HARTFORD FINANCIAL SERVICES GROUP INC/DE
Form 10-Q
May 01, 2019

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

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)

Indicate by check mark:	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.	ý	..

• 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). ý ¨

• 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 x	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. ¨

• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ ý

As of April 29, 2019, there were outstanding 361,499,141 shares of Common Stock, $0.01 par value per share, of the registrant.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019
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[a]The information required by this item is set forth in the Enterprise Risk Management section of Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations 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 referenc 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 The Hartford’s2018 Form 10-K Annual Report; and our other filings with the Securities and Exchange Commission ("SEC").

- 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, 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 change in or replacement 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;
- 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 a pandemic, 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, such as usage-based methods of determining premiums, advancements in automotive safety features, the development of autonomous vehicles, and platforms that facilitate ride sharing, which may alter demand for the Company's products, impact the frequency or severity of losses, and/or impact the way the Company markets, distributes and underwrites its products;
  - 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;

the impact on our statutory capital of various factors, including many that are outside the Company’s control, 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;
- 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 other-than-temporary impairments on available-for-sale securities;
- the potential for further impairments of our goodwill or the potential for changes in valuation allowances against deferred tax assets;

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;
- failure to complete our proposed acquisition of The Navigators Group, Inc. may cause volatility in our securities;
- risks associated with acquisitions and divestitures, including the challenges of integrating acquired companies or businesses or separating from our divested 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 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 or state 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-Q. 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. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Hartford Financial Services Group, Inc.
Hartford, Connecticut

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of The Hartford Financial Services Group, Inc. and subsidiaries (the "Company") as of March 31, 2019, the related condensed consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the three-month periods ended March 31, 2019 and 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 22, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. 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 reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ DELOITTE & TOUCHE LLP
Hartford, Connecticut
May 1, 2019

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Operations

(In millions, except for per share data)	**Three Months Ended March 31, 2019**	**2018**
	(Unaudited)	
Revenues		
Earned premiums	$ 3,940	$ 3,927
Fee income	314	323
Net investment income	470	451
Net realized capital gains (losses):		
Total other-than-temporary impairment ("OTTI") losses	(4)	(2)
OTTI losses recognized in other comprehensive income (“OCI”)	2	2
Net OTTI losses recognized in earnings	(2)	—
Other net realized capital gains (losses)	165	(30)
Total net realized capital gains (losses)	163	(30)
Other revenues	53	20
Total revenues	**4,940**	**4,691**
Benefits, losses and expenses		
Benefits, losses and loss adjustment expenses	2,685	2,695
Amortization of deferred policy acquisition costs ("DAC")	355	342
Insurance operating costs and other expenses	1,048	1,037
Interest expense	64	80
Amortization of other intangible assets	13	18
Total benefits, losses and expenses	**4,165**	**4,172**
Income from continuing operations, before tax	**775**	**519**
Income tax expense	145	91
Income from continuing operations, net of tax	**630**	**428**
Income from discontinued operations, net of tax	—	169
Net income	**630**	**597**
Preferred stock dividends	5	—
Net income available to common stockholders	**$ 625**	**$ 597**
Income from continuing operations, net of tax, available to common stockholders per common share		
Basic	**$ 1.74**	**$ 1.20**
Diluted	**$ 1.71**	**$ 1.18**
Net income available to common stockholders per common share		
Basic	**$ 1.74**	**$ 1.67**
Diluted	**$ 1.71**	**$ 1.64**

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended March 31,	
(In millions)	**2019**	**2018**
	(Unaudited)	
Net income	**$630**	**$597**
Other comprehensive income (loss):		
Changes in net unrealized gain on securities	679	(855)
Changes in OTTI losses recognized in other comprehensive income	1	(2)
Changes in net gain on cash flow hedging instruments	5	(44)
Changes in foreign currency translation adjustments	1	(6)
Changes in pension and other postretirement plan adjustments	8	10
OCI, net of tax	**694**	**(897)**
Comprehensive income (loss)	**$1,324**	**$(300)**

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Balance Sheets

(In millions, except for share and per share data)	**March 31, 2019** (Unaudited)	**December 31, 2018**
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $35,894 and $35,603)	$ 36,819	$ 35,652
Fixed maturities, at fair value using the fair value option	20	22
Equity securities, at fair value	1,275	1,214
Mortgage loans (net of allowances for loan losses of $1 and $1)	3,637	3,704
Limited partnerships and other alternative investments	1,719	1,723
Other investments	222	192
Short-term investments	4,203	4,283
Total investments	47,895	46,790
Cash	104	121
Premiums receivable and agents' balances, net	4,160	3,995
Reinsurance recoverables, net	4,341	4,357
Deferred policy acquisition costs	688	670
Deferred income taxes, net	921	1,248
Goodwill	1,290	1,290
Property and equipment, net	1,145	1,006
Other intangible assets, net	644	657
Other assets	2,136	2,173
Total assets	**$ 63,324**	**$ 62,307**
Liabilities		
Unpaid losses and loss adjustment expenses	$ 32,973	$ 33,029
Reserve for future policy benefits	648	642
Other policyholder funds and benefits payable	742	767
Unearned premiums	5,482	5,282
Short-term debt	499	413
Long-term debt	3,767	4,265
Other liabilities	4,873	4,808
Total liabilities	**48,984**	**49,206**
Commitments and Contingencies (Note 11**)**		
Stockholders' Equity		
Preferred stock, $0.01 par value — 50,000,000 shares authorized, 13,800 shares issued at March 31, 2019 and December 31, 2018, aggregate liquidation preference of $345	334	334
Common stock, $0.01 par value — 1,500,000,000 shares authorized, 384,923,222 shares issued at March 31, 2019 and December 31, 2018	4	4
Additional paid-in capital	4,329	4,378
Retained earnings	11,572	11,055
Treasury stock, at cost — 24,058,244 and 25,772,238 shares	(1,014)	(1,091)
Accumulated other comprehensive loss, net of tax	(885)	(1,579)
Total stockholders' equity	**14,340**	**13,101**
Total liabilities and stockholders' equity	**$ 63,324**	**$ 62,307**

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity

(In millions, except for share data)	Three Months Ended March 31, 2019	2018
	(Unaudited)	
Preferred Stock	$ 334	$ —
Common Stock	4	4
Additional Paid-in Capital		
Additional Paid-in Capital, beginning of period	4,378	4,379
Issuance of shares under incentive and stock compensation plans	(68)	(74)
Stock-based compensation plans expense	55	61
Issuance of shares for warrant exercise	(36)	(3)
Additional Paid-in Capital, end of period	4,329	4,363
Retained Earnings		
Retained Earnings, beginning of period	11,055	9,642
Cumulative effect of accounting changes, net of tax	—	5
Adjusted balance, beginning of period	11,055	9,647
Net income	630	597
Dividends declared on preferred stock	(5)	—
Dividends declared on common stock	(108)	(88)
Retained Earnings, end of period	11,572	10,156
Treasury Stock, at cost		
Treasury Stock, at cost, beginning of period	(1,091)	(1,194)
Treasury stock acquired	—	—
Issuance of shares under incentive and stock compensation plans	71	81
Net shares acquired related to employee incentive and stock compensation plans	(30)	(31)
Issuance of shares for warrant exercise	36	3
Treasury Stock, at cost, end of period	(1,014)	(1,141)
Accumulated Other Comprehensive Income (Loss), net of tax		
Accumulated Other Comprehensive Income (Loss), net of tax, beginning of period	(1,579)	663
Cumulative effect of accounting changes, net of tax	—	(5)
Adjusted balance, beginning of period	(1,579)	658
Total other comprehensive income (loss)	694	(897)
Accumulated Other Comprehensive Loss, net of tax, end of period	(885)	(239)
Total Stockholders' Equity	**$ 14,340**	**$ 13,143**
Preferred Shares Outstanding		
Preferred Shares Outstanding, beginning of period	13,800	—
Issuance of preferred shares	—	—
Preferred Shares Outstanding, end of period	13,800	—
Common Shares Outstanding		
Common Shares Outstanding, beginning of period (in thousands)	359,151	356,835
Treasury stock acquired	—	—
Issuance of shares under incentive and stock compensation plans	1,534	1,770
Return of shares under incentive and stock compensation plans to treasury stock	(601)	(595)
Issuance of shares for warrant exercise	781	67
Common Shares Outstanding, at end of period	360,865	358,077
Cash dividends declared per common share	**$ 0.30**	**$ 0.25**
Cash dividends declared per preferred share	**$ 375.00**	**$ —**

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
Condensed Consolidated Statements of Cash Flows

(In millions)	Three Months Ended March 31, 2019	2018
Operating Activities	(Unaudited)	
Net income	$ 630	$ 597
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized capital losses (gains)	(163)	9
Amortization of deferred policy acquisition costs	355	383
Additions to deferred policy acquisition costs	(373)	(356)
Depreciation and amortization	108	116
Gain on sale	—	(62)
Other operating activities, net	37	324
Change in assets and liabilities:		
Decrease in reinsurance recoverables	16	19
Decrease in accrued and deferred income taxes	116	122
Increase in insurance liabilities	138	58
Net change in other assets and other liabilities	(585)	(498)
Net cash provided by operating activities	**279**	**712**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	5,072	6,639
Fixed maturities, fair value option	2	6
Equity securities, at fair value	619	185
Mortgage loans	100	154
Partnerships	68	75
Payments for the purchase of:		
Fixed maturities, available-for-sale	(5,105)	(5,874)
Equity securities, at fair value	(607)	(256)
Mortgage loans	(31)	(178)
Partnerships	(78)	(126)
Net proceeds from (payments for) derivatives	26	(189)
Net additions of property and equipment	(20)	(39)
Net proceeds from (payments for) short-term investments	82	(608)
Other investing activities, net	1	(31)
Net cash provided by (used for) investing activities	**129**	**(242)**
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	—	1,366
Withdrawals and other deductions from investment and universal life-type contracts	(24)	(7,670)
Net transfers from separate accounts related to investment and universal life-type contracts	—	5,918
Federal Home Loan Bank of Boston ("FHLBB") advances	50	—
Repayments at maturity or settlement of consumer notes	—	(4)
Net increase (decrease) in securities loaned or sold under agreements to repurchase	102	(368)
Repayment of debt	(413)	(320)
Proceeds from the issuance of debt	—	490
Net issuance (return) of shares under incentive and stock compensation plans	(28)	1
Dividends paid on preferred stock	(6)	—
Dividends paid on common stock	(109)	(90)
Net cash used for financing activities	**(428)**	**(677)**

Foreign exchange rate effect on cash	3	(5)
Net decrease in cash, including cash classified as assets held for sale	(17)	(212)
Less: Net increase (decrease) in cash classified as assets held for sale	—	(260)
Net increase (decrease) in cash	(17)	48
Cash – beginning of period	121	180
Cash – end of period	**$ 104**	**$ 228**
Supplemental Disclosure of Cash Flow Information		
Income tax received (paid)	$ —	$ (1)
Interest paid	$ 41	$ 65

See Notes to Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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 (collectively, “The Hartford”, the “Company”, “we” or “our”).

On August 22, 2018, the Company announced it entered into a definitive agreement to acquire all outstanding common shares of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.2 billion in cash, including transaction expenses. The transaction is expected to close in the second quarter of 2019, subject to customary closing conditions, including receipt of regulatory approvals. The Company signed an agreement with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., which, subject to regulatory approval and upon closing of the acquisition, will have Navigators Group subsidiaries enter into an aggregate excess of loss reinsurance agreement with NICO to cover unfavorable reserve development to Navigators Group reserves subject to the agreement, with limited exclusions. The reinsurance agreement will cover accident year 2018 and prior year reserves. The reinsurance agreement provides up to $300 of coverage for potential unfavorable net loss reserve development in excess of $1.916 billion which is $100 above Navigators Group recorded reserves subject to the agreement of $1.816 billion as of December 31, 2018.

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 this transaction, see Note 16 - Business Disposition and Discontinued Operations of Notes to Condensed Consolidated Financial Statements.

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, which differ materially from the accounting practices prescribed by various insurance regulatory authorities. These Condensed Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2018 Form 10-K Annual Report. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year.

The accompanying Condensed Consolidated Financial Statements and Notes are unaudited. These financial statements reflect all adjustments (generally consisting only of normal accruals) which are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods. The Company's significant accounting policies are summarized in Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to

Consolidated Financial Statements included in the Company's 2018 Form 10-K Annual Report.

Consolidation

The Condensed 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. All intercompany transactions and balances between The Hartford and its subsidiaries and affiliates that are not held for sale 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; valuation allowance on deferred tax assets; and contingencies relating to corporate litigation and regulatory matters.

Adoption of New Accounting Standards

Hedging Activities

On January 1, 2019, the Company adopted the Financial Accounting Standards Board's ("FASB") 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

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

2. EARNINGS PER COMMON SHARE

Computation of Basic and Diluted Earnings per Common Share

	Three Months Ended March 31,	
(In millions, except for per share data)	**2019**	**2018**
Earnings		
Income from continuing operations, net of tax	$ 630	$ 428
Less: Preferred stock dividends	5	—
Income from continuing operations, net of tax, available to common stockholders	**625**	**428**
Income from discontinued operations, net of tax, available to common stockholders	—	169
Net income available to common stockholders	**$ 625**	**$ 597**
Shares		
Weighted average common shares outstanding, basic	360.0	357.5
Dilutive effect of stock-based awards under compensation plans	3.3	4.4
Dilutive effect of warrants	1.4	2.0
Weighted average common shares outstanding and dilutive potential common shares	**364.7**	**363.9**
Earnings per common share		
Basic		
Income from continuing operations, net of tax, available to common stockholders	$ 1.74	$ 1.20
Income from discontinued operations, net of tax, available to common stockholders	—	0.47
Net income available to common stockholders	**$ 1.74**	**$ 1.67**
Diluted		
Income from continuing operations, net of tax, available to common stockholders	$ 1.71	$ 1.18

Income from discontinued operations, net of tax, available to common stockholders	—	0.46
Net income available to common stockholders	**$1.71**	**$1.64**

3. SEGMENT INFORMATION

The Company currently conducts business principally in five reporting segments including Commercial Lines, Personal Lines, Property & Casualty ("P&C") 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, capital raising activities (including debt financing and related interest expense), 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"). Talcott Resolution is the new holding company of the life and annuity business the Company sold in May 2018. In addition, Corporate includes a 9.7% ownership interest in the legal entity that acquired the sold life and annuity business. For further discussion of continued involvement in the life and annuity business sold in May 2018, see Note 16 - Business Disposition and Discontinued Operations of Notes to Condensed Consolidated Financial Statements.

The Company's revenues are generated primarily in the United States ("U.S."). Any foreign sourced revenue is immaterial.

Net Income

	Three Months Ended March 31,	
	2019	**2018**
Commercial Lines	$ 363	$ 298
Personal Lines	96	89
Property & Casualty Other Operations	23	17
Group Benefits	118	54
Hartford Funds	30	34
Corporate	—	105
Net income	**630**	**597**
Preferred stock dividends	5	—
Net income available to common stockholders	**$ 625**	**$ 597**

Revenues

	Three Months Ended March 31,	
	2019	**2018**
Earned premiums and fee income:		
Commercial Lines		
Workers’ compensation	$ 825	$ 818
Liability	168	151
Package business	352	332
Automobile	157	149
Professional liability	68	62
Bond	60	58
Property	156	150
Total Commercial Lines	1,786	1,720
Personal Lines		
Automobile	561	607

Homeowners	247	262
Total Personal Lines [1]	808	869
Group Benefits		
Group disability	704	677
Group life	643	664
Other	62	60
Total Group Benefits	1,409	1,401
Hartford Funds		
Mutual fund and Exchange-Traded Products ("ETP")	216	232
Talcott Resolution life and annuity separate accounts [2]	22	26
Total Hartford Funds	238	258
Corporate	13	2
Total earned premiums and fee income	4,254	4,250
Net investment income	470	451
Net realized capital gains (losses)	163	(30)
Other revenues	53	20
Total revenues	**$4,940**	**$4,691**

[1] For the three months ended March 31, 2019 and 2018, AARP members accounted for earned premiums of $722 and $758, respectively.

