable on the Series G Preferred Stock are calculated on the basis of a 360-day year consisting of twelve 30-day months. If any dividend payment date is a day that is not a business day (as defined herein), then the dividend with respect to that dividend payment date will instead be paid on the immediately succeeding business day, without interest or other payment in respect of such delayed payment.

Dividends on the Series G Preferred Stock are not cumulative. Accordingly, if our board of directors (or a duly authorized committee of the board), does not declare a dividend on the Series G Preferred Stock payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue, we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on the Series G Preferred Stock are declared for any future dividend period, and no interest, or sum of money in lieu of interest, will be payable in respect of any dividend not so declared.

So long as any Series G Preferred Stock remains outstanding for any dividend period, unless the full dividends for the latest completed dividend period on all outstanding Series G Preferred Stock and parity stock have been declared and paid (or declared and a sum sufficient for the payment thereof has been set aside):

- no dividend shall be paid or declared on our Common Stock or any other shares of our junior stock (as defined below) (other than a dividend payable solely in shares of junior stock); and
- no Common Stock or other junior stock shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than as a result of a reclassification of junior stock for or into other junior stock, or the exchange or conversion of one share of junior stock for or into another share of junior stock and other than through the use of the proceeds of a substantially contemporaneous sale of junior stock) during a dividend period.

As used herein, “junior stock” means our Common Stock and any other class or series of our stock that ranks junior to the Series G Preferred Stock either as to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or as to the distribution of assets upon any liquidation, dissolution or winding-up of us.

As used herein, “parity stock” means any class or series of our stock that ranks equally with the Series G Preferred Stock in the payment of dividends (whether such dividends are cumulative or non-cumulative) and in the distribution of assets on any liquidation, dissolution or winding-up of The Hartford.
We do not currently have any junior stock other than the Common Stock, any parity stock, or any senior preferred stock outstanding.

When dividends are not paid (or declared and a sum sufficient for payment thereof set aside) in full on any dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series G Preferred Stock, on a dividend payment date falling within the related dividend period for the Series G Preferred Stock) on the Series G Preferred Stock or any shares of parity stock, all dividends declared on the Series G Preferred Stock and all such parity stock and payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series G Preferred Stock, on a dividend payment date falling within the related dividend period for the Series G Preferred Stock) shall be declared *pro rata* so that the respective amounts of such dividends shall bear the same ratio to each other as all accrued but unpaid dividends per Series G Preferred Stock and all parity stock payable on such dividend payment date (or, in the case of parity stock having dividend payment dates different from the dividend payment dates pertaining to the Series G Preferred Stock, on a dividend payment date falling within the related dividend period for the Series G Preferred Stock) bear to each other.

Subject to the foregoing, dividends (payable in cash, stock or otherwise) as may be determined by our board of directors (or a duly authorized committee of the board) may be declared and paid on our Common Stock and any other junior stock from time to time out of any funds legally available for such payment, and the Series G Preferred Stock shall not be entitled to participate in any such dividend.

Dividends on the Series G Preferred Stock will not be declared, paid or set aside for payment if we fail to comply, or if such act would cause us to fail to comply, with applicable laws, rules and regulations (including, to the extent we become subject to regulation by a “capital regulator,” any applicable capital adequacy guidelines).

Liquidation Rights

Upon any voluntary or involuntary liquidation, dissolution or winding-up of The Hartford, holders of the Series G Preferred Stock and any parity stock are entitled to receive out of our assets available for distribution to stockholders, after satisfaction of liabilities to creditors, if any, before any distribution of assets is made to holders of Common Stock and any other junior stock, a liquidating distribution in the amount of $25,000 per share of Series G Preferred Stock (equivalent to $25.00 per Depositary Share), plus declared and unpaid dividends, without accumulation of any undeclared dividends. Holders of the Series G Preferred Stock will not be entitled to any other amounts from us after they have received their full liquidation preference (as defined below).

In any such distribution, if our assets are not sufficient to pay the liquidation preferences in full to all holders of the Series G Preferred Stock and all holders of any parity stock, the amounts paid to the holders of Series G Preferred Stock and to the holders of any parity stock will be paid *pro rata* in accordance with the respective aggregate liquidation preferences of those holders. In any such distribution, the "liquidation preference" of any holder of preferred stock means the amount payable to such holder in such distribution, including any declared but unpaid dividends (and any unpaid, accrued cumulative dividends in the case of any holder of stock (other than Series G Preferred Stock) on which dividends accrue on a cumulative basis). If the liquidation preference has been paid in full to all holders of the Series G Preferred Stock and any holders of parity stock, the holders of our other stock shall be entitled to receive all remaining assets of the Company according to their respective rights and preferences.

For purposes of this section, our merger or consolidation with any other entity, including a merger or consolidation in which the holders of the Series G Preferred Stock receive cash, securities or other property for their shares, or the sale, lease or exchange of all or substantially all of our assets for cash, securities or other property shall not constitute a liquidation, dissolution or winding-up of us.

Optional Redemption

The Series G Preferred Stock is not subject to any mandatory redemption, sinking fund, retirement fund, purchase fund or other similar provisions. We may redeem the Series G Preferred Stock at our option:

- in whole but not in part, at any time prior to November 15, 2023, within 90 days after the occurrence of a "rating agency event," at a redemption price equal to $25,500 per share of Series G Preferred Stock (equivalent to $25.50 per Depositary Share), plus (except as provided below) an amount equal to any dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, the redemption date; or
- (i) in whole but not in part, at any time prior to November 15, 2023, within 90 days after the occurrence of a "regulatory capital event," or (ii) in whole or in part, from time to time, on or after November 15, 2023, in each case (i) and (ii), at a redemption price equal to $25,000 per share of Series G Preferred Stock (equivalent to $25.00 per Depositary Share), plus an amount equal to any accrued and unpaid dividends per share that have accrued but not been declared and paid for the then-current dividend period to, but excluding, such redemption date.

Any declared but unpaid dividends payable on a redemption date that occurs subsequent to the dividend record date for a dividend period will not constitute a part of, or be paid to, the holder entitled to receive the redemption price on the redemption date, but rather will be paid to the holder of record of the redeemed shares on the dividend record date relating to such dividend payment date.

Holders of the shares of Series G Preferred Stock do not have the right to require the redemption or repurchase of the Series G Preferred Stock.

"Rating agency event" means that any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act or in any successor provision thereto, that then publishes a rating for us (a "rating agency") amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the Series G Preferred Stock, which amendment, clarification or change results in:

- the shortening of the length of time the Series G Preferred Stock are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on the initial issuance of the Series G Preferred Stock; or
- the lowering of the equity credit (including up to a lesser amount) assigned to the Series G Preferred Stock by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on the initial issuance of the Series G Preferred Stock.

"Regulatory capital event" means that we become subject to capital adequacy supervision by a capital regulator and the capital adequacy guidelines that apply to us as a result of being so subject set forth criteria pursuant to which the aggregate liquidation preference amount of the Series G Preferred Stock would not qualify as capital under such capital adequacy guidelines, as we may determine at any time, in our sole discretion.

"Capital regulator" means any governmental agency, instrumentality or standard-setting organization, including, but not limited to, the Federal Insurance Office ("FIO"), the National Association of Insurance Companies ("NAIC"), or any state insurance regulator, as may then have group-wide oversight of the Company's regulatory capital.

If the Series G Preferred Stock is to be redeemed, the notice of redemption shall be given by first class mail to the holders of record of the Series G Preferred Stock to be redeemed, mailed not less than 30 days, nor more than 90 days, prior to the date fixed for redemption thereof (*provided* that, if the Series G Preferred Stock is held in book-entry form through DTC we may give such notice in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;
- the number of shares of Series G Preferred Stock to be redeemed and, if less than all the shares of Series G Preferred Stock held by such holder are to be redeemed, the number of such shares of Series G Preferred Stock to be redeemed from such holder;
- the redemption price; and
- the place or places where holders may surrender certificates evidencing the Series G Preferred Stock for payment of the redemption price.

If notice of redemption of any Series G Preferred Stock has been given, and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any Series G Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such Series G Preferred Stock, and such Series G Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such Series G Preferred Stock will terminate, except the right to receive the redemption price.

In case of any redemption of only part of the Series G Preferred Stock at the time outstanding, the Series G Preferred Stock to be redeemed shall be selected either *pro rata* or by lot (or, in the event the Series G Preferred Stock is in the form of global securities, in accordance with the applicable procedures of DTC in compliance with then-applicable rules of the New York Stock Exchange).

If the Series G Preferred Stock is treated as “Tier 1 capital” (or a substantially similar concept) under the capital guidelines of a capital regulator at any time in the future, any redemption of the Series G Preferred Stock may be subject to our receipt of any required prior approval from the capital regulator and to the satisfaction of any conditions to our redemption of the Series G Preferred Stock set forth in those capital guidelines or any other applicable regulations of the capital regulator.

Voting Rights

Except as provided below or as otherwise required by applicable law, the holders of the Series G Preferred Stock have no voting rights.

Whenever dividends on any Series G Preferred Stock shall have not been declared and paid for the equivalent of six or more dividend payments, whether or not for consecutive dividend periods (a “Nonpayment”), the holders of such Series G Preferred Stock, voting together as a single class with holders of any and all other series of voting preferred stock (as defined below) then outstanding, will be entitled to vote for the election of a total of two additional members of our board of directors (the “Preferred Stock Directors”), *provided* that the election of any such directors shall not cause us to violate the corporate governance requirement of the New York Stock Exchange (or any other exchange on which our securities may be listed) that listed companies must have a majority of independent directors. In that event, the number of directors on our board of directors shall automatically increase by two, and the new directors shall be elected at a special meeting called at the request of the holders of record of at least 20% of the Series G Preferred Stock or of any other series of voting preferred stock (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders, in which event such election shall be held at such next annual or special meeting of stockholders), and at each subsequent annual meeting. These voting rights will continue until dividends on the Series G Preferred Stock and any such series of voting preferred stock for at least four consecutive dividend periods following the Nonpayment shall have been fully paid.

As used herein, “voting preferred stock” means any other class or series of our preferred stock ranking equally with the Series G Preferred Stock either as to the payment of dividends or the distribution of assets upon our liquidation, dissolution or winding-up and upon which like voting rights have been conferred and are exercisable. Whether a plurality, majority or other portion of the Series G Preferred Stock and any other voting preferred stock have been voted in favor of any matter shall be determined by reference to the liquidation amounts of the Series G Preferred Stock voted.

If and when dividends for at least four consecutive dividend periods following a Nonpayment have been paid in full or declared and a sum sufficient for such payment shall have been set aside, the holders of the Series G Preferred Stock shall be divested of the foregoing voting rights (subject to revesting in the event of each subsequent Nonpayment) and, if such voting rights for all other holders of voting preferred stock have terminated, the term of office of each Preferred Stock Director so elected shall terminate and the number of directors on the board of directors shall automatically decrease by two. In determining whether dividends have been paid for four dividend periods following a Nonpayment, we may take account of any dividend we elect to pay for such a dividend period after the regular dividend payment date for that period has passed. Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding Series G Preferred Stock and any other shares of voting preferred stock then outstanding (voting together as a class) when they have the voting rights described above. So long as a Nonpayment shall continue, any vacancy in the office of a Preferred Stock Director (other than prior to the initial election after a Nonpayment) may be filled by the written consent of the Preferred Stock Director remaining in office, or, if none remains in office, by a vote of the holders of record of a majority of the outstanding Series G Preferred Stock and any other shares of voting preferred stock then outstanding (voting together as a class) when they have the voting rights described above. The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any Series G Preferred Stock remains outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding Series G Preferred Stock and all other series of voting preferred stock entitled to vote thereon (voting together as a class), given in person or by proxy, either in writing or at a meeting:

- amend or alter the provisions of our Restated Certificate of Incorporation or the Certificate of Designations for the Series G Preferred Stock so as to authorize or create, or increase the authorized amount of, any class or series of stock ranking senior to the Series G Preferred Stock with respect to payment of dividends and/or the distribution of assets upon our liquidation, dissolution or winding-up;
- amend, alter or repeal the provisions of our Restated Certificate of Incorporation or the Certificate of Designations for the Series G Preferred Stock so as to materially and adversely affect the special rights, preferences, privileges and voting powers of the Series G Preferred Stock, taken as a whole; or
- consummate a binding share exchange or reclassification involving the Series G Preferred Stock or our merger or consolidation with another entity, unless in each case (i) the Series G Preferred Stock remains outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, is converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, and (ii) such Series G Preferred Stock remaining outstanding or such preference securities, as the case may be, has such rights, preferences, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of the Series G Preferred Stock immediately prior to such consummation, taken as a whole;

provided, *however*, that any increase in the amount of the authorized or issued Series G Preferred Stock or authorized preferred stock or the creation and issuance, or an increase in the authorized or issued amount, of other series of preferred stock ranking equally with and/or junior to the Series G Preferred Stock with respect to the payment of dividends (whether such dividends are cumulative or non-cumulative) and/or the distribution of assets upon our liquidation, dissolution or winding-up will not be deemed to materially and adversely affect the special rights, preferences, privileges or voting powers of the Series G Preferred Stock.