[2] Represents revenues earned for investment advisory services on the life and annuity separate account AUM sold in May 2018 that is still managed by the Company's Hartford Funds segment.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenue from Non-Insurance Contracts with Customers

	Revenue Line Item	Three months ended March 31, 2019	2018
Commercial Lines			
Installment billing fees	Fee income	$ 9	$ 9
Personal Lines			
Installment billing fees	Fee income	9	10
Insurance servicing revenues	Other revenues	19	19
Group Benefits			
Administrative services	Fee income	45	44
Hartford Funds			
Advisor, distribution and other management fees	Fee income	217	238
Other fees	Fee income	21	20
Corporate			
Investment management and other fees	Fee income	13	2
Transition service revenues	Other revenues	6	—
Total non-insurance revenues with customers		**$ 339**	**$ 342**

4. 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.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of March 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				
Asset-backed-securities ("ABS")	$ 968	$ —	$ 959	$ 9
Collateralized loan obligations ("CLOs")	1,438	—	1,324	114
Commercial mortgage-backed securities ("CMBS")	3,568	—	3,556	12
Corporate	14,403	—	13,878	525
Foreign government/government agencies	882	—	879	3
Municipal	10,346	—	10,346	—
Residential mortgage-backed securities ("RMBS")	3,548	—	2,777	771
U.S. Treasuries	1,666	122	1,544	—
Total fixed maturities	36,819	122	35,263	1,434
Fixed maturities, FVO	20	—	20	—
Equity securities, at fair value	1,275	1,161	41	73
Derivative assets				
Credit derivatives	24	—	24	—
Equity derivatives	1	—	—	1
Foreign exchange derivatives	(2)	—	(2)	—
Interest rate derivatives	1	—	1	—
Total derivative assets [1]	24	—	23	1
Short-term investments	4,203	1,488	2,715	—
Total assets accounted for at fair value on a recurring basis	**$ 42,341**	**$ 2,771**	**$ 38,062**	**$ 1,508**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Credit derivatives	(5)	—	(5)	—
Foreign exchange derivatives	(3)	—	(3)	—
Interest rate derivatives	(56)	—	(56)	—
Total derivative liabilities [2]	(64)	—	(64)	—
Contingent consideration [3]	(29)	—	—	(29)
Total liabilities accounted for at fair value on a recurring basis	**$ (93)**	**$ —**	**$ (64)**	**$ (29)**

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of December 31, 2018

	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")	$ 1,276	$ —	$ 1,266	$ 10
Collateralized loan obligations ("CLOs")	1,437	—	1,337	100
Commercial mortgage-backed securities ("CMBS")	3,552	—	3,540	12
Corporate	13,398	—	12,878	520
Foreign government/government agencies	847	—	844	3
Municipal	10,346	—	10,346	—
Residential mortgage-backed securities ("RMBS")	3,279	—	2,359	920
U.S. Treasuries	1,517	330	1,187	—
Total fixed maturities	35,652	330	33,757	1,565
Fixed maturities, FVO	22	—	22	—
Equity securities, at fair value	1,214	1,093	44	77
Derivative assets				
Credit derivatives	5	—	5	—
Equity derivatives	3	—	—	3
Foreign exchange derivatives	(2)	—	(2)	—
Interest rate derivatives	1	—	1	—
Total derivative assets [1]	7	—	4	3
Short-term investments	4,283	1,039	3,244	—
Total assets accounted for at fair value on a recurring basis	**$ 41,178**	**$ 2,462**	**$ 37,071**	**$ 1,645**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Credit derivatives	(2)	—	(2)	—
Equity derivatives	1	—	1	—
Foreign exchange derivatives	(5)	—	(5)	—
Interest rate derivatives	(62)	—	(63)	1
Total derivative liabilities [2]	(68)	—	(69)	1
Contingent consideration [3]	(35)	—	—	(35)
Total liabilities accounted for at fair value on a recurring basis	**$ (103)**	**$ —**	**$ (69)**	**$ (34)**

[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.

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

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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 and trade information, 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 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 incorporate 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 fair value process for investments is monitored by the Valuation Committee, which is a cross-functional group of senior management within the Company that meets at least quarterly. The purpose of the committee is to oversee the pricing policy and procedures, as well as to approve changes to valuation methodologies and pricing sources. Controls and procedures used to assess third-party pricing services are reviewed by the Valuation Committee, including the results of annual due-diligence reviews.

There are also two working groups under the Valuation Committee: a Securities Fair Value Working Group ("Securities Working Group") and a Derivatives Fair Value Working Group ("Derivatives Working Group"). The working groups, which include various investment, operations, accounting and risk management professionals, meet monthly to review market data trends, pricing and trading statistics and results, and any proposed pricing methodology changes.

The Securities Working Group reviews prices received from third parties to ensure that the prices represent a reasonable estimate of the fair value. The group considers trading volume, new issuance activity, market trends, new regulatory rulings and other factors to determine whether the market activity is significantly different than normal activity in an active market. A dedicated pricing unit follows up with trading and investment sector professionals and challenges prices of third-party pricing services when the estimated assumptions used differ from what the unit believes a market participant would use. If the available evidence indicates that pricing from third-party pricing services or broker quotes is based upon transactions that are stale or not from trades made in an orderly market, the Company places little, if any, weight on the third party service's transaction price and will estimate fair value using an internal process, such as a pricing matrix.

The Derivatives Working Group reviews the inputs, assumptions and methodologies used to ensure that the prices represent a reasonable estimate of the fair value. A dedicated pricing team works directly with investment sector professionals to investigate the impacts of changes in the market environment on prices or valuations of derivatives. New models and any changes to current models are required to have detailed documentation and are validated to a second source. The model validation documentation and results of validation are presented to the Valuation Committee for approval.

The Company conducts other monitoring controls around securities and derivatives pricing including, but not limited to, the following:

- Review of daily price changes over specific thresholds and new trade comparison to third-party pricing services.
- Daily comparison of OTC derivative market valuations to counterparty valuations.

- Review of weekly price changes compared to published bond prices of a corporate bond index.
- Monthly reviews of price changes over thresholds, stale prices, missing prices, and zero prices.
- Monthly validation of prices to a second source for securities in most sectors and for certain derivatives.

In addition, the Company’s enterprise-wide Operational Risk Management function, led by the Chief Risk Officer, is responsible for model risk management and 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 CONDENSED 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 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: • Independent broker quotes • 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	Not applicable
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

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED 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 March 31, 2019							
CLOs [3]	$93	Discounted cash flows	Spread	256 bps	256 bps	256 bps	Decrease
CMBS [3]	$2	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9 bps	1,040 bps	180 bps	Decrease
Corporate [4]	$294	Discounted cash flows	Spread	121 bps	656 bps	213 bps	Decrease
RMBS [3]	$725	Discounted cash flows	Spread [6]	21 bps	407 bps	78 bps	Decrease
			Constant prepayment rate [6]	—%	16%	6%	Decrease [5]
			Constant default rate [6]	1%	6%	3%	Decrease
			Loss severity [6]	—%	100%	62%	Decrease
As of December 31, 2018							
CMBS [3]	$2	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9 bps	1,040 bps	182 bps	Decrease
Corporate [4]	$274	Discounted cash flows	Spread	145 bps	1,175 bps	263 bps	Decrease
RMBS [3]	$815	Discounted cash flows	Spread [6]	12 bps	215 bps	86 bps	Decrease
			Constant prepayment rate [6]	1%	15%	6%	Decrease [5]
			Constant default rate [6]	1%	8%	3%	Decrease
			Loss severity [6]	—%	100%	61%	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

	Fair Value	Predominant Valuation Technique	Significant Unobservable Input	Minimum	Maximum	Weighted Average [1]	Impact of Increase in Input on Fair Value [2]
As of March 31, 2019							
Equity Options	$ 1	Option model	Equity volatility	12 %	20 %	18 %	Increase
As of December 31, 2018							
Interest rate swaptions [3]	$ 1	Option model	Interest rate volatility	3 %	3 %	3 %	Increase
Equity options	$ 3	Option model	Equity volatility	19 %	21 %	20 %	Increase

[1] The weighted average is determined based on the fair value of the derivatives.
[2] 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.
[3] The swaptions presented are purchased options that have the right to enter into a pay-fixed swap.

The tables above exclude ABS and certain corporate 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. As of March 31, 2019, 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 requires 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 is 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 is discounted back to the valuation date using a risk-adjusted discount rate of 12.7%. The risk-adjusted discount rate is an internally generated and significant unobservable input to fair value.

The contingency period for ETP AUM growth ends July 29, 2020 and management adjusts the fair value of the contingent consideration when it revises its projection of ETP AUM for the acquired business. Before discounting to fair value, the Company estimates a total contingent consideration payout of $41, of which $10 was paid in January 2019 and another $10 will be paid

in May 2019 given that ETP AUM reached $2 billion during the first quarter of 2019. Accordingly, as of March 31, 2019, the fair value of $29 reflects remaining consideration payable of $31, assuming ETP AUM for the acquired business grows to approximately $4.1 billion over the contingency period.

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 with 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.

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Three Months Ended March 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 March 31, 2019
Assets									
Fixed Maturities, AFS									
ABS	$ 10	$ —	$ —	$ —	$ (1)	$ —	$ —	$ —	$ 9
CLOs	100	—	—	35	—	(6)	—	(15)	114
CMBS	12	—	1	—	(1)	—	—	—	12
Corporate	520	(1)	7	37	(2)	(25)	12	(23)	525
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	920	1	(2)	44	(54)	(35)	—	(103)	771
Total Fixed Maturities, AFS	1,565	—	6	116	(58)	(66)	12	(141)	1,434
Equity Securities, at fair value	77	(1)	—	5	—	(8)	—	—	73
Derivatives, net [4]									
Equity	3	(2)	—	—	—	—	—	—	1
Interest rate	1	(1)	—	—	—	—	—	—	—

Total Derivatives, net [4]	4	(3)	—	—	—	—	—	—	1
Total Assets	**$ 1,646**	**$ (4)**	**$ 6**	**$ 121**	**$ (58)**	**$ (74)**	**$ 12**	**$ (141)**	**$ 1,508**
Liabilities									
Contingent Consideration	(35)	(4)	—	—	10	—	—	—	(29)
Total Liabilities	**$ (35)**	**$ (4)**	**$ —**	**$ —**	**$ 10**	**$ —**	**$ —**	**$ —**	**$ (29)**

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Three Months Ended March 31, 2018

	Fair value as of January 1, 2018	Total realized/unrealized gains (losses) 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 March 31, 2018
Assets									
Fixed Maturities, AFS									
ABS	$ 19	$ —	$ —	$ —	$ (2)	$ —	$ —	$ (3)	$ 14
CLOs	95	—	—	21	—	—	—	(10)	106
CMBS	69	—	(1)	—	(1)	—	—	(34)	33
Corporate	520	1	(1)	65	(14)	(23)	—	(33)	515
Foreign Govt./Govt. Agencies	2	—	—	—	—	—	—	—	2
Municipal	17	—	(1)	—	—	—	—	—	16
RMBS	1,230	—	(3)	102	(81)	—	—	(15)	1,233
Total Fixed Maturities, AFS	1,952	1	(6)	188	(98)	(23)	—	(95)	1,919
Equity Securities, at fair value	76	28	—	—	—	(39)	—	—	65
Derivatives, net [4]									
Equity	1	2	—	—	—	(2)	—	—	1
Interest rate	1	1	—	—	—	—	—	—	2
Total Derivatives, net [4]	2	3	—	—	—	(2)	—	—	3
Total Assets	**$ 2,030**	**$ 32**	**$ (6)**	**$ 188**	**$ (98)**	**$ (64)**	**$ —**	**$ (95)**	**$ 1,987**
Liabilities									
Contingent Consideration	(29)	2	—	—	—	—	—	—	(27)
Total Liabilities	**$ (29)**	**$ 2**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (27)**

[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.
[4] Derivative instruments are reported in this table on a net basis for asset (liability) positions and reported in the Condensed Consolidated Balance Sheets in other investments and other liabilities.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Changes in Unrealized Gains (Losses) for Financial Instruments Classified as Level 3 Still Held as of

	Three months ended March 31,		Three months ended March 31,	
	2019	2018	2019	2018
	Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]		Changes in Unrealized Gain/(Loss) included in OCI [3]	
Assets				
Fixed Maturities, AFS				
CMBS	$ —	$ —	$ 1	$ —
Corporate	(1)	—	7	(1)
Municipal	—	—	—	(1)
RMBS	—	—	(1)	(3)
Total Fixed Maturities, AFS	(1)	—	7	(5)
Fixed Maturities, FVO	—	—	—	—
Derivatives, net				
Equity	(2)	—	—	—
Interest rate	(1)	1	—	—
Total Derivatives, net	(3)	1	—	—
Total Assets	**$ (4)**	**$ 1**	**$ 7**	**$ (5)**
Liabilities				
Contingent Consideration	(4)	2	—	—
Total Liabilities	**$ (4)**	**$ 2**	**$ —**	**$ —**

[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 Condensed Consolidated Statements of Comprehensive Income. Changes in interest rate derivatives are reported in changes in net gain on cash flow hedging instruments in the Condensed Consolidated Statements of Comprehensive Income.

Fair Value Option

The Company has elected the fair value option for certain securities that contain embedded credit derivatives with underlying credit risk primarily related to residential real estate, and these securities are included within Fixed Maturities, FVO on the Condensed Consolidated Balance Sheets. The Company reports changes in the fair value of these securities in net realized capital gains and losses.

As of March 31, 2019 and December 31, 2018, the fair value of assets and liabilities using the fair value option was $20 and $22, respectively, within the residential real estate sector.

For the three months ended March 31, 2019 and 2018 there were no realized capital gains (losses) related to the fair value of assets using the fair value option.

Financial Instruments Not Carried at Fair Value

Financial Assets and Liabilities Not Carried at Fair Value

	March 31, 2019			December 31, 2018		
	Fair Value Hierarchy Level	**Carrying Amount**	**Fair Value**	**Fair Value Hierarchy Level**	**Carrying Amount**	**Fair Value**
Assets						
Mortgage loans	Level 3	$ 3,637	$ 3,702	Level 3	$ 3,704	$ 3,746
Liabilities						
Other policyholder funds and benefits payable	Level 3	$ 751	$ 753	Level 3	$ 774	$ 775
Senior notes [1]	Level 2	$ 3,177	$ 3,619	Level 2	$ 3,589	$ 3,887
Junior subordinated debentures [1]	Level 2	$ 1,089	$ 1,109	Level 2	$ 1,089	$ 1,052

[1] Included in long-term debt in the Condensed Consolidated Balance Sheets, except for current maturities, which are included in short-term debt.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS

Net Realized Capital Gains (Losses)

(Before tax)	Three Months Ended March 31, 2019	2018
Gross gains on sales	$ 44	$ 19
Gross losses on sales	(21)	(57)
Equity securities [1]	132	16
Net OTTI losses recognized in earnings	(2)	—
Transactional foreign currency revaluation	—	1
Non-qualifying foreign currency derivatives	1	(3)
Other, net [2]	9	(6)
Net realized capital gains (losses)	**$ 163**	**$ (30)**

[1] Includes all changes in fair value and trading gains and losses for equity securities.