If an amendment, alteration, repeal, share exchange, reclassification, merger or consolidation described above would materially and adversely affect one or more, but not all, series of voting preferred stock (including the Series G Preferred Stock for this purpose), then only the series materially and adversely affected by such event and entitled to vote shall vote as a class in lieu of all series of voting preferred stock.

To the fullest extent permitted by the law, without the consent of the holders of the Series G Preferred Stock, so long as such action does not adversely affect the special rights, preferences, privileges and voting powers of the Series G Preferred Stock, taken as a whole, we may supplement any terms of the Series G Preferred Stock:

- to cure any ambiguity, or to cure, correct or supplement any provision contained in the Certificate of Designations for the Series G Preferred Stock that may be defective or inconsistent; or
- to make any provision with respect to matters or questions arising with respect to the Series G Preferred Stock that is not inconsistent with the provisions of the Certificate of Designations.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding Series G Preferred Stock shall have been redeemed or called for redemption upon proper notice, and sufficient funds shall have been set aside by us for the benefit of the holders of Series G Preferred Stock to effect such redemption.

Listing

The Depositary Shares are listed on the NYSE, under the symbol “HIG-PRG.”

Exhibit 10.24

THE HARTFORD

FORM OF NON-QUALIFIED STOCK OPTION, PERFORMANCE AWARD, AND RESTRICTED STOCK UNIT AWARD AGREEMENT

[DATE]
[Key Employee]
[Address]
[City, State, Zip]

Effective [DATE] (the "Grant Date"), you have been granted an award under The Hartford 2020 Stock Incentive Plan (the "Plan") of stock option, performance award, restricted stock units.

[Option Award

You have been granted a non-qualified option to purchase all or any portion of **x,xxx** shares of common stock of The Hartford Financial Services Group, Inc. ("The Hartford") under the terms of the Plan at an exercise price of $[XXX] per share, the New York Stock Exchange closing price of The Hartford's common stock on the Grant Date. This option will vest and become exercisable, assuming continued employment, in three consecutive annual installments, each equal to one-third of the shares subject to the option, as follows: one-third will vest and become exercisable one year after the Grant Date, an additional one-third will vest and become exercisable two years after the Grant Date, and the remaining one-third of the option will vest and become exercisable three years after the Grant Date. However, any unexercised portion of your option expires in full ten years following the Grant Date (the "Expiration Date") and, in the event of your earlier termination of employment, will likely expire at an earlier date in accordance with the applicable terms and conditions of the Plan, as described in the Appendix.]

[Performance Award

You have [also] been granted **x,xxx** restricted stock units under the terms of the Plan. Each restricted stock unit award represents a right to receive, pursuant to the terms of the Plan and achievement of the performance objectives set forth below, one share of common stock of The Hartford. This is a contingent award, and the extent to which you may ultimately receive all or any of these restricted stock units depends upon continued employment through the end of the three year performance period (except as otherwise provided in the Appendix) and whether and to what extent, as determined by the Compensation and Management Development Committee (the "Committee") of the Board of Directors or its delegate, the following performance objectives are achieved [over][as of the end of] the three-year performance period [DATE — DATE]: [performance objectives] relative to targets established by the Committee or its delegate. Payment of the vested portion of the award will be made in shares, net of taxes, following satisfaction of the applicable performance objectives and certification of the payout factor. Your restricted stock unit account will be credited with dividend equivalents, which are subject to the same terms and conditions as the restricted stock units to which they relate (based on target performance). These dividend equivalents will be deemed reinvested in a number of restricted stock units determined based on the fair market value of The Hartford common stock on the date the corresponding common stock dividend is payable to stockholders. Such dividend equivalents will be paid only if, and to the extent that, the underlying restricted stock units vest and are paid (based on actual performance).]

[Restricted Stock Unit Award

You have [also] been granted **x,xxx** restricted stock units of The Hartford. Each restricted stock unit award represents a right to receive, pursuant to the terms of the Plan one share of common stock of The Hartford per restricted stock unit [at the end of the [three]-year period from [DATE — DATE] (the "vesting period")][. This award will vest, assuming continued employment, in two consecutive annual installments, each equal to 50% of the award, as follows: 50% will vest on [DATE] and the remaining 50% will vest on [DATE] (each a "vesting period").] [. This award will vest, assuming continued employment, with respect to (i) thirty-three and one-third percent (33 1/3%) of the award as of the first anniversary of the grant date, (ii) thirty-three and one-third percent (33 1/3%) of the award as of the second anniversary of the grant date, and (iii) thirty-three and one-third percent (33 1/3%) of the award as of the third anniversary of the grant date.] This is a contingent award, and remains subject to forfeiture pending [completion of the vesting period] [continued employment through each vesting date]. Your restricted stock unit account will be credited with dividend equivalents, which are subject to the same terms and conditions as the restricted stock units to which they relate. These dividend equivalents will be deemed reinvested in a number of restricted stock units determined based on the fair market value of The Hartford common stock on the date the corresponding common stock dividend is payable to stockholders.]

<u>Termination Rules</u>

[The impact on your award of your termination of employment is described in the Appendix. Except as described in the Appendix, i][I]f your employment ends prior to the latest vesting date specified for the applicable portion of your award [(including as a result of Retirement, death, Total Disability, or because you receive severance following position elimination)], [the unvested portion of the corresponding][your] award will be forfeited upon your termination of employment.

<u>Award Value</u>

The estimated value of your long-term award ([options, performance awards, restricted stock units]) as of the date of grant was **$[XXX]**, based on the closing price of The Hartford common stock on the Grant Date. [Ultimately, the value of the award will depend on the stock price [at the time of option exercise] [at the time of payment in the case of [restricted stock units]], [whether and the extent to which performance objectives are satisfied and the closing price of The Hartford's common stock on the Committee certification date. Shares, net of taxes, are distributed soon after certification by the Committee.]