[2] Includes gains (losses) on non-qualifying derivatives, excluding foreign currency derivatives, of $14 and $(10), respectively, for the three months ended March 31, 2019 and 2018.

Net realized capital gains (losses) from investment sales are reported as a component of revenues and are determined on a specific identification basis. Before tax, net gains (losses) on sales and impairments previously reported as unrealized gains (losses) in AOCI were $21 and $(38) for the three months ended March 31, 2019 and 2018, respectively. Proceeds from sales of AFS securities totaled $4.3 billion for both the three months ended March 31, 2019 and 2018.

The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of March 31, 2019, was $68 for the three months ended March 31, 2019. The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of March 31, 2018, was $(14) for the three months ended March 31, 2018.

Recognition and Presentation of Other-Than-Temporary Impairments

The Company will record an other-than-temporary impairment ("OTTI") for fixed maturities if the Company intends to sell or it is more likely than not that the Company will be required to sell the security before a recovery in value. A corresponding charge is recorded in net realized capital losses equal to the difference between the fair value and amortized cost basis of the security.

The Company will also record an OTTI for those fixed maturities for which the Company does not expect to recover the entire amortized cost basis. For these securities, the excess of the amortized cost basis over its fair value is separated into the portion representing a credit OTTI, which is recorded in net realized capital losses, and the remaining non-credit amount, which is recorded in OCI. The credit OTTI amount is the excess of its amortized cost basis over the Company's best estimate of discounted expected future cash flows. The non-credit amount is the excess of the best estimate of the discounted expected future cash flows over the fair value. The Company's best estimate of discounted expected future cash flows becomes the new cost

basis and accretes prospectively into net investment income over the estimated remaining life of the security.

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 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, security-specific developments, industry earnings multiples and the issuer's ability to restructure 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 ("LTV") ratios, 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.

	Three Months Ended March 31,	
	2019	**2018**
Credit impairments	$ 2	$ —
Intent-to-sell impairments	—	—
Total impairments	**$ 2**	**$ —**

Cumulative Credit Impairments

	Three Months Ended March 31,	
(Before tax)	**2019**	**2018**
Balance as of beginning of period	$ (19)	$ (25)
Additions for credit impairments recognized on [1]:		
Securities not previously impaired	(2)	—
Reductions for credit impairments previously recognized on:		
Securities that matured or were sold during the period	3	4
Balance as of end of period	**$ (18)**	**$ (21)**

[1] These additions are included in the net OTTI losses recognized in earnings in the Condensed Consolidated Statements of Operations.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Available-for-Sale Securities

AFS Securities by Type

	March 31, 2019					December 31, 2018				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [1]	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Non-Credit OTTI [1]
ABS	$ 959	$ 10	$ (1)	$ 968	$ —	$ 1,272	$ 5	$ (1)	$ 1,276	$ —
CLOs	1,442	7	(11)	1,438	—	1,455	2	(20)	1,437	—
CMBS	3,534	67	(33)	3,568	(4)	3,581	35	(64)	3,552	(5)
Corporate	14,187	349	(133)	14,403	—	13,696	148	(446)	13,398	—
Foreign govt./govt. agencies	866	23	(7)	882	—	866	7	(26)	847	—
Municipal	9,780	573	(7)	10,346	—	9,972	421	(47)	10,346	—
RMBS	3,507	54	(13)	3,548	—	3,270	44	(35)	3,279	—
U.S. Treasuries	1,619	51	(4)	1,666	—	1,491	41	(15)	1,517	—
Total fixed maturities, AFS	**$ 35,894**	**$ 1,134**	**$ (209)**	**$ 36,819**	**$ (4)**	**$ 35,603**	**$ 703**	**$ (654)**	**$ 35,652**	**$ (5)**

[1] *Represents the amount of cumulative non-credit OTTI losses recognized in OCI on securities that also had credit impairments. These losses are included in gross unrealized losses as of March 31, 2019 and December 31, 2018.*

Fixed maturities, AFS, by Contractual Maturity Year

	March 31, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 964	$ 969	$ 999	$ 1,002
Over one year through five years	5,785	5,871	5,786	5,791
Over five years through ten years	7,259	7,391	6,611	6,495
Over ten years	12,444	13,066	12,629	12,820
Subtotal	26,452	27,297	26,025	26,108
Mortgage-backed and asset-backed securities	9,442	9,522	9,578	9,544
Total fixed maturities, AFS	**$ 35,894**	**$ 36,819**	**$ 35,603**	**$ 35,652**

Estimated maturities may differ from contractual maturities due to security 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 as of or December 31, 2018 other than U.S. government securities and certain U.S. government agencies.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Unrealized Losses on AFS Securities

Unrealized Loss Aging for AFS Securities by Type and Length of Time as of March 31, 2019

	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
ABS	$ 143	$ 143	$ —	$ 108	$ 107	$ (1)	$ 251	$ 250	$ (1)
CLOs	1,218	1,208	(10)	82	81	(1)	1,300	1,289	(11)
CMBS	83	82	(1)	1,391	1,359	(32)	1,474	1,441	(33)
Corporate	737	722	(15)	4,175	4,057	(118)	4,912	4,779	(133)
Foreign govt./govt. agencies	35	35	—	292	285	(7)	327	320	(7)
Municipal	8	8	—	285	278	(7)	293	286	(7)
RMBS	237	236	(1)	985	973	(12)	1,222	1,209	(13)
U.S. Treasuries	153	153	—	294	290	(4)	447	443	(4)
Total fixed maturities, AFS in an unrealized loss position	**$ 2,614**	**$ 2,587**	**$ (27)**	**$ 7,612**	**$ 7,430**	**$ (182)**	**$ 10,226**	**$ 10,017**	**$ (209)**

Unrealized Loss Aging for AFS Securities by Type and Length of Time as of December 31, 2018

	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
ABS	$ 566	$ 566	$ —	$ 113	$ 112	$ (1)	$ 679	$ 678	$ (1)
CLOs	1,358	1,338	(20)	7	7	—	1,365	1,345	(20)
CMBS	896	882	(14)	1,129	1,079	(50)	2,025	1,961	(64)
Corporate	7,174	6,903	(271)	2,541	2,366	(175)	9,715	9,269	(446)
Foreign govt./govt. agencies	407	391	(16)	203	193	(10)	610	584	(26)
Municipal	1,643	1,613	(30)	292	275	(17)	1,935	1,888	(47)
RMBS	1,344	1,329	(15)	648	628	(20)	1,992	1,957	(35)
U.S. Treasuries	497	492	(5)	339	329	(10)	836	821	(15)
Total fixed maturities, AFS in an unrealized loss position	**$ 13,885**	**$ 13,514**	**$ (371)**	**$ 5,272**	**$ 4,989**	**$ (283)**	**$ 19,157**	**$ 18,503**	**$ (654)**

As of March 31, 2019, AFS securities in an unrealized loss position consisted of 1,682 securities, primarily in the corporate and commercial real estate sectors, which were depressed primarily due to an increase in interest rates and/or widening of credit spreads since the securities were purchased. As of March 31, 2019, 98% of these securities were depressed less than 20% of cost or amortized cost. The decrease in unrealized losses during the three months ended March 31, 2019 was primarily attributable to tighter credit spreads and lower interest rates. Most of the securities depressed for twelve months or more relate to corporate securities and structured securities with exposure to commercial real estate. Corporate securities and commercial real estate securities were primarily depressed because current market spreads are wider and interest rates are higher than at the securities' respective purchase dates. The Company neither has an intention to sell nor does it expect to be required to sell the securities outlined in the preceding discussion.

Mortgage Loans

Mortgage Loan Valuation Allowances

Mortgage loans are considered to be impaired when management estimates that, based upon current information and events, it is probable that the Company will be unable to collect amounts due according to the contractual terms of the loan agreement. The Company reviews mortgage loans on a quarterly basis to identify potential credit losses. Among other factors, management reviews current and projected macroeconomic trends, such as unemployment rates and property-specific factors such as rental rates, occupancy levels, LTV ratios and debt service coverage ratios ("DSCR"). In addition, the Company considers historical, current and projected delinquency rates and property values. Estimates of collectibility 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.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For mortgage loans that are deemed impaired, a valuation allowance is established for the difference between the carrying amount and estimated fair value. The mortgage loan's estimated fair value is most frequently the Company's share of the fair value of the collateral but may also be the Company's share of either (a) the present value of the expected future cash flows discounted at the loan's effective interest rate or (b) the loan's observable market price. A valuation allowance may be recorded for an individual loan or for a group of loans that have an LTV ratio of 90% or greater, a low DSCR or have other lower credit quality characteristics. Changes in valuation allowances are recorded in net realized capital gains and losses. Interest income on impaired loans is accrued to the extent it is deemed collectible and the borrowers continue to make payments under the original or restructured loan terms. The Company stops accruing interest income on loans when it is probable that the Company will not receive interest and principal payments according to the contractual terms of the loan agreement. The Company resumes accruing interest income when it determines that sufficient collateral exists to satisfy the full amount of the loan principal and interest payments and when it is probable cash will be received in the foreseeable future. Interest income on defaulted loans is recognized when received.

As of March 31, 2019, mortgage loans had an amortized cost of $3.6 billion and carrying value of $3.6 billion, with a valuation allowance of $1. As of December 31, 2018, mortgage loans had an amortized cost of $3.7 billion and carrying value of $3.7 billion, with a valuation allowance of $1.

As of March 31, 2019 and December 31, 2018, the carrying value of mortgage loans that had a valuation allowance was $23. There were no mortgage loans held-for-sale as of March 31, 2019 or December 31, 2018. As of March 31, 2019, the Company had no mortgage loans that have had extensions or restructurings other than what is allowable under the original terms of the contract.

The following table presents the activity within the Company's valuation allowance for mortgage loans. These loans have been evaluated both individually and collectively for impairment. Loans evaluated collectively for impairment are immaterial.

Valuation Allowance Activity

	2019	2018
Balance, as of January 1	**$ (1)**	**$ (1)**
Reversals	—	—
Deductions	—	—
Balance, as of March 31	**$ (1)**	**$ (1)**

The weighted-average LTV ratio of the Company's mortgage loan portfolio was52% as of March 31, 2019, while the weighted-average LTV ratio at origination of these loans was 61%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan. The loan collateral values are updated no less than annually through reviews of the underlying properties. 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. As of March 31, 2019 and December 31, 2018, the Company held no delinquent commercial mortgage loans past due by 90 days or more.

Mortgage Loans Credit Quality

	March 31, 2019		**December 31, 2018**	
Loan-to-value	**Carrying Value**	**Avg. Debt-Service Coverage Ratio**	**Carrying Value**	**Avg. Debt-Service Coverage Ratio**
65% - 80%	390	1.58x	386	1.60x
Less than 65%	3,247	2.58x	3,318	2.59x
Total mortgage loans	**$ 3,637**	**2.48x**	**$ 3,704**	**2.49x**

Mortgage Loans by Region

	March 31, 2019		**December 31, 2018**	
	Carrying Value	**Percent of Total**	**Carrying Value**	**Percent of Total**
East North Central	$ 250	6.9 %	$ 250	6.8 %

Middle Atlantic	269	7.4	%	270	7.3	%
Mountain	30	0.8	%	30	0.8	%
New England	329	9.1	%	330	8.9	%
Pacific	902	24.8	%	917	24.8	%
South Atlantic	692	19.0	%	712	19.2	%
West North Central	121	3.3	%	148	4.0	%
West South Central	419	11.5	%	420	11.3	%
Other [1]	625	17.2	%	627	16.9	%
Total mortgage loans	**$3,637**	**100.0**	**%**	**$3,704**	**100.0**	**%**

[1] Primarily represents loans collateralized by multiple properties in various regions.

Mortgage Loans by Property Type

	March 31, 2019			December 31, 2018		
	Carrying Value	Percent of Total		Carrying Value	Percent of Total	
Commercial						
Industrial	$1,073	29.5	%	$1,108	29.9	%
Multifamily	1,137	31.3	%	1,138	30.7	%
Office	680	18.7	%	708	19.1	%
Retail	390	10.7	%	392	10.6	%
Single Family	81	2.2	%	82	2.2	%
Other	276	7.6	%	276	7.5	%
Total mortgage loans	**$3,637**	**100.0**	**%**	**$3,704**	**100.0**	**%**

Mortgage Servicing

The Company originates, sells and services commercial mortgage loans on behalf of third parties and recognizes servicing fees income over the period that services are performed. As of March 31, 2019, under this program, the Company serviced mortgage loans with a total outstanding principal of $5.9 billion, of which $3.5 billion was serviced on behalf of third parties and $2.4 billion was retained and reported in total investments on the Company's Condensed Consolidated Balance Sheets . As of

December 31, 2018, the Company serviced mortgage loans with a total outstanding principal balance of $6.0 billion, of which $3.6 billion was serviced on behalf of third parties and $2.4 billion was retained and reported in total investments on the Company's Condensed Consolidated Balance Sheets. Servicing rights are carried at the lower of cost or fair value and were zero as of March 31, 2019 and December 31, 2018, because servicing fees were market-level fees at origination and remain adequate to compensate the Company for servicing the 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 Condensed Consolidated Financial Statements.

Consolidated VIEs

As of March 31, 2019 and December 31, 2018, 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 ofMarch 31, 2019 and December 31, 2018 was limited to the total carrying value of $1 billion, at each date, which are included in limited partnerships and other alternative investments in the Company's Condensed Consolidated Balance Sheets. As of March 31, 2019 and December 31, 2018, the Company has outstanding commitments totaling $767 and $718, 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. For further discussion of these investments, see Equity Method Investments within Note 6 - Investments of Notes to Consolidated Financial Statements included in the Company’s2018 Form 10-K Annual Report.

In addition, the Company also 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 in the Available-for-Sale Securities table and fixed maturities, FVO, in the Company’s Condensed Consolidated Balance Sheets. 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 and Other Collateral Transactions

The Company enters into securities financing transactions as a way to earn additional income or manage liquidity, primarily through securities lending and repurchase agreements.

Payables for Collateral on Investments

	March 31, 2019	December 31, 2018

	Fair Value	Fair Value
Securities Lending Transactions:		
Gross amount of securities on loan	$ 675	$ 820
Gross amount of associated liability for collateral received [1]	$ 691	$ 840
Repurchase agreements:		
Gross amount of recognized liabilities for repurchase agreements	$ 300	$ 72
Gross amount of collateral pledged related to repurchase agreements [2]	$ 303	$ 73
Gross amount of recognized receivables for reverse repurchase agreements	$ 83	$ 64
Federal Home Loan Bank of Boston ("FHLBB") advance agreements:		
Gross amount of recognized liabilities for FHLBB agreements	$ 50	$ —
Gross amount of collateral pledged related to FHLBB agreements [2]	$ 60	$ —

[1] *Cash collateral received is reinvested in fixed maturities, AFS and short-term investments which are included in the Condensed Consolidated Balance Sheets. Amount includes additional securities collateral received of $1 and $3 which are excluded from the Company's Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018, respectively.*

[2] *Collateral pledged is included within fixed maturities, AFS and short-term investments in the Company's Condensed Consolidated Balance Sheets.*

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

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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 Condensed 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 Condensed Consolidated Balance Sheets. Income associated with securities lending transactions is reported as a component of net investment income in the Company’s Condensed Consolidated Statements of Operations.

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 counterparties 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.

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 when necessary 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 Condensed 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 Condensed 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 when necessary 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 Condensed Consolidated Balance Sheets.