This award is conditioned on your acceptance of the award [and on your agreement to the [Restriction on Solicitation of Employees] [and agreement to Restriction on Competition Following Retirement][set forth below,][and to The Hartford's Arbitration Policy,] on or before [DATE]. If not accepted and agreed to by that date, the award will be cancelled.

<u>Acceptance/Acknowledgements:</u>

By accepting this award, you acknowledge:

- that you have access to the Plan prospectus and the opportunity to read the terms of the Plan prior to your acceptance of this award, and you represent that you understand the terms of this award and accept this award subject to all the terms and conditions of the Plan, of the rules, procedures and interpretations thereunder, and of this award.

- that you may consult a tax advisor regarding the tax aspects of this award and that you are not relying on The Hartford for any opinion or advice as to personal tax implications of this award.

- that the award is subject to tax and that shares you actually receive will be net of shares withheld for taxes.

- that this award does not constitute a contract of employment, nor is it a guarantee or promise of employment for any specific period of time. Employment at The Hartford and its subsidiaries (the "Company") is terminable at will, which means that both you and The Company are free to terminate the employment relationship at any time for any lawful reason.

[Agreement to Restriction on Solicitation of Employees

By accepting this award, you agree (or reaffirm your prior agreement):

- that while employed by the Company and for a [one-year] period following termination of your employment with the Company for any reason, (1) you will not directly or indirectly solicit, encourage or induce any employee of the Company (a "Hartford Employee") to terminate his or her employment with the Company, and (2) you will not, directly or indirectly, as an individual, as an owner or employee of a business or in any other capacity, solicit for employment, offer employment to, or employ any Hartford Employee.

- that during the term of this restriction, any subsequent employer's hiring of a Hartford Employee into a position that reports directly or indirectly to you, or to any of your direct or indirect reports, will create a "rebuttable presumption" that you have violated this restriction. That means that if a Hartford Employee is hired by your new employer and reports directly or indirectly to you or anyone who reports to you, it will be assumed that you were involved in that hiring unless you can prove otherwise.

This restriction includes but is not limited to: (i) interviewing a Hartford Employee, (ii) communicating in any fashion with a Hartford Employee in connection with an employment opportunity at another employer, or (iii) otherwise assisting or participating in the soliciting of a Hartford Employee in connection with an employment opportunity at another employer. This restriction applies for the duration of your employment and for the [one-year] period following your termination of employment, regardless of whether you become vested in, and receive the benefits made available under, the award, including if you terminate employment before the award vests.

This restriction does not affect, alter or supersede any other non-solicitation or non-competition restrictions that you might have with the Company. This restriction may only be waived or altered by The Hartford's Executive Vice President & Chief Human Resources Officer. Any such waiver or alteration must be in writing.]

[Agreement to Restriction on Competition Following Retirement

By accepting this award, you agree that if your employment ends during the [performance period] [vesting period] and you are retirement-eligible, you will:

- not become associated during the [performance period] [vesting period] with any entity, whether as a principal, partner, employee, agent, consultant, or director, that is actively engaged in selling or providing, either directly or indirectly, in any geographical area [within the U.S.] where the Company's products are sold or its services are provided, any products or services that are the same as or similar to products or services that as of the date of your retirement are being sold or provided, either directly or indirectly, by the Company, and

- provide certification and (if required) evidence satisfactory to the Executive Vice President & Chief Human Resources Officer that you have complied with this restriction (the "Restriction on Competition").

The Hartford shall, in its sole discretion, have the right to enforce or waive the terms of this provision.]

[Agreement to Arbitration Policy

By accepting this award, you agree (or reaffirm your prior agreement) to resolve covered disputes in accordance with The Hartford's Arbitration Policy, as the same may be in effect from time to time. The current version of this Policy can be accessed at [insert link].

You further understand that final and binding arbitration is the exclusive forum for the resolution of disputes covered by The Hartford's Arbitration Policy and that you may only submit a dispute to arbitration on an individual basis; that is, you may not combine a dispute that is submitted to arbitration with any other dispute between any other employees or may not otherwise initiate or join a "class" or "collective" arbitration action.]

Termination of Award

The Committee may in its sole discretion terminate in whole or in part such portion of your award as has not, at the time of such termination, become vested or with respect to which any applicable Performance Period or Restriction Period has not lapsed, if the Committee determines that you are not performing satisfactorily the duties assigned to you as of the date on which the award was made.

Tax Withholding

[Federal, state and local income or other taxes to be withheld with respect to your award will be satisfied when your award is paid by retaining stock you would otherwise receive under this award in an amount sufficient to satisfy the withholding obligations applicable to this award, unless other arrangements satisfactory to the Executive Vice President & Chief Human Resources Officer are made for withholding.] [You agree to pay the Company an amount sufficient to satisfy the tax withholding obligations applicable to the exercise of your options.]

Beneficiary Designation

One or more beneficiaries may be designated on the Beneficiary Designation Form, [available at www.xxx.com]. Unless revoked, your Beneficiary Designation will apply to outstanding and future awards to you under the Plan, The Hartford 2014 Incentive Stock Plan and similar plans. Should you wish to make a beneficiary designation, the Beneficiary Designation Form must be returned to Executive Compensation. If the form is not returned to Executive Compensation, any distribution under the Plan will be made to your spouse in the event of your death (or, if no spouse, to your estate), unless you previously filed a Beneficiary Designation Form for your awards. Please note that once your award vests and shares are transferred to your individual brokerage account, the beneficiary designation for your individual brokerage account, and not the Beneficiary Designation Form, applies.

Additional Documents

Your long-term incentive award, along with additional information regarding your award, is available at [www.xxx.com]. The information and documents available include the following: The Hartford 2020 Stock Incentive Plan Prospectus (which includes a brief summary of the Federal tax consequences of your award), Beneficiary Designation Forms, and award treatment upon termination of employment. You are strongly urged to review all of the above documents, as well as the other information provided, at your earliest convenience.

If you cannot access the information, please contact Executive Compensation, The Hartford, T-1-173-1R, One Hartford Plaza, Hartford, CT 06155, (860) 547-5000, for paper copies.

Award Agreement; Plan Terms and Conditions

Please note that this document, along with the Plan, constitutes your [option, performance award, restricted stock unit] agreement with The Hartford. Your [option, performance award, restricted stock unit] grant is subject to all of the terms and conditions of the Plan, as it may be amended from time to time, including, but not limited to, the recoupment provisions thereof, and all of the rules, procedures and interpretations of the Plan that the Committee may adopt from time to time. Pursuant to the Plan, the Committee has full discretion and authority to interpret, construe and administer the Plan and any part thereof. In the event of any conflict between this document and the provisions of the Plan, the Plan shall prevail. Capitalized terms used herein shall have the meanings specified herein or assigned by the Plan.

Committee Authority to Amend Agreement

To the extent not prohibited by applicable law, any or all terms and conditions outlined in this document may be amended, changed, or suspended by the Committee at any time without prior notice to you.

Sincerely,
[insert name]

Termination Rules **Appendix**

[STOCK OPTIONS

[*Death and Total Disability*. If your active employment ceases during the vesting period as a result of your death or Total Disability, your stock option will become fully exercisable. You (or your beneficiary) will have [five years] after the date of your death or termination due to Total Disability (or, if earlier, until the Expiration Date) to exercise your vested stock options.]

[*Retirement*. If your active employment terminates due to Retirement during the vesting period [and, at least [one year] after the Grant Date], your stock option will become fully exercisable. You will have [five years] after the date of your Retirement (or, if earlier, until the Expiration Date) to exercise your vested stock options.]

[*Involuntary Termination and Receiving Severance*. If you terminate employment and receive severance pay [as a result of the elimination of your position] pursuant to the severance pay plan applicable to you and you have been employed for at least [one year] from the Grant Date, a prorated portion of your option award will become exercisable, based on the portion of the vesting period that you were actively employed. The portion of the stock options that will be become exercisable at your termination will be determined taking into account any options that have previously become exercisable. You will have [four months] after the date of your termination (or, if earlier, until the Expiration Date) to exercise your vested stock options.]

[*Involuntary Termination for Cause*. If your active employment ceases as a result of your involuntary termination for Cause, all of your stock options (including any portion that had previously become vested) shall be forfeited.]

[*All Other Cases (Including Voluntary Termination)*. If your active employment ceases for any other reason (including as a result of your voluntary resignation), during the vesting period, any unvested portion of your stock options shall be forfeited. You will have [four months] after the date of your termination (or, if earlier, until the Expiration Date) to exercise any otherwise vested stock options.]

[PERFORMANCE AWARDS

[*Death, Total Disability [and Retirement]*. If your active employment ceases during the applicable performance period [or vesting period, if later] as a result of your death, Total Disability [or Retirement][you will be eligible to receive, as soon as practicable following the end of the applicable performance period [or vesting period, if later], a prorated award for the portion of the applicable period you were actively employed] [your award will be fully vested at target and paid within 60 days following your separation from service.] [However, receipt of this award will remain subject to the achievement of the applicable performance criteria.]]

[Retirement. If your active employment ceases during the performance period as a result of your Retirement, you will [receive a prorated award for the portion of the applicable period you were actively employed][continue to vest in your award during the remainder of the performance period] [provided that you continue to satisfy the Restriction on Competition]. Your award then will be paid as soon as practicable following the end of the performance period and certification by the Committee. Receipt of this award will remain subject to the achievement of the applicable performance criteria. [If you fail to satisfy the Restriction on Competition during the [performance][vesting] period, then all of your restricted stock units will be forfeited]].

[*Involuntary Termination and Receiving Severance*. If you terminate employment [at least one year] after the start of the applicable performance period, and you receive severance pay [as a result of the elimination of your position] pursuant to the severance pay plan applicable to you, you will be eligible to receive, as soon as practicable following the end of the applicable performance period [or vesting period, if later] and certification by the Committee, a prorated award for the portion of the applicable period you were actively employed.] However, receipt of this award will remain subject to the achievement of the applicable performance criteria.]

[*Involuntary Termination for Cause*. If your active employment ceases as a result of your involuntary termination for Cause, all of your restricted stock units shall be forfeited.]

[*All Other Cases (Including Voluntary Termination)*. If your active employment ceases for any other reason (including as a result of your voluntary resignation), during the [performance period] [vesting period], all of your restricted stock units shall be forfeited.]]

[RESTRICTED STOCK UNITS

[*Death, Total Disability and Retirement*. If your active employment ceases during the applicable vesting period as a result of your death, Total Disability, or Retirement, you will receive, within 90 days following your termination of employment (or, in the case of death or Total Disability, by March 15 of the year following your termination, if earlier), [a prorated award for the portion of the applicable period you were actively employed][a fully vested award], provided, however, if you are a "specified employee", in the event of payment as a result of Retirement (or in the event of payment as a result of Total Disability if you would have otherwise been Retirement eligible at any time during the vesting period), payment will be made six months after you separate from service. [The portion of the restricted stock units that will become vested at your termination will be determined taking into account any restricted stock units that have previously vested.]]

[*Involuntary Termination and Receiving Severance*. If you terminate employment [at least [one year] after the Grant Date] and you receive severance pay [as a result of the elimination of your position] pursuant to the severance pay plan applicable to you, you will receive, within 90 days following your termination of employment (or, if earlier, by March 15 of the year following your termination), a prorated award for the portion of the vesting period you were actively employed, provided, however, that if such 90-day period spans two calendar years, payment will be made in the second calendar year. If, however, you are a "specified employee" who would be Retirement eligible at any time during the vesting period, payment will be made six months after you separate from service. [The portion of the restricted stock units that will become vested at your termination will be determined taking into account any restricted stock units that have previously vested.]]

[*Involuntary Termination for Cause*. If your active employment ceases as a result of your involuntary termination for Cause, all of your restricted stock units shall be forfeited.]

[*All Other Cases (Including Voluntary Termination)*. If your active employment ceases for any other reason (including as a result of your voluntary resignation), during the vesting period, all of your restricted stock units shall be forfeited.]]

[*Definitions*

[TOTAL DISABILITY

You will be deemed to have terminated employment by reason of "Total Disability" for purposes of the Plan if you become entitled to receive long term disability benefits under the Hartford Fire Insurance Company Employee Income Protection Plan.]

[RETIREMENT

You will be deemed to have terminated by reason of Retirement if you terminate your employment after [(i) attaining at least age 55 with at least five years of service, where the sum of your age plus your service (credited in years) through the date of your separation equals or exceeds 65 or (ii) you had an outstanding equity award as of [December 31, 2015] and had attained at least age 50 and completed at least 10 years of service, so long as the sum of your age plus your service (credited in years) equaled or exceeded 70 as of [March 1, 2016]; provided in either event that if you are an executive in Tiers 1 through 3 (or equivalent positions), you provide at least three months advance written notice of Retirement or such lesser notice period as the Company shall permit (the "Notice Period") and during the Notice Period you satisfactorily perform your job responsibilities, as determined by The Hartford's Executive Vice President & Chief Human Resources Officer.]
[(i) attaining at least age 55 with at least five years of service, where the sum of your age plus your service (credited in years) through the date of your separation equals or exceeds 65, provided that, if you are a Tier 1 through 3 executive (or equivalent position), you provide at least three months advance written notice of Retirement or such lesser notice period as the Company shall permit (the "Notice Period") and during the Notice Period you satisfactorily perform your job responsibilities, as determined by The Hartford's Executive Vice President & Chief Human Resources Officer.]