Federal Home Loan Bank Advance Agreements

The Company’s subsidiaries are members of the FHLBB which provides access to collateralized advance agreements. These agreements may be short or long-term with fixed or variable rates and can be used to earn incremental investment income. Contractual maturities of the FHLBB agreements are generally of 90 days or less. The amount of advances that can be taken is limited to a percentage of the fair value of the assets pledged as collateral which ranges from a high of 97% for U.S. 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. Membership to the FHLBB requires a minimum purchase of FHLBB common stock and is included within equity securities, at fair value in the Company’s Condensed Consolidated Balance Sheets. As of March 31, 2019 and December 31, 2018, the Company held $9 and $10, respectively, of required investment in FHLBB common stock.

Other Collateral Transactions

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of March 31, 2019 and December 31, 2018, the fair value of securities on deposit was $2.3 billion and $2.2 billion, respectively.

As of March 31, 2019 and December 31, 2018, the Company pledged collateral of $35 and $47, 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 6 - Derivatives of Notes to Condensed Consolidated Financial Statements.

6. 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. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate risk 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.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 of Notes to Consolidated Financial Statements, included in The Hartford's2018 Form 10-K Annual Report. 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. The hedge strategies by hedge accounting designation include:

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 floating-rate fixed maturity securities to fixed rates. The Company has also entered into interest rate swaps to convert the variable interest payments on the 3 month Libor + 2.125% junior subordinated debt to fixed interest payments. For further information, see the Junior Subordinated Debentures section within Note 13 - Debt of Notes to the Consolidated Financial Statements, included in The Hartford's 2018 Form 10-K Annual Report.
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 should the referenced security issuers experience a credit event, as defined in the contract. The Company also 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 certain investment portfolios. 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 March 31, 2019 and December 31, 2018, the notional amount of interest rate swaps in offsetting relationships was $7.6 billion and $7.1 billion, respectively.

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 and, previously, 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 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Derivative Balance Sheet Presentation

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Hedge Designation/ Derivative Type	**Mar. 31, 2019**	**Dec. 31, 2018**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Mar. 31, 2019**	**Dec. 31, 2018**	**Mar. 31, 2019**	**Dec. 31, 2018**
Cash flow hedges								
Interest rate swaps	$ 2,040	$ 2,040	$ (2)	$ 1	$ 1	$ 2	$ (3)	$ (1)
Foreign currency swaps	175	153	(5)	(6)	1	2	(6)	(8)
Total cash flow hedges	**2,215**	**2,193**	**(7)**	**(5)**	**2**	**4**	**(9)**	**(9)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	8,336	8,451	(53)	(62)	9	8	(62)	(70)
Foreign exchange contracts								
Foreign currency swaps and forwards	384	287	—	(1)	1	—	(1)	(1)
Credit contracts								
Credit derivatives that purchase credit protection	5	6	—	—	—	—	—	—
Credit derivatives that assume credit risk [1]	810	1,102	19	3	19	8	—	(5)
Credit derivatives in offsetting positions	38	41	—	—	6	6	(6)	(6)
Equity contracts								
Equity index swaps and options	723	211	1	4	1	5	—	(1)
Total non-qualifying strategies	**10,296**	**10,098**	**(33)**	**(56)**	**36**	**27**	**(69)**	**(83)**
Total cash flow hedges and non-qualifying strategies	**$ 12,511**	**$ 12,291**	**$ (40)**	**$ (61)**	**$ 38**	**$ 31**	**$ (78)**	**$ (92)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 153	$ 153	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	1,951	9,864	24	7	27	23	(3)	(16)
Other liabilities	10,407	2,274	(64)	(68)	11	8	(75)	(76)
Total derivatives	**$ 12,511**	**$ 12,291**	**$ (40)**	**$ (61)**	**$ 38**	**$ 31**	**$ (78)**	**$ (92)**

[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 Condensed 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.

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 March 31, 2019						
Other investments	$ 38	$ 31	$ 24	$ (17)	$ 2	$ 5
Other liabilities	$ (78)	$ (9)	$ (64)	$ (5)	$ (60)	$ (9)
As of December 31, 2018						
Other investments	$ 31	$ 26	$ 7	$ (2)	$ 2	$ 3
Other liabilities	$ (92)	$ (20)	$ (68)	$ (4)	$ (65)	$ (7)

[1] Included in other investments in the Company's Condensed Consolidated Balance Sheets.
[2] Included in other liabilities in the Company's Condensed Consolidated Balance Sheets and is limited to the net derivative payable associated with each counterparty.
[3] Included in other investments in the Company's Condensed 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.

Derivatives in Cash Flow Hedging Relationships

	Gain (Loss) Recognized in OCI on Derivative	
	Three Months Ended March 31,	
	2019	2018
Interest rate swaps	$ 7	$ (14)
Foreign currency swaps	—	(7)
Total	**$ 7**	**$ (21)**

Gain (Loss) Reclassified from AOCI into Income			
Three Months Ended March 31,			
2019		2018	
Net Realized Capital Gain/(Loss)	Net Investment Income	Net Realized Capital Gain/(Loss)	Net Investment Income

Interest rate swaps	**$—**	$ —	$ 1	$ 8
Foreign currency swaps	**—**	**1**	**—**	**—**
Total	**$—**	**$ 1**	**$ 1**	**$ 8**
Total amounts presented on the Condensed Consolidated Statement of Operations	**$ 163**	**$ 470**	**$ (30)**	**$ 451**

As of March 31, 2019, the before tax deferred net gains on derivative instruments recorded in AOCI that are expected to be

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reclassified to earnings during the next twelve months are $7. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to net investment income over the term of the investment cash flows.

During the three months ended March 31, 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)

	Three Months Ended March 31,	
	2019	**2018**
Foreign exchange contracts		
Foreign currency swaps and forwards	$ 1	$ (3)
Other non-qualifying derivatives		
Interest rate contracts		
Interest rate swaps, swaptions, and futures	(8)	(2)
Credit contracts		
Credit derivatives that purchase credit protection	1	(1)
Credit derivatives that assume credit risk	21	(8)
Equity contracts		
Equity index swaps and options	—	1
Total other non-qualifying derivatives	14	(10)
Total [1]	**$ 15**	**$ (13)**

[1] *Excludes investments that contain an embedded credit derivative for which the Company has elected the fair value option. For further discussion, see the Fair Value Option section in Note 4 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.*

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Credit Risk Assumed Derivatives by Type

				Underlying Referenced Credit Obligation(s) [1]			
	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
As of March 31, 2019							
Single name credit default swaps							
Investment grade risk exposure	$ 165	$ 3	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	550	10	5 years	Corporate Credit	BBB+	—	—
Below investment grade risk exposure	95	6	5 years	Corporate Credit	B+	—	—
Investment grade risk exposure	1	—	Less than 1 year	CMBS Credit	A	1	—
Below investment grade risk exposure	18	(6)	Less than 1 year	CMBS Credit	CCC	18	6
Total [5]	**$ 829**	**$ 13**				**$ 19**	**$ 6**
As of December 31, 2018							
Single name credit default swaps							
Investment grade risk exposure	$ 169	$ 2	4 years	Corporate Credit/ Foreign Gov.	A	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	799	(1)	6 years	Corporate Credit	BBB+	—	—
Below investment grade risk exposure	125	2	5 years	Corporate Credit	B+	—	—
Investment grade risk exposure	11	—	5 years	CMBS Credit	A-	2	—
Below investment grade risk exposure	19	(6)	Less than 1 year	CMBS Credit	CCC	19	6
Total [5]	**$ 1,123**	**$ (3)**				**$ 21**	**$ 6**

[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. For further discussion, see the Fair Value Option section in Note 4 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.*

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 March 31, 2019 and December 31, 2018, the Company pledged cash collateral with a fair value of less than $1 and $4, respectively, associated with derivative instruments. The collateral receivable has been recorded in other assets or other liabilities on the Company's Condensed Consolidated Balance Sheets as determined by the Company's election to offset on the balance sheet. As of March 31, 2019 and December 31, 2018, the Company also pledged securities collateral associated with derivative instruments with a fair value of $63 and $67, respectively, which have been included in fixed maturities on the Condensed Consolidated Balance Sheets. The counterparties generally have the right to sell or re-pledge these securities.

In addition, as of March 31, 2019 and December 31, 2018, the Company has pledged initial margin of securities related to OTC-cleared and exchange traded derivatives with a fair value of $85 and $89, respectively, which are included within fixed maturities on the Company's Condensed Consolidated Balance Sheets.

As of March 31, 2019 and December 31, 2018, the Company accepted cash collateral associated with derivative instruments of $18 and $9, respectively, which was invested and recorded in the Company's Condensed 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 March 31, 2019 and December 31, 2018, with a fair value of $3 and $5, respectively, which the Company has the right to sell or repledge. As of March 31, 2019 and December 31, 2018 , the Company had no repledged securities. During the same periods, the Company did not sell any securities held as collateral. In

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

addition, as of March 31, 2019 and December 31, 2018, non-cash collateral accepted was held in separate custodial accounts and was not included in the Company's Consolidated Balance Sheets.

7. 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 three months ended March 31,	
	2019	**2018**
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$24,584**	**$23,775**
Reinsurance and other recoverables	4,232	3,957
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**20,352**	**19,818**
Provision for unpaid losses and loss adjustment expenses		
Current accident year	1,641	1,640
Prior accident year development	(11)	(32)
Total provision for unpaid losses and loss adjustment expenses	**1,630**	**1,608**
Less payments		
Current accident year	271	327
Prior accident years	1,309	1,322
Total payments	**1,580**	**1,649**
Ending liabilities for unpaid losses and loss adjustment expenses, net	**20,402**	**19,777**
Reinsurance and other recoverables	4,209	3,938
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$24,611**	**$23,715**

Unfavorable (Favorable) Prior Accident Year Development

	For the three months ended March 31,	
	2019	**2018**
Workers' compensation	$(20)	$(25)
Workers' compensation discount accretion	8	10
General liability	6	8
Package business	5	8
Commercial property	(2)	(13)
Professional liability	—	2
Bond	—	—
Automobile liability - Commercial Lines	—	(5)
Automobile liability - Personal Lines	(5)	—
Homeowners	1	(12)
Net asbestos reserves	—	—
Net environmental reserves	—	—
Catastrophes	(8)	(3)
Uncollectible reinsurance	—	—
Other reserve re-estimates, net	4	(2)

Total prior accident year development	**$(11)**	**$(32)**

Re-estimates of prior accident year reserves for the three months ended March 31, 2019

Workers' compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 and 2015 accident years.

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.

Package business reserves were increased, primarily due to increased severity on 2018 accident year property claims.

Automobile liability reserves were reduced, primarily driven by the emergence of lower estimated severity in personal automobile liability for accident year 2017.

Catastrophes reserves were reduced, primarily as a result of lower estimated net losses from 2017 hurricanes Harvey and Irma.

Re-estimates of prior accident year reserves for the three months ended March 31, 2018

Workers' compensation reserves were reduced in small commercial, primarily for accident years 2011 to 2015, as both claim frequency and medical claim severity have emerged favorably compared to previous reserve estimates.

General liability reserves were increased modestly, primarily due to an increase in reserves for specialty business within middle market for accident years 2009 to 2017, largely offset by a decrease in reserves for other lines within middle market, including premises and operations and products liability, principally for accident years 2015 and prior. Contributing to the

increase in reserves for specialty general liability reserves was an increase in large losses. Contributing to the reduction in reserves for other middle market lines was more favorable outcomes on litigated claims.

Package business reserves were increased primarily due to increased severity of 2017 accident year property claims.

Commercial property reserves were reduced, driven by an increase in estimated reinsurance recoverable on marine losses from the 2017 accident year.

Homeowners reserves were reduced, primarily in accident years 2013 to 2017, driven by lower than expected severity across multiple perils.

Group Life, Disability and Accident Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the three months ended March 31,	
	2019	**2018**
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$8,445**	**$8,512**
Reinsurance recoverables	239	209
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**8,206**	**8,303**
Provision for unpaid losses and loss adjustment expenses		
Current incurral year	1,150	1,185
Prior year's discount accretion	58	62
Prior incurral year development [1]	(120)	(127)
Total provision for unpaid losses and loss adjustment expenses [2]	**1,088**	**1,120**
Less: payments		
Current incurral year	314	318
Prior incurral years	855	840
Total payments	**1,169**	**1,158**
Ending liabilities for unpaid losses and loss adjustment expenses, net	**8,125**	**8,265**
Reinsurance recoverables	237	233
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$8,362**	**$8,498**

[1] *Prior incurral year development represents the change in estimated ultimate incurred losses and loss adjustment expenses for prior incurral years on a discounted basis.*

[2] *Includes unallocated loss adjustment expenses of $46, and $41 for the three months ended March 31, 2019 and 2018, respectively, that are recorded in insurance operating costs and other expenses in the Condensed Consolidated Statements of Operations.*

Re-estimates of prior incurral years reserves for the three months ended March 31, 2019

Group disability- Prior period reserve estimates decreased by approximately $105 largely driven by group long-term disability claim recoveries higher than prior reserve assumptions and claim incidence lower than prior assumptions. New York Paid Family Leave also experienced favorable claim emergence compared to prior estimates

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $10 largely driven by lower than previously expected claim incidence in group life premium waiver.

Re-estimates of prior incurral years reserves for the three months ended March 31, 2018

Group disability- Prior period reserve estimates decreased by approximately $85 largely driven by group long-term disability claim terminations (recoveries and claimant deaths) higher than prior reserve assumptions and claim incidence lower than prior assumptions.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $40 largely driven by lower-than- previously expected claim incidence on group life, group life premium waiver, and group accidental death & dismemberment claims.

8. RESERVE FOR FUTURE POLICY BENEFITS

Changes in Reserves for Future Policy Benefits[1]

Liability balance, as of January 1, 2019	**$642**
Incurred	27
Paid	(28)
Change in unrealized investment gains and losses	7
Liability balance, as of March 31, 2019	**$648**
Reinsurance recoverable asset, as of January 1, 2019	**$27**
Incurred	5
Paid	(2)
Reinsurance recoverable asset, as of March 31, 2018	**$30**
Liability balance, as of January 1, 2018	**$713**
Incurred	10
Paid	(8)
Change in unrealized investment gains and losses	(37)
Liability balance, as of March 31, 2018	**$678**
Reinsurance recoverable asset, as of January 1, 2018	**$26**
Incurred	8
Paid	—
Reinsurance recoverable asset, as of March 31, 2018	**$34**

[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.

9. DEBT

Senior Notes

On January 15, 2019, The Hartford repaid at maturity the $413 principal amount of its 6.0% senior notes.

10. INCOME TAXES

Income Tax Expense

Income Tax Rate Reconciliation

	Three Months Ended March 31,	
	2019	2018
Tax provision at U.S. federal statutory rate	$ 163	$ 109
Tax-exempt interest	(15)	(17)
Executive compensation	4	4
Stock-based compensation	(3)	(2)
Tax Reform	—	(3)
Other	(4)	—
Provision for income taxes	**$ 145**	**$ 91**

In addition to the effect of tax-exempt interest, the Company's effective tax rate for the three months ended March 31, 2019 reflects a federal income tax expense of $4 related to non-deductible executive compensation and a benefit of $3 related to a deduction for stock-based compensation that vested at a fair value per share greater than the fair value on the date of grant.

Uncertain Tax Positions

Rollforward of Unrecognized Tax Benefits

	Three Months Ended March 31,	
	2019	2018
Balance, beginning of period	**$ 14**	**$ 9**
Gross increases - tax positions in prior period	—	—
Gross decreases - tax positions in prior period	—	—
Balance, end of period	**$ 14**	**$ 9**

The entire amount of unrecognized tax benefits, if recognized, would affect the effective tax rate in the period of the release.

Other Tax Matters

As of March 31, 2019 the Company had alternative minimum tax (AMT) credit carryovers of $839 which are reflected as a current income tax receivable within other assets in the accompanying Condensed Consolidated Balance Sheets. AMT credits may be used to offset a regular tax liability for any taxable year beginning after December 31, 2017, and are refundable at an amount equal to 50 percent of the excess of the minimum tax credit for the taxable year over the amount of credit allowable for the year against regular tax liability. Any remaining credits not used against regular tax liability are refundable in the 2021 tax year to be realized in 2022. For the three months ended March 31, 2019, the Company offset $2 regular tax liability with AMT credits. Included within net deferred income taxes in the accompanying Condensed Consolidated Balance Sheet are $459 of future tax benefits associated with the Company's U.S. net operating loss ("NOL") carryovers. Although the Company projects there will be sufficient future taxable income to fully recover the remainder of the NOL carryover, the Company's estimate of the likely realization may change over time. NOL carryovers, if unused, would expire between 2026 and 2036.

The federal audits have been completed through 2013, and the Company is not currently under examination for any open years. Management believes that adequate provision has been made in the condensed 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 condensed consolidated financial statements. The Company recognized no interest expense for the three months ended March 31, 2019 and 2018. The Company had no interest payable as of March 31, 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.

11. 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 in the following discussion

under the caption "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. These actions include, among others, and in addition to the matters in the following discussion, putative state and federal class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, underpayment of claims or improper 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.

Asbestos and Environmental Claims –The Company continues to receive asbestos and environmental ("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 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. Fourth, subsidiaries of the Company participated in the London Market, writing both direct insurance and assumed reinsurance business.

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.

As of March 31, 2019, the Company reported $1.0 billion of net asbestos reserves and $196 of net environmental reserves. While the Company believes that its current 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.

Effective December 31, 2016, the Company entered into an A&E adverse development cover ("ADC") reinsurance agreement with NICO to reduce uncertainty about potential adverse development of A&E reserves. Under the 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. The $650 reinsurance premium was placed in a collateral trust account as security for NICO’s claim payment obligations to the Company. 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 are recognized as a dollar-for-dollar offset to direct losses incurred. Cumulative ceded losses exceeding the $650 reinsurance premium paid would result in a deferred gain. The deferred gain would be 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 A&E claims after December 31, 2016 in excess of $650 may result in significant charges against earnings. Furthermore, cumulative adverse development of A&E claims could ultimately exceed 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. As ofMarch 31, 2019, the Company has incurred $523 in cumulative adverse development on A&E reserves that have been ceded under the ADC treaty with NICO, leaving approximately $977 of coverage available for future adverse net reserve development, if any.

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 March 31, 2019 was $68. For this $68, the legal entities have posted collateral of $61 in the normal course of business. Based on derivative market values as of March 31, 2019, 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. Based on derivative market values as of March 31, 2019, a downgrade of two levels below the current financial strength ratings by either Moody's or S&P would require an additional $8 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 collateral that we post, if required, is primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

12. EQUITY

Capital Purchase Program ("CPP") Warrants

As of March 31, 2019 and December 31, 2018, respectively, the Company has 1.0 million and 1.9 million of CPP warrants outstanding and exercisable. The 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 expire in June 2019.

CPP warrant exercises were 0.9 million and 0.1 million for the three months ended March 31, 2019 and 2018, respectively.

The declaration of common stock dividends by the Company in excess of a threshold triggers 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 (the "Warrant Share Number"). Accordingly, the declaration of a common stock dividend during the three months ended March 31, 2019 resulted in an adjustment to the CPP warrant exercise price. The CPP warrant exercise price was $8.791 as of March 31, 2019 and

$8.836 as of December 31, 2018 and the Warrant Share Number was 1.1 as of March 31, 2019 and December 31, 2018. The exercise price will be 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 are exercised and notice is delivered to the warrant agent.

Equity Repurchase Program

In February, 2019, the Company announced a $1.0 billion share repurchase authorization by the Board of Directors which is effective through December 31, 2020. Based on projected holding company resources, the Company expects to use a portion of the authorization in 2019 but anticipates using the majority of the program in 2020. Any repurchase of shares under the equity repurchase program is dependent on market conditions and other factors. During the three months ended March 31, 2019, no common shares were repurchased.

13. CHANGES IN AND RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in AOCI, Net of Tax for the Three Months Ended March 31, 2019

	Changes in Net Unrealized Gain on Securities	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	**$24**	**$ (4)**	**$ (5)**	**$ 30**	**$ (1,624)**	**$(1,579)**
OCI before reclassifications	696	1	6	1	(1)	703
Amounts reclassified from AOCI	(17)	—	(1)	—	9	(9)
OCI, net of tax	679	1	5	1	8	694
Ending balance	**$703**	**$ (3)**	**$ —**	**$ 31**	**$ (1,616)**	**$(885)**

Reclassifications from AOCI

	Three Months Ended March 31, 2019	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Securities		
Available-for-sale securities	$ 21	Net realized capital gains (losses)
	21	**Total before tax**
	4	Income tax expense
	$ 17	**Net income**
Net Gains on Cash Flow Hedging Instruments		
Foreign currency swaps	1	Net investment income
	1	**Total before tax**
	—	Income tax expense
	$ 1	**Net income**
Pension and Other Postretirement Plan Adjustments		
Amortization of prior service credit	$ 1	Insurance operating costs and other expenses
Amortization of actuarial loss	(12)	Insurance operating costs and other expenses
	(11)	**Total before tax**
	(2)	Income tax expense
	$ (9)	**Net income**
Total amounts reclassified from AOCI	**$ 9**	**Net income**

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Changes in AOCI, Net of Tax for the Three Months Ended March 31, 2018

	Changes in Net Unrealized Loss on Securities	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	(882)	(2)	(31)	(6)	1	(920)
Amounts reclassified from AOCI	27	—	(13)	—	9	23
OCI, net of tax	(855)	(2)	(44)	(6)	10	(897)
Ending balance	**$1,349**	**$ (5)**	**$ (24)**	**$ 32**	**$ (1,591)**	**$(239)**

[1] Includes reclassification to retained earnings of $88 of stranded tax effects and $93 of net unrealized gains, after tax, related to equity securities. For further discussion of these reclassifications, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to the Consolidated Financial Statements included in The Hartford's 2018 Form 10-K Annual Report.

Reclassifications from AOCI

	Three Months Ended March 31, 2018	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Loss on Securities		
Available-for-sale securities	$ (38)	Net realized capital gains (losses)
	(38)	**Total before tax**
	(8)	Income tax expense
	3	Income from discontinued operations, net of tax
	$ (27)	**Net income**
Net Gains on Cash Flow Hedging Instruments		
Interest rate swaps	$ 1	Net realized capital gains (losses)
Interest rate swaps	8	Net investment income
	9	**Total before tax**
	2	Income tax expense
	6	Income from discontinued operations, net of tax
	$ 13	**Net income**
Pension and Other Postretirement Plan Adjustments		
Amortization of prior service credit	$ 1	Insurance operating costs and other expenses
Amortization of actuarial loss	(13)	Insurance operating costs and other expenses
	(12)	**Total before tax**
	(3)	Income tax expense
	$ (9)	**Net income**
Total amounts reclassified from AOCI	**$ (23)**	**Net income**

14. EMPLOYEE BENEFIT PLANS

The Company’s employee benefit plans are described in Note18 - Employee Benefit Plans of Notes to Consolidated Financial

Statements included in The Hartford’s2018 Annual Report on Form 10-K.

Net Periodic Cost (Benefit)

	Pension Benefits		Other Postretirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2019	2018	2019	2018
Service cost	$ 1	$ 1	$ —	$ —
Interest cost	39	35	2	2
Expected return on plan assets	(57)	(56)	(1)	(2)
Amortization of prior service credit	—	—	(1)	(1)
Amortization of actuarial loss	11	12	1	1
Net periodic cost (benefit)	**$ (6)**	**$ (8)**	**$ 1**	**$ —**

15. LEASES

The Hartford has operating leases for real estate and equipment. The right-of-use asset as of March 31, 2019 was $157 and is included in property and equipment, net, in the Condensed Consolidated Balance Sheet. The lease liability as of March 31, 2019 was $167 and is included in other liabilities in the Condensed Consolidated Balance Sheet. Variable lease costs include changes in interest rates on variable rate leases primarily for automobiles.

Components of Lease Expense

	Three Months Ended March 31, 2019
Operating lease cost	$ 11
Short-term lease cost	1
Variable lease cost	—
Sublease income	(1)
Total lease costs included in insurance operating costs and other expenses	**$ 11**

Supplemental Operating Lease Information

	Three Months Ended March 31, 2019
Operating cash flows for operating leases	$ 10
Weighted-average remaining lease term for operating leases	6
Weighted-average discount rate for operating leases	3.7 %

Future Minimum Lease Payments

	As of March 31, 2019
2019	$ 32

2020	40
2021	30
2022	25
2023	22
Thereafter	52
Total future minimum lease payments	**201**
Less: Discount on lease payments to present value	34
Total lease liability	**$ 167**

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. BUSINESS DISPOSITION 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. The Hartford received a 9.7% ownership interest in the limited partnership. 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.
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 Condensed Consolidated Balance Sheet. The Hartford recognizes its share of income in other revenues in the Condensed Consolidated Statement of Operations on a three month delay, when financial information from the investee becomes available. The Company recognized $28, before tax, of income for the three months ended March 31, 2019.
For further information on the sale, including ongoing transactions with the life and annuity business sold, see Note 20 - Business Dispositions and Discontinued Operations of Notes to Consolidated Financial Statements, included in The Hartford's 2018 Form 10-K Annual Report.

Reconciliation of the Major Line Items Constituting Pretax Profit (Loss) of Discontinued Operations

	Three Months Ended March 31, 2018
Revenues	
Earned premiums	$ 27
Fee income and other	232
Net investment income	312
Net realized capital gains	21
Total revenues	**592**
Benefits, losses and expenses	
Benefits, losses and loss adjustment expenses	328
Amortization of DAC	41
Insurance operating costs and other expenses [1]	101
Total benefits, losses and expenses	**470**
Income before income taxes	**122**
Income tax expense	15
Income from operations of discontinued operations, net of tax	**107**
Net realized capital gain on disposal, net of tax	62
Income from discontinued operations, net of tax	**$ 169**

[1]Corporate allocated overhead has been included in continuing operations.

Cash Flows from Discontinued Operations

	Three Months Ended March 31,

	2018
Net cash provided by operating activities from discontinued operations	$ 267
Net cash used in investing activities from discontinued operations	$ (187)
Net cash used in financing activities from discontinued operations	$ (340)
Cash paid for interest	$ 2

Cash flows from discontinued operations are included in the Condensed Consolidated Statement of Cash Flows.

Item 2. 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 3 and 4 of this Form 10-Q. 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; Part II, Item 1A, Risk Factors of this Quarterly Report on Form 10-Q; Part I, Item 1A, Risk Factors in The Hartford’s2018 Form 10-K Annual Report; and 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 August 22, 2018, the Company announced it entered into a definitive agreement to acquire all outstanding common shares of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.2 billion in cash, including transaction expenses. The transaction is expected to close in the second quarter of 2019, subject to customary closing conditions, including receipt of regulatory approvals. The Company signed an agreement with National Indemnity Company ("NICO"), a subsidiary of Berkshire Hathaway Inc., which, subject to regulatory approval and upon closing of the acquisition, will have Navigators Group subsidiaries enter into an aggregate excess of loss reinsurance agreement with NICO to cover unfavorable reserve development to Navigators Group reserves subject to the agreement, with limited exclusions. The reinsurance agreement will cover accident year 2018 and prior year reserves. The reinsurance agreement, provides up to $300 of coverage for potential unfavorable net loss reserve development in excess of $1.916 billion which is $100 above Navigators Group recorded reserves subject to the agreement of $1.816 billion as of December 31, 2018. The reinsurance premium for this agreement is approximately $91, before tax, or $72, after tax, which will be recorded as a charge to net income in the period the transaction closes.

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, and its life and annuity operating subsidiaries. For discussion of this transaction, see Note 15 - Business Disposition and Discontinued Operations of Notes to Condensed Consolidated Financial Statements.

On February 16, 2018, The Hartford entered into a renewal rights agreement with the Farmers Exchanges, of the Farmers

Insurance Group of Companies, to acquire its Foremost-branded small commercial business sold through independent agents. Written premium from this agreement began in the third quarter of 2018.

Certain reclassifications have been made to historical financial information presented in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") to conform to the current period presentation.

Distribution costs within the Hartford Funds segment that were previously netted against fee income are presented gross in insurance operating costs and other expenses.

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

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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 exchange-traded products ("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 accumulated other comprehensive income ("AOCI")- is calculated based upon a non-GAAP financial measure. It is calculated by dividing (a) common stockholders' equity, excluding AOCI, after tax, by (b) common shares outstanding and dilutive potential common shares. Book value per diluted share is the most directly comparable U.S. GAAP ("GAAP") measure. 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 it is useful to investors because it eliminates the effect of items in AOCI that can fluctuate significantly from period to period, primarily based on changes in interest rates.

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. 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 Service office of Verisk. The current accident year catastrophe ratio includes the effect of catastrophe losses, but does not include the effect of reinstatement premiums.

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- a non-GAAP measure, is an important measure of the Company’s operating performance. The Company believes that core earnings provides investors with a valuable measure of the underlying performance of the Company’s businesses because it reveals trends in our insurance and financial services businesses that may be obscured by including the net effect of certain realized capital gains and losses, certain loss on extinguishment of debt, integration and transaction costs in connection with an acquired business, gains and losses on reinsurance transactions, income tax benefit from a reduction in deferred income tax valuation allowance, and results of discontinued operations 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 variable from period to period based on capital market conditions. The Company 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. Core earnings are net of preferred stock dividends declared since they 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), net income (loss) available to common stockholders and income (loss) from continuing operations, net of tax, 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), net income (loss) available to common stockholders or income (loss) from continuing operations, net of tax, available to common stockholders and does not reflect the overall profitability of the Company’s business. Therefore, the Company believes that it is useful for investors to evaluate net income (loss), net income (loss) available to common stockholders, income (loss) from continuing operations, net of tax, available to common stockholders and core earnings when reviewing the Company’s performance.

Reconciliation of Net Income to Core Earnings

	Three Months Ended March 31, 2019	2018
Net income	**$630**	**$597**
Preferred stock dividends	**5**	**—**
Net income available to common stockholders	**625**	**597**
Less: Net realized capital gains (losses) excluded from core earnings, before tax	160	(30)
Less: Integration and transaction costs associated with acquired business, before tax	(10)	(12)
Less: Income tax benefit (expense)	(32)	9
Less: Income from discontinued operations, after tax	—	169
Core earnings	**$507**	**$461**

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Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Core Earnings Margin- a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, the Group Benefits segment's operating performance. Core earnings margin is calculated by dividing (a) core earnings by (b) revenues excluding buyouts and realized gains (losses). Net income margin 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) on revenues or obscured by the effect on net income of realized capital gains (losses), integration costs, and the impact of Tax Reform on net deferred tax assets. 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 net income margin and core earnings 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.

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.

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 return on equity 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 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.

New Business Written Premium- represents the amount of premiums charged for policies issued to customers who were not insured with the Company in the previous policy term. New business written premium plus renewal policy 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 within Commercial Lines and is affected by both new business growth and policy count retention.