[CAUSE

Other than in the event of a Change of Control (in which case Cause shall be defined as set forth in the severance pay plan applicable to you), you will be deemed to have terminated employment by reason of Cause if the Company determines, in its sole discretion, that you have engaged in any of the following: (i) the willful failure to perform substantially your employment-related duties; (ii) your willful or serious misconduct that has caused or could reasonably be expected to result in material injury to the business or reputation of the Company; (iii) your conviction of, or entering a plea of guilty or *nolo contendere* to, a crime constituting a felony; or (iv) your breach of any written covenant or agreement with the Company or any material written policy of the Company. Any determination of Cause by the Company will be considered conclusive and binding on you.]

Exhibit 10.25

THE HARTFORD 2020 STOCK INCENTIVE PLAN:

ADMINISTRATIVE RULES

RELATING TO AWARDS FOR NON-EMPLOYEE DIRECTORS

Set forth below, effective as of the first day of the 2020-2021 Board service year, are the Administrative Rules (“Rules”) which have been authorized by the Compensation and Management Development Committee (the "Compensation Committee") of the Board of Directors of The Hartford Financial Services Group, Inc. (the “Company”) for the administration of awards under The Hartford 2020 Stock Incentive Plan (the “Plan”) for Non-Employee Directors of the Company. All terms and conditions of the Plan (including those relating to any Change of Control of the Company), as they may be amended from time to time, and the rules and interpretations applicable under the Plan, as they may be adopted by the Compensation Committee from time to time, shall apply to all awards granted under the Plan except as otherwise provided pursuant to the Rules set forth herein. Capitalized terms used herein shall have the meanings specified herein or assigned by the Plan.

1. Annual Non-Employee Director RSU Awards. Each year, an annual award of RSUs automatically shall be made in such amount as shall be determined to be appropriate by the Nominating and Corporate Governance Committee of the Board (the “Nominating Committee”) from time to time, to each director of the Company who is not an officer of, or otherwise employed by, the Company or any of its subsidiaries or affiliates (a “Non-Employee Director”) and who is elected or re-elected to serve as a director on the Annual Meeting of Stockholders of the Company occurring in such year (“Annual Meeting”). The grant date of such award shall be the first day of the next scheduled trading window following the date of the Annual Meeting at which such Non-Employee Director is elected or re-elected to service on the Board.

2. Amount of Awards. The amount of RSUs granted for each Non-Employee Director’s annual award shall be determined by dividing (a) the dollar amount of the annual award determined by the Nominating Committee by (b) the Fair Market Value of one Share on the grant date of the annual award.

3. Restriction Period for RSUs. Except as otherwise provided in the Plan and in Rule 6, the restriction period for RSUs awarded to Non-Employee Directors under the Plan shall (unless otherwise determined by the Nominating Committee) lapse as of the earlier of (i) the last day of the Board service year (the period between dates of Annual Meetings) for which the Non-Employee Director is elected to serve or (ii) the first anniversary of the award grant date. Notwithstanding the preceding sentence, RSUs awarded to a Non-Employee Director shall vest upon the occurrence of any of the following events: (a) retirement from service on the Board in accordance with the Company’s Corporate Governance Guidelines, (b) death of the Non-Employee Director, (c) total disability of the Non-Employee Director (as determined by the Compensation Committee in its sole and absolute discretion), (d) resignation by the Non-Employee Director under cases of special circumstances where the Compensation Committee, in its sole discretion, consents to waive the remaining restriction period, or (e) a Change of Control (in the event of a Change of Control as described in Section 11(d)(iii) or Section 11(d)(iv) of the Plan, in the case of a Non-Employee Director whose service on the Board involuntarily terminates on or after the date of the stockholder approval described in either of such Sections but before the date of the consummation described in either of such Sections, the date of termination of such Non-Employee Director’s service shall be deemed for purposes of the

Plan to be the day following the date of the applicable consummation). RSUs shall be forfeited only when the Compensation Committee, in its sole discretion, so determines. Unless the Non-Employee Director shall have otherwise elected as provided in Rule 6, the Shares related to RSUs that vest in accordance with this Rule 3 shall be delivered to the Non-Employee Director within 60 days of the applicable vesting date.

4. Dividends. Pursuant to Section 3(e) of the Plan, the RSU accounts of Non-Employee Directors shall be credited with Dividend Equivalents with respect to all RSUs during the period from the grant date to the payment date. These Dividend Equivalents shall be subject to the same terms and conditions and become payable and be paid as the RSUs to which they relate. All Dividend Equivalents payable in respect of RSUs shall be deemed reinvested in the number of RSUs determined based on the Fair Market Value on the date the corresponding dividend on the Shares is payable to stockholders.

5. Prorated Awards for Non-Employee Directors Elected After Annual Non-Employee Director RSU Awards are Made.

(a) A Non-Employee Director elected to the Board in any given year after the annual Non-Employee Director RSU Awards described in Rule 1 are granted shall receive a prorated annual Award of RSUs for the portion of the Board service year (the period between dates of Annual Meetings of Stockholders) during which he or she is elected to serve. The number of RSUs granted to the Non-Employee Director shall be determined by dividing the dollar value of the prorated award amount by the Fair Market Value of one Share on the grant date (which shall be the first day of the next scheduled trading window following such Non-Employee Director's election to the Board).

(b) A Non-Employee Director who is elected to the Board before the annual Non-Employee Director RSU Awards described in Rule 1 are granted, but after the start of the Board service year to which such RSU Awards relate, shall receive the full annual RSU Award for such upcoming Board service year, calculated as described in Rule 2 and granted as described in Rule 1.