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 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- a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of the Hartford Funds segment's

operating performance. ROA, core earnings is calculated by dividing 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 realized gains (losses). 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- a non-GAAP financial measure, represents the combined ratio before catastrophes and prior accident year development. Combined ratio is the most directly comparable U.S. GAAP measure. The Company believes the underlying combined 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. 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 Company's management evaluates profitability of the P&C businesses primarily on the basis of underwriting gain (loss). Underwriting gain (loss) is a before tax measure that represents earned premiums less incurred losses, loss adjustment expenses, amortization of DAC, underwriting expenses, amortization of other intangible assets and dividends to policyholders. Underwriting gain (loss) is influenced significantly by earned premium growth and the adequacy of the Company's pricing. Underwriting profitability over time is also greatly influenced by the Company's pricing and underwriting discipline, which seeks to manage exposure to loss through favorable risk selection and diversification, its management of claims, its use of reinsurance 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. Net income (loss) is the most directly comparable GAAP measure. The Company believes that underwriting gain (loss) provides investors with a valuable measure of before tax profitability derived from underwriting activities, which are managed separately from the Company's investing activities. A reconciliation of net income (loss) to underwriting gain (loss) is set forth in the Results of Operations section within MD&A - Commercial Lines, Personal Lines and Property & Casualty Other Operations.

Written and Earned Premiums- Written premium is a statutory accounting financial measure which represents the amount of premiums charged for policies issued, net of reinsurance, during a fiscal period. Earned premium is a U.S. GAAP and statutory measure. Premiums are considered earned and are included in the financial results 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

Overview

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, capital raising activities (including debt financing and related interest expense), 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 new 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.

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.

Similar to Property & 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. 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 two main factors, 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 after 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.

For further information on the Company's reporting segments refer to Part I, Item 1, Business - Reporting Segments in The Hartford's2018 Form 10-K Annual Report.

Financial Highlights

Net Income Available to Common Stockholders **Net Income Available to Common Stockholders per Diluted Share** **Book Value per Diluted Share**

Net income available to common stockholders increased from first quarter 2018 primarily due to higher earnings from continuing operations, partially offset by a decrease in income from discontinued operations. The higher income from continuing operations was primarily driven by a change to net realized capital gains from net capitalized losses in 2018, and a lower disability loss ratio and lower expenses in Group Benefits. Also contributing were higher net investment income and lower interest expense as well as earnings from the Company's retained equity interest in the former life and annuity operations, partially offset by a decrease in Property & Casualty current accident year underwriting results and lower net favorable prior accident year development.

Book value per diluted share increased from December 31, 2018 as a result of a 10% increase in common stockholders' equity resulting primarily from an increase in AOCI over the three month period, as well as net income in excess of stockholder dividends.

Net Investment Income **Annualized Investment Yield, After tax**

Net investment income increased 4% compared with first quarter 2018 primarily due to greater invested asset levels, average reinvestment rates higher than the sales/maturity yield, and higher short-term interest rates, partially offset by lower income from limited partnerships and other alternative investments.

Net realized capital gains improved from a net loss in first quarter 2018, with gains in 2019 primarily driven by appreciation in value of equity securities due to higher equity market levels and net gains on sales in 2019 of fixed maturity securities driven by duration and credit management.

Annualized investment yield, after tax, decreased from first quarter 2018 primarily due to lower returns on limited partnerships and other alternative investments and a higher level of liquidity, partially offset by the impact of average reinvestment rates higher than the sales/maturity yield during the past year and higher short-term interest rates.

Net unrealized gains, after tax, for fixed maturities in the investment portfolio increased by $679 in first quarter 2019 primarily due to the effect of tighter credit spreads and lower interest rates.

P&C Written Premiums P&C Combined Ratio

Written premiums for Property & Casualty increased 2% compared with first quarter 2018 reflecting an increase in Commercial Lines, partially offset by a decrease in Personal Lines.

Combined ratio for Property & Casualty increased 2.2 points compared with first quarter 2018, largely due to a higher workers' compensation loss ratio, higher property loss ratio driven by elevated non-catastrophe related property losses, a higher expense ratio, and lower net favorable prior accident year development ratio, partially offset by a lower personal auto liability loss ratio.

Catastrophe losses of $104, before tax, were relatively flat compared with catastrophe losses of $103, before tax, in first quarter 2018, with both periods driven by losses from winter storms.

Prior accident year development was a net favorable $11, before tax, in first quarter 2019, primarily due to a decrease in reserves for workers' compensation, catastrophes, and auto liability, partially offset by an increase in reserves for general liability and package business. Reserve development was a net favorable $32, before tax, in first quarter 2018, primarily due to a decrease in workers' compensation, commercial property and homeowners reserves.

Net Income Margin - Group Benefits

Net income margin for Group Benefits increased compared with first quarter 2018 primarily due to a change from net realized capital losses to net realized capital gains, a lower group disability loss ratio, lower insurance operating costs and lower amortization of other intangible assets, partially offset by a slightly higher group life loss ratio. Contributing to the net income margin in both the 2019 and 2018 periods was favorable prior incurral year development.

CONSOLIDATED RESULTS OF OPERATIONS

The Consolidated Results of Operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and the related Notes beginning on page 6 as well as with the segment operating results sections of MD&A.

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Earned premiums	$ 3,940	$ 3,927	— %
Fee income	314	323	(3 %)
Net investment income	470	451	4 %
Net realized capital gains (losses)	163	(30)	NM
Other revenues	53	20	165 %
Total revenues	**4,940**	**4,691**	**5 %**
Benefits, losses and loss adjustment expenses	2,685	2,695	— %
Amortization of deferred policy acquisition costs	355	342	4 %
Insurance operating costs and other expenses	1,048	1,037	1 %
Interest expense	64	80	(20 %)
Amortization of other intangible assets	13	18	(28 %)
Total benefits, losses and expenses	**4,165**	**4,172**	**— %**
Income from continuing operations, before tax	**775**	**519**	**49 %**
Income tax expense	145	91	59 %
Income from continuing operations, net of tax	**630**	**428**	**47 %**
Income from discontinued operations, net of tax	—	169	(100 %)
Net income	**630**	**597**	**6 %**
Preferred stock dividends	5	—	**NM**
Net income available to common stockholders	**$ 625**	**$ 597**	**5 %**

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income available to common stockholders increased by $28 with an increase in income from continuing operations largely offset by a decrease in income from discontinued operations due to the sale in May 2018 of the life and annuity business. Income from continuing operations, net of tax, increased by $202, primarily due to a change to net realized capital gains from net realized capital losses in 2018, a lower disability loss ratio and lower expenses in Group Benefits and, to a lesser extent, higher net investment income and lower interest expense as well as earnings from the Company's retained equity interest in the former life and annuity operations, partially offset by a decrease in Property & Casualty current accident year underwriting results and lower net favorable prior accident year development.

Earned premiums increased by $13 before tax, reflecting a 4% increase in Commercial Lines and a 1% increase in Group Benefits , partially offset by a 7% decline in Personal Lines. For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries.

Fee income decreased by 3% reflecting lower fee income in Hartford Funds largely due to lower average daily assets under management, partially offset by higher fee income in Corporate resulting from fees earned on the management of the investment portfolio of the life and annuity business sold in May 2018.

Net investment income increased by 4%, primarily due to greater invested asset levels, average reinvestment rates higher than the sales/maturity yield during the past year and higher short-term interest rates, partially offset by lower income from limited partnerships and other alternative investments. For further discussion of investment results, see MD&A - Investment Results, Net Investment Income.

Net realized capital gains of $163 in first quarter 2019 improved from net losses in first quarter 2018, with gains in 2019 primarily driven by appreciation in value of equity securities due to higher equity market levels and net gains on sales in 2019 of fixed maturity securities driven by duration and credit management trades. For further discussion of investment results, see MD&A - Investment Results, Net Realized Capital Gains.

Other revenues increased in the 2019 period primarily due to $28 of before tax income recognized on the 9.7% ownership interest in the legal entity that acquired the life and annuity business sold in May 2018.

Benefits, losses and loss adjustment expenses decreased in Group Benefits, partially offset by an increase in Property & Casualty. The decrease in Group Benefits was largely due to a lower group disability loss ratio including favorable prior incurral year development and lower group life premium. The increase in incurred losses for Property & Casualty was driven by lower net favorable prior accident year reserve development.

Current accident year losses and loss adjustment expenses before catastrophes in Property & Casualty were flat, primarily resulting from a lower personal auto liability loss ratio and the effect of lower earned premium in Personal Lines, offset by a higher workers' compensation loss ratio and the effect of higher earned premium in Commercial Lines.

Current accident year catastrophe losses of $104, before tax, for the three months ended March 31, 2019, compared to $103, before tax, for the prior year period. Catastrophe losses in 2019 were primarily from winter storms across the country and, to a lessor extent, tornado and hail events in the South. Catastrophe losses in 2018 were primarily from East Coast winter storms. For additional information, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.

Net prior accident year reserve development in Property & Casualty was favorable $11, before tax, for the three months ended March 31, 2019, compared to favorable net reserve development of $32, before tax, for the prior year period. Prior accident year development in 2019 primarily included reserve decreases for workers' compensation, catastrophes, and auto liability, partially offset by reserve increases in general liability and package business. Prior accident year development in 2018 included a decrease in reserves for workers' compensation and homeowners claims. For additional information, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.

Amortization of deferred policy acquisition costs was up from the prior year period as an increase in Commercial Lines was partially offset by a decrease in Personal Lines.

Insurance operating costs and other expenses increased due to higher information technology and operations costs in both Commercial Lines and Personal Lines, an increase in direct marketing expenses in Personal Lines to generate new business growth and higher commissions in Commercial Lines, partially offset by a reduction in state taxes and assessments. The increase in Property & Casualty was partially offset by a decrease in Group Benefits, largely driven by a reduction in state taxes and assessments and a decrease in Hartford Funds due to lower variable costs.

Amortization of other intangible assets decreased due to lower amortization of intangible assets arising from the acquisition of Aetna's U.S. group life and disability business, partially offset by an increase in the amortization of intangibles arising from the renewal rights agreement for Foremost-branded small commercial business.

Income tax expense increased primarily due to an increase in before tax income. Differences between the Company's effective income tax rate and the U.S. statutory rate of 21% are due primarily to tax-exempt interest earned on invested assets, stock-based compensation and non-deductible executive compensation. For further discussion of income taxes, see Note 10 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INVESTMENT RESULTS

Composition of Invested Assets

	March 31, 2019		December 31, 2018	
	Amount	**Percent**	**Amount**	**Percent**
Fixed maturities, available-for-sale ("AFS"), at fair value	$ 36,819	76.9 %	$ 35,652	76.2 %
Fixed maturities, at fair value using the fair value option ("FVO")	20	— %	22	— %
Equity securities, at fair value	1,275	2.6 %	1,214	2.6 %
Mortgage loans	3,637	7.6 %	3,704	7.9 %
Limited partnerships and other alternative investments	1,719	3.6 %	1,723	3.7 %
Other investments [1]	222	0.5 %	192	0.4 %
Short-term investments	4,203	8.8 %	4,283	9.2 %
Total investments	**$ 47,895**	**100.0 %**	**$ 46,790**	**100.0 %**

[1] Includes derivative instruments.

March 31, 2019 compared to December 31, 2018

Total investments increased primarily due to an increase in fixed maturities, AFS.

Fixed maturities, AFS increased primarily due to an increase in valuations due to tightening of credit spreads and lower interest rates since year end 2018.

Net Investment Income

	Three Months Ended March 31,			
	2019		2018	
(Before tax)	**Amount**	**Yield [1]**	**Amount**	**Yield [1]**
Fixed maturities [2]	$ 381	3.9 %	$ 349	3.9 %
Equity securities	7	2.3 %	6	2.3 %
Mortgage loans	40	4.4 %	33	4.1 %
Limited partnerships and other alternative investments	56	13.4 %	73	18.6 %
Other [3]	9		8	
Investment expense	(23)		(18)	
Total net investment income	**$ 470**	**4.1 %**	**$ 451**	**4.2 %**
Total net investment income excluding limited partnerships and other alternative investments	**$ 414**	**3.7 %**	**$ 378**	**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] Includes income from derivatives that qualify for hedge accounting and hedge fixed maturities.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Total net investment income increased primarily due to higher invested asset levels, average reinvestment rates higher than the sales/maturity yield during the past year, and higher short-term interest rates, partially offset by lower income from limited partnerships and other alternative investments.

Annualized net investment income yield, excluding limited partnerships and other alternative investments and non-routine items, which primarily include prepayment penalties on mortgage loans and prepayment speed adjustments

on fixed maturities, was 3.7% for the three month period in 2019, up from 3.6% for the same period for 2018.

Average reinvestment rate for the 2019 three month period, excluding certain U.S. Treasury securities and cash equivalent securities, was approximately 4.1% which was in line with the average yield of sales and maturities of 4.1% for the same period. For the 2019 three month period, the average reinvestment rate of 4.1% increased from 3.8% for the 2018 three month period, due to wider credit spreads and the impact of higher short-term interest rates on variable rate securities.

We expect the annualized net investment income yield for the 2019 calendar year, excluding limited partnerships and other alternative investments, to approximate the portfolio yield earned in 2018. The estimated impact on net investment income yield is subject to change as the composition of the portfolio changes through portfolio management and changes in market conditions.

Net Realized Capital Gains (Losses)

(Before tax)	**Three Months Ended March 31, 2019**	**2018**
Gross gains on sales	$ 44	$ 19
Gross losses on sales	(21)	(57)
Equity securities [1]	132	16
Net other-than-temporary impairment ("OTTI") losses recognized in earnings [2]	(2)	—
Transactional foreign currency revaluation	—	1
Non-qualifying foreign currency derivatives	1	(3)
Other, net [3]	9	(6)
Net realized capital gains (losses)	**$ 163**	**$ (30)**

[1] Includes all changes in fair value and trading gains and losses for equity securities.
[2] See Other-Than-Temporary Impairments within the Investment Portfolio Risks and Risk Management section of the MD&A.
[3] Primarily consists of changes in value of non-qualifying derivatives, including credit derivatives and interest rate derivatives used to manage duration.

Three months ended March 31, 2019

Gross gains and losses on sales were primarily the result of duration, liquidity and credit management within U.S. treasury securities, corporate securities, and tax-exempt municipal bonds.

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

Other, net gains were primarily due to gains on credit derivatives of $18 driven by credit spread tightening, partially offset by losses on interest rate derivatives of $7 due to a decline in interest rates.

Three months ended March 31, 2018

Gross gains and losses on sales were primarily the result of duration, liquidity and credit management within corporate securities, U.S. treasury securities, and tax-exempt municipal bonds.

Equity securities gains were primarily driven by the sale of a private direct equity investment, partially offset by a decline in fair value of common stock investments.

Other, net losses were primarily due to losses of $6 related to credit derivatives driven by credit spread widening.

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 other-than-temporary impairments on available-for-sale securities and valuation allowances on mortgage loans;
- valuation allowance on deferred tax assets; 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 Condensed 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.

The Company’s critical accounting estimates are discussed in Part II, Item 7 MD&A in the Company’s 2018 Form 10-K Annual Report. In addition, Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Consolidated Financial Statements included in the Company's 2018 Form 10-K Annual Report should be read in conjunction with this section to assist with obtaining an understanding of the underlying accounting policies related to these estimates. The following discussion updates certain of the Company’s critical accounting estimates as of March 31, 2019.