6. Election to Receive RSUs in Lieu of Annual Cash Retainer, Committee Chair Retainer and Presiding Director Retainer. A Non-Employee Director may elect to receive fully-vested RSUs in lieu of all or a portion of the annual Board cash retainer, any Committee Chair retainer and any Presiding Director retainer for a Board service year. Such election shall be made (a) prior to the first day of the calendar year in which the applicable Board service year begins or (b), solely with respect to a Non-Employee Director whose Board service starts after the first day of the calendar year in which the Board service year begins, prior to the start of such Non-Employee Director's Board service. Any such RSUs shall be granted to the Non-Employee Director on the first day of the next scheduled trading window following the date the applicable retainer would have been payable in cash. The number of RSUs shall be determined by dividing (i) the dollar amount of the applicable cash retainers elected by the Non-Employee Director, by (ii) the Fair Market Value of one Share on the first day of the applicable trading window. The Shares related to RSUs credited under this Rule 6 shall be delivered to the Non-Employee Director within 60 days following the date his or her Board service terminates.

7. Election to Defer Receipt of Annual Equity Retainer. A Non-Employee Director may elect that all or a portion of the RSUs that would otherwise be payable for a Board service year in accordance with Rule 3 shall not be payable until his or her Board service terminates, provided, however, that such election is made (a) prior to the first day of the calendar year in which the applicable Board service year begins, or (b), solely with respect to a

Non-Employee Director whose Board service starts after the first day of the calendar year in which the Board service year begins, prior to the start of such Non-Employee Director’s Board service. Such an election shall not extend the restriction period applicable to the Award; the Award shall continue to vest as provided in Rule 3. However, the Shares related to the RSUs subject to such election shall be delivered to the Non-Employee Director within 60 days following the date his or her Board service terminates.

Exhibit 10.26

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(“THE HARTFORD”)

FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT

FOR NON-EMPLOYEE DIRECTORS

FOR: [insert name of director]

You have been granted an award of restricted stock units under The Hartford 2020 Stock Incentive Plan (the “Plan”) as summarized below:

Award Type	*% Deferred*	*Grant Date*	*Share Price as of Grant Date*	*# of Restricted Stock Units*
Annual Grant	**[0-100%]**	**XX/XX/XXXX**	**$XX.XX**	**X,XXX.XXX**
[Cash Retainer Deferral]	**[0-100%]**	**[XX/XX/XXXX]**	**$[XX.XX]**	**[X,XXX.XXX]**

Each restricted stock unit represents a right to receive, pursuant to the terms of the Plan, one share of common stock of The Hartford per restricted stock unit at the Distribution Date indicated below. You may not sell, exchange, transfer, pledge, or otherwise dispose of the units awarded. Until shares are distributed, your restricted stock unit account will be credited with dividend equivalents, which are subject to the same terms and conditions as the restricted stock units to which they relate. These dividend equivalents will be deemed reinvested in a number of restricted stock units determined based on the fair market value of The Hartford common stock on the date the corresponding common stock dividend is payable to stockholders.

VESTING AND DISTRIBUTION

This is a contingent award and remains subject to forfeiture pending continued Board service through the applicable Vesting Date indicated below. Your units will vest provided you actively and continuously serve as a director of The Hartford until the Vesting Date indicated (unless otherwise provided by the Plan). Vested units will be payable in shares of The Hartford’s common stock and deposited into your individual brokerage account on the Distribution Date indicated, unless otherwise provided by the Plan. Upon your resignation, your units will vest or forfeit as determined by the Compensation and Management Development Committee of The Hartford Board of Directors.

Restricted Stock Units	*Vesting Date*	*Distribution Date[*]*
X,XXX.XXX	**[The earlier of (i) the last day of the 2021-2022 Board service year (the period between dates of the 2021 and 2022 Annual Meetings of Stockholders) or (ii) the first anniversary of the award grant date][insert date]**	**[Within 60 days following the Vesting Date][Within 60 days following the termination of Board service]**
[X,XXX.XXX]	**[N/A – Fully Vested]**	**[Within 60 days following the termination of Board service]**

*[*The Distribution Date reflects the date that your restricted stock units will be paid in accordance with your deferral election, which was made in [insert month, year].]*

[BENEFICIARY DESIGNATION

One or more beneficiaries for your award may be designated on the Beneficiary Designation Form attached hereto as **Attachment A**. Should you wish to designate or change a beneficiary for your award, the Beneficiary Designation Form must be returned to [insert address]. If the form is not returned and you die prior to the distribution of your award, shares attributable to your award will be transferred to your spouse (or, if no spouse, your estate), except to the extent that you previously filed a Beneficiary Designation Form applicable to your awards. Unless revoked, your Beneficiary Designation Form will apply to all awards previously granted under the Plan and any awards made to you in the future. Please note that once shares attributable to this award are transferred to your individual brokerage account, the beneficiary designation for your individual brokerage account, and not The Hartford’s Beneficiary Designation Form, applies.]

MORE INFORMATION

For further details regarding your award, refer to the Prospectus attached hereto as **Attachment B**, which includes a copy of the Plan as well as a brief summary of the Federal tax consequences of your award. **Attachment C** is the Administrative Rules Relating to Awards for Non-Employee Directors.

Your restricted stock unit award is subject to the terms and conditions set forth in this notice, the Plan, and the administrative rules, procedures and interpretations adopted pursuant to the Plan, and such amendments as may be made to each of the foregoing from time to time. The foregoing documents, including any amendments, collectively constitute your restricted stock unit award agreement with The Hartford for purposes of the award referred to herein.

[insert name and title]

EXHIBIT 21.01

The Hartford Financial Services Group, Inc.