Property & Casualty Insurance Product Reserves, Net of Reinsurance

P&C Loss and Loss Adjustment Expense ("LAE") Reserves of $20,402, Net of Reinsurance, by Segment as of March 31, 2019

Based on the results of the quarterly reserve review process, the Company determines the appropriate reserve adjustments, if any, to record. Recorded reserve estimates are adjusted after consideration of numerous factors, including but not limited to, the magnitude of the difference between the actuarial indication and the recorded reserves, improvement or deterioration of actuarial indications in the period, the maturity of the accident year, trends observed over the recent past and the level of volatility within a particular line of business. 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 and is set forth in the paragraphs and tables that follow.

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Three Months Ended March 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**
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	1,037	500	—	1,537
Current accident year ("CAY") catastrophes	70	34	—	104
Prior accident year development ("PYD")	(10)	(1)	—	(11)
Total provision for unpaid losses and loss adjustment expenses	**1,097**	**533**	**—**	**1,630**
Less: payments	895	640	45	1,580
Ending liabilities for unpaid losses and loss adjustment expenses, net	**16,520**	**2,241**	**1,641**	**20,402**
Reinsurance and other recoverables	3,111	111	987	4,209
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,631**	**$ 2,352**	**$ 2,628**	**$ 24,611**
Earned premiums and fee income	$ 1,786	$ 808		
Loss and loss expense paid ratio [1]	50.1	79.2		
Loss and loss expense incurred ratio	61.7	66.7		
Prior accident year development (pts) [2]	(0.6)	(0.1)		

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

Current Accident Year Catastrophe Losses for the Three Months Ended March 31, 2019, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 10	$ 10	$ 20
Winter storms	60	24	84
Total catastrophe losses	**$ 70**	**$ 34**	**$ 104**

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended March 31, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers’ compensation	$ (20)	$ —	$ —	$ (20)
Workers’ compensation discount accretion	8	—	—	8
General liability	6	—	—	6
Package business	5	—	—	5
Commercial property	(2)	—	—	(2)
Professional liability	—	—	—	—
Bond	—	—	—	—
Automobile liability	—	(5)	—	(5)
Homeowners	—	1	—	1
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(12)	4	—	(8)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	5	(1)	—	4
Total prior accident year development	**$ (10)**	**$ (1)**	**$ —**	**$ (11)**

Workers’ compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 and 2015 accident years.

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.

Package business reserves were increased, primarily due to increased severity on 2018 accident year property claims.

Automobile liability reserves were reduced, primarily driven by the emergence of lower estimated severity in personal automobile liability for accident year 2017.

Catastrophes reserves were reduced, primarily as a result of lower estimated net losses from 2017 hurricanes Harvey and Irma.

Rollforward of Property and Casualty Insurance Product Liabilities for Unpaid Losses and LAE for the Three Months Ended March 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	971	566	—	1,537
Current accident year catastrophes	69	34	—	103
Prior accident year development	(19)	(13)	—	(32)
Total provision for unpaid losses and loss adjustment expenses	**1,021**	**587**	**—**	**1,608**
Less: payments	893	688	68	1,649
Ending liabilities for unpaid losses and loss adjustment expenses, net	**15,874**	**2,122**	**1,781**	**19,777**
Reinsurance and other recoverables	3,146	62	730	3,938
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,020**	**$ 2,184**	**$ 2,511**	**$ 23,715**
Earned premiums and fee income	$ 1,720	$ 869		
Loss and loss expense paid ratio [1]	51.9	79.2		
Loss and loss expense incurred ratio	59.7	68.3		
Prior accident year development (pts) [2]	(1.1)	(1.5)		

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

Current Accident Year Catastrophe Losses for the Three Months Ended March 31, 2018, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 7	$ 12	$ 19
Winter storms	62	22	84
Total catastrophe losses	**$ 69**	**$ 34**	**$ 103**

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended March 31, 2018

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (25)	$ —	$ —	$ (25)
Workers' compensation discount accretion	10	—	—	10
General liability	8	—	—	8
Package business	8	—	—	8
Commercial property	(13)	—	—	(13)
Professional liability	2	—	—	2
Bond	—	—	—	—
Automobile liability	(5)	—	—	(5)
Homeowners	—	(12)	—	(12)
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(8)	5	—	(3)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	4	(6)	—	(2)
Total prior accident year development	**$ (19)**	**$ (13)**	**$ —**	**$ (32)**

Workers' compensation reserves were reduced in small commercial, primarily for accident years 2011 to 2015, as both claim frequency and medical claim severity have emerged favorably compared to previous reserve estimates.

General liability reserves were increased modestly, primarily due to an increase in reserves for specialty business within middle market for accident years 2009 to 2017, largely offset by a decrease in reserves for other lines within middle market, including premises and operations and products liability, principally for accident years 2015 and prior. Contributing to the increase in reserves for specialty general liability reserves was an increase in large losses. Contributing to the reduction in reserves for other middle market lines was more favorable outcomes on litigated claims.

Package business reserves were increased primarily due to increased severity of 2017 accident year property claims.

Commercial property reserves were reduced, driven by an increase in estimated reinsurance recoverable on marine losses from the 2017 accident year.

Homeowners reserves were reduced, primarily in accident years 2013 to 2017, driven by lower than expected severity across multiple perils.

P&C Other Operations Total Reserves, Net of Reinsurance

Asbestos and Environmental Reserves

Reserves for asbestos and environmental ("A&E") are primarily within P&C Other Operations with less significant amounts of A&E reserves included within Commercial Lines and Personal Lines. The following tables include all A&E reserves, including reserves in P&C Other Operations and Commercial Lines and Personal Lines.

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Asbestos and Environmental Net Reserves

	Asbestos	Environmental
March 31, 2019		
Property and Casualty Other Operations	$ 959	$ 145
Commercial Lines and Personal Lines	65	51
Ending liability — net	$ 1,024	$ 196
December 31, 2018		
Property and Casualty Other Operations	$ 984	$ 151
Commercial Lines and Personal Lines	67	52
Ending liability — net	$ 1,051	$ 203

Property & Casualty Reserves Asbestos and Environmental Summary as of March 31, 2019

	Asbestos	Environmental	Total A&E
Gross			
Direct	$ 1,415	$ 355	$ 1,770
Assumed Reinsurance	437	52	489
Total	**1,852**	**407**	**2,259**
Ceded - other than NICO	(478)	(38)	(516)
Ceded - NICO adverse development cover ("ADC ")	(350)	(173)	(523)
Net	**$ 1,024**	**$ 196**	**$ 1,220**

Rollforward of Asbestos and Environmental Losses and LAE for the Three Months Ended March 31, 2019 and March 31, 2018

	Asbestos	Environmental
2019		
Beginning liability—net	$ 1,051	$ 203
Losses and loss adjustment expenses incurred	—	—
Losses and loss adjustment expenses paid	(27)	(7)
Reclassification of allowance for uncollectible reinsurance	—	—
Ending liability – net	**$ 1,024**	**$ 196**
2018		
Beginning liability—net	$ 1,215	$ 237
Losses and loss adjustment expenses incurred	—	—
Losses and loss adjustment expenses paid	(31)	(6)
Reclassification of allowance for uncollectible reinsurance	—	—
Ending liability – net	**$ 1,184**	**$ 231**

The Company classifies its A&E reserves into two categories: Direct and Assumed Reinsurance.

- **Direct Insurance-** includes primary and excess coverage. Of the two categories of claims, direct policies tend to have the greatest factual development from which to estimate the Company’s exposures.
- **Assumed Reinsurance-** includes both “treaty” reinsurance (covering broad categories of claims or blocks of business) and “facultative” reinsurance (covering specific risks or individual policies of primary or excess insurance

companies). Assumed reinsurance exposures are less predictable than direct insurance exposures because the Company does not generally receive notice of a reinsurance claim until the underlying direct insurance claim is mature. This causes a delay in the receipt of information at the reinsurer level and adds to the uncertainty of estimating related reserves.

Adverse Development Cover

Effective December 31, 2016, the Company entered into an A&E ADC reinsurance agreement with NICO, a subsidiary of Berkshire Hathaway Inc., to reduce uncertainty about potential adverse development. Under the 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. 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 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 are recognized as a dollar-for-dollar offset to net losses incurred before ceding to the ADC. Cumulative ceded losses exceeding the $650 reinsurance premium paid would result in a deferred gain. The deferred gain would be 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 A&E claims after December 31, 2016 in excess of $650 may result in significant charges against earnings.

As of March 31, 2019, the Company has incurred a cumulative $523 in adverse development on A&E reserves that have been ceded under the ADC treaty with NICO, leaving approximately $977 of coverage available for future adverse net reserve development, if any.

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.

The survival ratios shown below are calculated for the one and three year periods ended March 31, 2019. The net basis survival ratio has been materially affected by the ADC entered into between the Company and NICO. The Company cedes adverse A&E development in excess of its December 31, 2016 net carried reserves of $1.7 billion to NICO up to a limit of $1.5 billion. Since December 31, 2016, net reserves for A&E have been declining as the Company has had no net incurred losses but continues to pay down net loss reserves. This has the effect of reducing the one- and three-year net survival ratios shown in the table below. For asbestos, the table also presents the three-year net survival ratios excluding the effect of the PPG Industries, Inc. ("PPG") settlement in 2016. For further discussion of the PPG settlement, see Part II, Item 7 MD&A, Critical Accounting Estimates, Annual Reserves Reviews section in the Company’s2018 Form 10-K Annual Report.

Net and Gross Survival Ratios

	Asbestos	Environmental
One year net survival ratio	6.4	5.6
Three year net survival ratio- excluding PPG settlement	6.6	4.2
One year gross survival ratio	9.4	8.3
Three year gross survival ratio - excluding PPG settlement	9.2	7.2

Asbestos and Environmental Paid and Incurred Losses and LAE Development for the Three Months Ended March 31, 2019

	Asbestos		Environmental	
	Paid Losses & LAE	Incurred Losses & LAE	Paid Losses & LAE	Incurred Losses & LAE
Gross	$ 20	$ —	$ 5	$ —
Ceded- other than NICO	7	—	2	—
Ceded - NICO ADC	—	—	—	—
Net	**$ 27**	**$ —**	**$ 7**	**$ —**

Annual Reserve Reviews

Review of Asbestos Reserves

In 2019, the Company expects to perform its regular comprehensive annual review of asbestos reserves in the fourth quarter.

As part of its evaluation in the fourth quarter of 2018, the Company reviewed all of its open direct domestic insurance accounts exposed to asbestos liability, as well as assumed reinsurance accounts. Based on this evaluation, the Company increased its net asbestos reserves for prior year development by $167 in the fourth quarter of 2018 which was offset by $167 of ceded losses under the ADC agreement.

Review of Environmental Reserves

In 2019, the Company expects to perform its regular comprehensive annual review of environmental reserves in the fourth quarter.

As part of its evaluation in the fourth quarter of 2018, the Company reviewed all of its open direct domestic insurance accounts exposed to environmental liability, as well as assumed reinsurance accounts. Based on this evaluation, the Company increased its net environmental reserves for prior year development by $71 in the fourth quarter 2018 which was offset by $71 of ceded losses under the ADC agreement.

2018 Reserve Reviews

For a discussion of the Company's 2018 comprehensive annual review of A&E reserves, see Part II, Item 7 MD&A, Critical Accounting Estimates, Annual Reserves Reviews section in the Company’s2018 Form 10-K Annual Report.

Uncertainties Regarding Adequacy of Asbestos and Environmental Reserves

A number of factors affect the variability of estimates for A&E reserves before considering the effect of the reinsurance agreement with NICO, 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. The uncertainty with respect to the underlying reserve assumptions for A&E adds a greater degree of variability to these reserve estimates than reserve estimates for more traditional exposures.

As of March 31, 2019, the Company reported $1.0 billion of net asbestos reserves and $196 of net environmental reserves. The Company believes that its current A&E reserves are appropriate. However, analyses of future developments could cause The Hartford to change its estimates of its A&E reserves. As discussed above, the effect of these changes could be material to the Company's liquidity and, if cumulative adverse development subsequent to December 31, 2016 exceeded $650, the effect of the changes could be material to the Company's consolidated operating results. The process of estimating A&E reserves remains subject to a wide variety of uncertainties, which are detailed in the Company's 2018 Form 10-K Annual Report.

Consistent with the Company's long-standing reserve practices, the Company will continue to review and monitor its reserves in Property & Casualty Other Operations regularly, including its annual reviews of asbestos liabilities, reinsurance recoverables and the allowance for uncollectible reinsurance, and environmental liabilities, and where future developments indicate, make appropriate adjustments to the reserves. For a discussion of the Company's reserving practices, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance in the Company's 2018 Form 10-K Annual Report.

SEGMENT OPERATING SUMMARIES

Results of Operations

Underwriting Summary

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Written premiums	$ 1,949	$ 1,851	5 %
Change in unearned premium reserve	172	140	23 %
Earned premiums	1,777	1,711	4 %
Fee income	9	9	— %
Losses and loss adjustment expenses			
Current accident year before catastrophes	1,037	971	7 %
Current accident year catastrophes [1]	70	69	1 %
Prior accident year development [1]	(10)	(19)	47 %
Total losses and loss adjustment expenses	1,097	1,021	7 %
Amortization of deferred policy acquisition costs	274	257	7 %
Underwriting expenses	337	324	4 %
Amortization of other intangible assets	2	—	NM
Dividends to policyholders	6	4	50 %
Underwriting gain	**70**	**114**	**(39 %)**
Net servicing income	(1)	—	NM
Net investment income [2]	259	258	— %
Net realized capital gains (losses) [2]	115	(8)	NM
Other income (expenses)	(1)	2	(150 %)
Income before income taxes	**442**	**366**	**21 %**
Income tax expense [3]	79	68	16 %
Net income	**$ 363**	**$ 298**	**22 %**

[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] *For discussion of consolidated investment results, see MD&A - Investment Results.*

[3] *For discussion of income taxes, see Note 10 - Income Taxes of Notes to Condensed Consolidated Financial Statements.*

Premium Measures

	Three Months Ended March 31,	
	2019	**2018**
New business premium	$ 363	$ 337
Standard commercial lines policy count retention [1] [2]	84 %	82 %
Standard commercial lines renewal written price increase [1] [3]	1.7 %	2.8 %
Standard commercial lines renewal earned price increase [1] [3]	2.4 %	3.3 %

Standard commercial lines policies in-force as of end of period (in thousands) [1] [2]	1,349	1,329

[1] Standard commercial lines consists of small commercial and middle market.
[2] Excludes higher hazard general liability in middle market and livestock lines of business.
[3] Excludes Maxum, higher hazard general liability in middle market and livestock lines of business.

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Underwriting Ratios

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Loss and loss adjustment expense ratio			
Current accident year before catastrophes	58.4	56.8	1.6
Current accident year catastrophes	3.9	4.0	(0.1)
Prior accident year development	(0.6)	(1.1)	0.5
Total loss and loss adjustment expense ratio	61.7	59.7	2.0
Expense ratio	34.0	33.4	0.6
Policyholder dividend ratio	0.3	0.2	0.1
Combined ratio	**96.1**	**93.3**	**2.8**
Current accident year catastrophes and prior year development	**3.3**	**2.9**	**0.4**
Underlying combined ratio	**92.7**	**90.4**	**2.3**

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income increased in 2019 due to a shift from net realized capital losses in 2018 to net realized capital gains in 2019, partially offset by a lower underwriting gain. For further discussion of investment results, see MD&A - Investment Results.