Organizational List – Domestic and Foreign Subsidiaries

1stAgChoice, Inc. (South Dakota)
Access CoverageCorp, Inc. (North Carolina)
Access CoverageCorp Technologies, Inc. (North Carolina)
Assurances Continentales – Continentale Verzekeringen N.V. (Belgium)
Bracht, Deckers & Mackelbert N.V. (Belgium)
Business Management Group, Inc. (Connecticut)
Canal Re S.A. (Luxembourg)
Cervus Claim Solutions, LLC (Delaware)
First State Insurance Company (Connecticut)
FTC Resolution Company, LLC (Delaware)
Hart Re Group, L.L.C. (Connecticut)
Hartford Accident and Indemnity Company (Connecticut)
Hartford Administrative Services Company (Minnesota)
Hartford Casualty General Agency, Inc. (Texas)
Hartford Casualty Insurance Company (Indiana)
Hartford Fire General Agency, Inc. (Texas)
Hartford Fire Insurance Company (Connecticut)
Hartford Funds Distributors, LLC (Delaware)
Hartford Funds Management Company, LLC (Delaware)
Hartford Funds Management Group, Inc. (Delaware)
Hartford Holdings, Inc. (Delaware)
Hartford Insurance Company of Illinois (Illinois)
Hartford Insurance Company of the Midwest (Indiana)
Hartford Insurance Company of the Southeast (Connecticut)
Hartford Insurance, Ltd. (Bermuda)
Hartford Integrated Technologies, Inc. (Connecticut)
Hartford Investment Management Company (Delaware)
Hartford Life and Accident Insurance Company (Connecticut)
Hartford Lloyd's Corporation (Texas)
Hartford Lloyd's Insurance Company (Partnership) (Texas)
Hartford Management, Ltd. (Bermuda)
Hartford Productivity Services, LLC (Delaware)
Hartford of Texas General Agency, Inc. (Texas)
Hartford Residual Market, L.L.C. (Connecticut)
Hartford Specialty Insurance Services of Texas, LLC (Texas)
Hartford STAG Ventures LLC (Delaware)
Hartford Strategic Investments, LLC (Delaware)
Hartford Underwriters General Agency, Inc. (Texas)
Hartford Underwriters Insurance Company (Connecticut)
Heritage Holdings, Inc. (Connecticut)
Heritage Reinsurance Company, Ltd. (Bermuda)
HLA LLC (Connecticut)
HL Investment Advisors, LLC (Connecticut)
Horizon Management Group, LLC (Delaware)
HRA Brokerage Services, Inc. (Connecticut)
Lattice Strategies LLC (Delaware)
Maxum Casualty Insurance Company (Connecticut)
Maxum Indemnity Company (Connecticut)
Maxum Specialty Services Corporation (Georgia)
Millennium Underwriting Limited (United Kingdom)
MPC Resolution Company LLC (Delaware)
Navigators Asia Limited (Hong Kong)
Navigators Corporate Underwriters Limited (United Kingdom)
Navigators Holdings (Europe) N.V. (Belgium)

Navigators Holdings (UK) Limited (United Kingdom)
Navigators Insurance Company (New York)
Navigators International Insurance Company Ltd. (United Kingdom)
Navigators Management Company, Inc. (New York)
Navigators Management (UK) Limited (United Kingdom)
Navigators N.V. (Belgium)
Navigators Specialty Insurance Company (New York)
Navigators Underwriting Agency Limited (United Kingdom)
Navigators Underwriting Limited (United Kingdom)
New Bracht, Deckers & Mackelbert NV (Belgium)
New England Insurance Company (Connecticut)
New England Reinsurance Corporation (Connecticut)
New Ocean Insurance Co., Ltd. (Bermuda)
NIC Investments (Chile) SpA (Chile)
Nutmeg Insurance Agency, Inc. (Connecticut)
Nutmeg Insurance Company (Connecticut)
Pacific Insurance Company, Limited (Connecticut)
Property and Casualty Insurance Company of Hartford (Indiana)
Sentinel Insurance Company, Ltd. (Connecticut)
The Navigators Group, Inc. (Delaware)
Trumbull Flood Management, L.L.C. (Connecticut)
Trumbull Insurance Company (Connecticut)
Twin City Fire Insurance Company (Indiana)
Y-Risk, LLC (Connecticut)

EXHIBIT 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements on Form S-3 and Form S-8 of our reports dated February 19, 2021, relating to the consolidated financial statements and financial statement schedules of The Hartford Financial Services Group, Inc. (the “Company”), and the effectiveness of The Hartford Financial Services Group, Inc.’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Hartford Financial Services Group, Inc. for the year ended December 31, 2020.

Form S-3 Registration No.	Form S-8 Registration Nos.
333-231592	333-105707
	333-49170
	333-105706
	333-34092
	033-80665
	333-12563
	333-125489
	333-157372
	333-160173
	333-168537
	333-197671
	333-240245

/s/ DELOITTE & TOUCHE LLP
Hartford, Connecticut
February 19, 2021

EXHIBIT 24.01

POWER OF ATTORNEY

Each person whose signature appears below does hereby make, constitute and appoint BETH A. COSTELLO, DAVID C. ROBINSON, SCOTT R. LEWIS and DONALD C. HUNT, and each of them, with full power to act as his or her true and lawful attorneys-in-fact and agents, in his or her name, place and stead to execute on his or her behalf, as an officer and/or director of The Hartford Financial Services Group, Inc. (the "Company"), an Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"), and any and all amendments or supplements to the Annual Report, and to file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any applicable securities exchange or securities self-regulatory body, and any and all other instruments which any of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Exchange Act and the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he or she might or could do in person, with full power of substitution and resubstitution, hereby ratifying and confirming all that his or her said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof; provided, however, that the powers granted herein to each of said attorneys-in-fact and agents shall be effective only upon adoption by the Company's board of directors of a resolution approving the form, substance and filing of the Annual Report.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed this power of attorney this 19th day of February 2021.

/s/ Christopher J. Swift Christopher J. Swift	/s/ Michael G. Morris Michael G. Morris
/s/ Beth A. Costello Beth A. Costello	/s/ Teresa W. Roseborough Teresa W. Roseborough
/s/ Scott R. Lewis Scott R. Lewis	/s/ Virginia P. Ruesterholz Virginia P. Ruesterholz
/s/ Robert B. Allardice, III Robert B. Allardice, III	/s/ Matthew E. Winter Matthew E. Winter
/s/ Larry D. De Shon Larry D. De Shon	/s/ Greig Woodring Greig Woodring
/s/ Carlos Dominguez Carlos Dominguez	
/s/ Trevor Fetter Trevor Fetter	
/s/ Kathryn A. Mikells Kathryn A. Mikells	

EXHIBIT 31.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Swift, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hartford Financial Services Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ Christopher J. Swift

Christopher J. Swift

Chairman and Chief Executive Officer

EXHIBIT 31.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Beth A. Costello, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Hartford Financial Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ Beth A. Costello
Beth A. Costello
Executive Vice President and Chief Financial Officer

EXHIBIT 32.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2020 of The Hartford Financial Services Group, Inc. (the “Company”), filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2021

/s/ Christopher J. Swift

Christopher J. Swift

Chairman and Chief Executive Officer

EXHIBIT 32.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K for the period ended December 31, 2020 of The Hartford Financial Services Group, Inc. (the "Company"), filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 19, 2021

/s/ Beth A. Costello
Beth A. Costello
Executive Vice President and Chief Financial Officer