Underwriting Gain

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Underwriting gain decreased in 2019 primarily due to a higher current accident year loss and loss adjustment expense ratio before catastrophes, higher underwriting expenses, including higher amortization of DAC, and less favorable prior accident year reserve development in 2019 compared to 2018, partially offset by the effect of higher earned premium. The increase in underwriting expenses included the effect of higher information technology and operations costs in middle market as well as higher operations costs and costs associated with the business acquired under a renewal rights agreement with Farmers Group to acquire its Foremost-branded small commercial business, partially offset by a reduction in state taxes and assessments.

Earned Premiums

[1]Other of $12 and $11 for the three months ended March 31, 2018, and 2019, respectively, is included in the total.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Earned premiums increased in 2019 reflecting written premium growth over the preceding twelve months.

Written premiums increased in 2019 with growth across small commercial, middle market, and specialty commercial. In standard commercial lines, renewal written price increases declined in 2019, mostly attributable to larger rate decreases in small commercial workers' compensation. New business premium increased over the prior year period, primarily in small commercial.

- Small commercial written premium increased in 2019, primarily driven by the business acquired under a renewal rights agreement with Farmers Group to acquire its Foremost-branded small commercial business and higher policy count retention partially offset by a decline in workers' compensation premium, mainly driven by renewal written price decreases compared to the prior year quarter.
- Middle market written premium growth in 2019 was primarily due to higher renewal premium in all core lines, as well as

growth in certain industry verticals, including energy. The increase in renewal premium was due, in part, to higher renewal written price increases and higher audit premium.

- Specialty commercial written premium increased in 2019 driven by growth in bond and financial products.

Loss and LAE Ratio before Catastrophes and Prior Accident Year Development

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Loss and LAE ratio before catastrophes and prior accident year development increased in 2019, primarily due to a higher loss and loss adjustment expense ratio in workers' compensation as well as higher non-catastrophe property losses in middle market marine and property.

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

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Current accident year catastrophe losses totaled $70, before tax, for the three month period in 2019 compared to $69, before tax, for the three month period in 2018. Current accident year catastrophe losses for 2019 were primarily from winter storms in the northern plains, midwest and northeast. Current accident year catastrophe losses for 2018 were primarily from winter storms on the east coast.

Prior accident year development was a net favorable $10 for the three month period in 2019, compared with $19 of net favorable prior accident year development for the three month period in 2018. Net reserve decreases for 2019 were primarily related to lower loss reserve estimates for workers' compensation claims and catastrophes, partially offset by reserve increases for general liability and package business. Net reserve decreases for 2018 were primarily related to lower loss reserve estimates for workers' compensation.

Results of Operations

Underwriting Summary

	Three Months Ended March 31,		
	2019	2018	Change
Written premiums	$ 771	$ 807	(4 %)
Change in unearned premium reserve	(28)	(52)	46 %
Earned premiums	799	859	(7 %)
Fee income	9	10	(10 %)
Losses and loss adjustment expenses			
Current accident year before catastrophes	500	566	(12 %)
Current accident year catastrophes [1]	34	34	— %
Prior accident year development [1]	(1)	(13)	92 %
Total losses and loss adjustment expenses	533	587	(9 %)
Amortization of DAC	65	71	(8 %)
Underwriting expenses	155	143	8 %
Amortization of other intangible assets	1	1	— %
Underwriting gain	**54**	**67**	**(19 %)**
Net servicing income [2]	3	4	(25 %)
Net investment income [3]	42	40	5 %
Net realized capital gains [3]	19	—	NM
Other income (expenses)	1	(1)	NM
Income before income taxes	**119**	**110**	**8 %**
Income tax expense [4]	23	21	10 %
Net income	**$ 96**	**$ 89**	**8 %**

[1] For discussion of current accident year catastrophes and prior accident year development, see MD&A - Critical Accounting Estimates, Property & Casualty Insurance Product Reserves, Net of Reinsurance.

[2] Includes servicing revenues of $19 for both the three months ended March 31, 2019 and 2018. Includes servicing expenses of $16 and $15 for the three months ended March 31, 2019 and 2018, respectively.

[3] For discussion of consolidated investment results, see MD&A - Investment Results.

[4] For discussion of income taxes, see Note 10 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Written and Earned Premiums

Written Premiums	Three Months Ended March 31, 2019	2018	Change
Product Line			
Automobile	$ 555	$ 581	(4 %)
Homeowners	216	226	(4 %)
Total	**$ 771**	**$ 807**	**(4 %)**
Earned Premiums			
Product Line			
Automobile	$ 555	$ 600	(8 %)
Homeowners	244	259	(6 %)
Total	**$ 799**	**$ 859**	**(7 %)**

Premium Measures

Premium Measures	Three Months Ended March 31, 2019	2018
Policies in-force end of period (in thousands)		
Automobile	1,485	1,641
Homeowners	913	1,008
New business written premium		
Automobile	$ 56	$ 37
Homeowners	$ 16	$ 9
Policy count retention		
Automobile	85 %	80 %
Homeowners	84 %	82 %
Renewal written price increase		
Automobile	5.6 %	9.5 %
Homeowners	8.0 %	9.4 %
Renewal earned price increase		
Automobile	6.5 %	10.7%
Homeowners	9.6 %	8.9 %

Underwriting Ratios

Underwriting Ratios	**Three Months Ended March 31, 2019**	**2018**	**Change**
Loss and loss adjustment expense ratio			
Current accident year before catastrophes	62.6	65.9	(3.3)
Current accident year catastrophes	4.3	4.0	0.3
Prior year development	(0.1)	(1.5)	1.4
Total loss and loss adjustment expense ratio	66.7	68.3	(1.6)
Expense ratio	26.5	23.9	2.6
Combined ratio	**93.2**	**92.2**	**1.0**
Current accident year catastrophes and prior year development	**4.2**	**2.5**	**1.7**
Underlying combined ratio	**89.1**	**89.8**	**(0.7)**

Product Combined Ratios

	Three Months Ended March 31, 2019	**2018**	**Change**
Automobile			
Combined ratio	93.1	93.1	—
Underlying combined ratio	93.6	94.2	(0.6)
Homeowners			
Combined ratio	93.1	89.8	3.3
Underlying combined ratio	78.4	78.9	(0.5)

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income increased primarily due to a shift to net realized capital gains in 2019, partially offset by a lower underwriting gain.

Underwriting Gain

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Underwriting gain decreased in 2019 primarily due to less favorable prior year development, the effect of lower earned premium and higher underwriting expenses, partially offset by lower current accident year loss ratios before catastrophes in both auto and homeowners and lower amortization of DAC. The increase in underwriting expenses was largely driven by an increase in direct marketing spending, selling expenses, and operational costs to generate new business, partially offset by a reduction in state taxes and assessments.

Earned Premiums

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Earned premiums decreased in 2019, reflecting a decline in written premium over the prior six to twelve months in both Agency channels and, to a lesser extent, in AARP Direct.

Written premiums decreased in 2019 in AARP Direct and both Agency channels. Despite an increase in new business and higher policy count retention in both auto and homeowners, written premium declined, primarily due to not generating enough new business to offset the loss of non-renewed premium.

Renewal written pricing increases in 2019 were lower in both auto and homeowners in response to moderating loss cost trends.

Policy count retention increased in both automobile and homeowners, in part driven by moderating renewal written price increases.

Policies in-force decreased in 2019 in both automobile and homeowners, driven by not generating enough new business to offset the loss of non-renewed policies.

Loss and LAE Ratio before Catastrophes and Prior Accident Year Development

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Loss and LAE ratio before catastrophes and prior accident year development decreased in 2019, primarily due to the effect of earned pricing increases in both automobile and homeowners and lower non-catastrophe homeowners loss costs.

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

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Current accident year catastrophe losses for 2019 were primarily from winter storms across the country and, to a lesser extent, tornado and hail events in the South. Catastrophe losses in 2018 were from seven named catastrophe events across the country, including several East coast winter storms and, to a lesser extent, wind and hail events in the South.

Prior accident year development was less favorable in 2019 than in 2018 as net favorable reserve development in homeowners in the 2018 period did not recur in 2019.

Results of Operations

Underwriting Summary

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Losses and loss adjustment expenses			
Prior accident year development	—	—	— %
Total losses and loss adjustment expenses	—	—	— %
Underwriting expenses	3	3	— %
Underwriting loss	**(3)**	**(3)**	**— %**
Net investment income [1]	22	24	(8 %)
Net realized capital gains (losses) [1]	9	(1)	NM
Income before income taxes	**28**	**20**	**40 %**
Income tax expense [2]	5	3	67 %
Net income	**$ 23**	**$ 17**	**35 %**

[1]For discussion of consolidated investment results, see MD&A - Investment Results.

[2]For discussion of income taxes, see Note 10 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net Income increased primarily due to net realized capital gains in the 2019 period.

Asbestos and environmental reserve comprehensive annual reviews will occur in the fourth quarter of 2019. For information on A&E reserves, see MD&A - Critical Accounting Estimates, Asbestos and Environmental Reserves.

Results of Operations

Operating Summary

	Three months ended March 31,		
	2019	**2018**	**Change**
Premiums and other considerations	$ 1,409	$ 1,401	1 %
Net investment income [1]	121	121	— %
Net realized capital gains (losses) [1]	5	(25)	120 %
Total revenues	**1,535**	**1,497**	**3 %**
Benefits, losses and loss adjustment expenses	1,053	1,085	(3 %)
Amortization of DAC	13	10	30 %
Insurance operating costs and other expenses	315	321	(2 %)
Amortization of other intangible assets	10	17	(41 %)
Total benefits, losses and expenses	**1,391**	**1,433**	**(3 %)**
Income before income taxes	**144**	**64**	**125 %**
Income tax expense [2]	26	10	160 %
Net income	**$ 118**	**$ 54**	**119 %**

[1] For discussion of consolidated investment results, see MD&A - Investment Results.

[2] For discussion of income taxes, see Note 10 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Premiums and Other Considerations

	Three months ended March 31,		
	2019	2018	Change
Fully insured – ongoing premiums	$ 1,362	$ 1,357	— %
Buyout premiums	2	—	NM
Fee income	45	44	2 %
Total premiums and other considerations	**$ 1,409**	**$ 1,401**	**1 %**
Fully insured ongoing sales, excluding buyouts	**$ 407**	**$ 454**	**(10 %)**

Ratios, Excluding Buyouts

	Three months ended March 31,		
	2019	2018	Change
Group disability loss ratio	69.6 %	74.9 %	(5.3)
Group life loss ratio	81.3 %	80.9 %	0.4
Total loss ratio	**74.7 %**	**77.4 %**	**(2.7)**
Expense ratio [1]	**23.4 %**	**24.0 %**	**(0.6)**

[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

	Three months ended March 31,		
	2019	2018	Change
Net income margin	**7.7 %**	**3.6 %**	**4.1**
Less: Net realized capital gains (losses) excluded from core earnings, before tax	0.3 %	(1.7 %)	2.0
Less: Integration and transaction costs associated with acquired business, before tax	(0.6 %)	(0.8 %)	0.2
Less: Income tax benefit	— %	0.5 %	(0.5)
Core earnings margin	**8.0 %**	**5.6 %**	**2.4**

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income increased for the three month period, primarily due to a lower group disability loss ratio, a change from net realized capital losses in 2018 to net realized capital gains in 2019, lower amortization of intangible assets arising from the

acquisition of Aetna's U.S. group life and disability business, and lower insurance operating costs and other expenses.

Insurance operating costs and other expenses for the three month period decreased 2% primarily due to a decrease in state taxes and assessments.

Fully Insured Ongoing Premiums

[1] Other of $60 and $62 is included in the three months ended March 31, 2018, and 2019, respectively.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Fully insured ongoing premiums increased slightly for the three month period reflecting strong persistency offset by lower sales compared to the prior year period with an increase in group disability largely offset by a decrease in group life.

Fully insured ongoing sales, excluding buyouts for the three month period decreased 10% as the prior year period included first year sales from the new New York Paid Family Leave product.

Ratios

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Total loss ratio decreased 2.7 points for the three month period reflecting a lower disability loss ratio partially offset by a slightly higher group life loss ratio. The group disability loss ratio decreased 5.3 points primarily due to continued favorable incidence trends and, to a lesser extent, strong recoveries driving favorable development on prior incurral year reserves.

The group life loss ratio increased 0.4 points driven by higher mortality experience, partially offset by favorable prior incurral year development on group life premium waiver.

Expense ratio decreased 0.6 points. The decline was driven by a reduction in state taxes and assessments and lower amortization in the current year of intangible assets arising from the acquisition of Aetna's U.S. group life and disability business.

Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Operating Summary

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Fee income and other revenue	$ 238	$ 258	(8 %)
Net investment income	2	1	100 %
Net realized capital gains	2	—	NM
Total revenues	**242**	**259**	**(7 %)**
Amortization of DAC	3	4	(25 %)
Operating costs and other expenses	202	212	(5 %)
Total benefits, losses and expenses	**205**	**216**	**(5 %)**
Income before income taxes	**37**	**43**	**(14 %)**
Income tax expense	7	9	(22 %)
Net income	**$ 30**	**$ 34**	**(12 %)**
Daily average Hartford Funds AUM	**$ 112,210**	**$ 117,301**	**(4 %)**
Return on Assets ("ROA") [1]	**10.9**	**11.9**	**(8 %)**
Less: Effect of net realized capital gains (losses), excluded from core earnings, before tax	0.6	—	NM
Return on Assets ("ROA"), core earnings [1]	**10.3**	**11.9**	**(13 %)**

[1] Represents annualized earnings divided by a daily average of assets under management, as measured in basis points.

Hartford Funds Segment AUM

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Mutual Fund and ETP AUM - beginning of period	**$ 91,557**	**$ 99,090**	**(8 %)**
Sales - mutual fund	6,312	6,177	2 %
Redemptions - mutual fund	(5,900)	(5,693)	(4 %)
Net flows - ETP	462	194	138 %
Net flows - mutual fund and ETP	874	678	29 %
Change in market value and other	10,794	115	NM
Mutual fund and ETP AUM - end of period	**103,225**	**99,883**	**3 %**
Talcott Resolution life and annuity separate account AUM [1]	**14,364**	**15,614**	**(8 %)**
Hartford Funds AUM	**$ 117,589**	**$ 115,497**	**2 %**

[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 and ETP AUM by Asset Class

	March 31,		
	2019	**2018**	**Change**
Equity	$ 66,158	$ 64,702	2 %
Fixed Income	15,070	14,378	5 %
Multi-Strategy Investments [1]	19,540	20,137	(3 %)

Exchange-traded Products	2,457	666	NM
Mutual Fund and ETP AUM	**$103,225**	**$99,883**	**3 %**

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

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income for the three month period declined compared to the prior year, in part due to lower investment management fee revenue as a result of lower daily average AUM. Also contributing to the decline was an adjustment in the first quarter of 2019 related to contingent consideration associated with the acquisition of Lattice. See note 4 - Fair Value Measurements for additional information.

Hartford Funds AUM

March 31, 2019 compared to March 31, 2018

Hartford Funds AUM increased compared to the prior year due to market appreciation, partially offset by the continued runoff of AUM related to the Talcott Resolution life and annuity separate account AUM. Net flows from mutual funds and ETP were a positive $874 in first quarter 2019 compared to net positive flows of $678 in first quarter 2018.

Results of Operations

Operating Summary

	Three Months Ended March 31,		
	2019	**2018**	**Change**
Fee income	$13	$2	NM
Other revenue	34	—	NM
Net investment income	24	7	NM
Net realized capital gains	13	4	NM
Total revenues	**84**	**13**	**NM**
Benefits, losses and loss adjustment expenses [1]	2	2	— %
Insurance operating costs and other expenses	13	15	(13 %)
Interest expense [2]	64	80	(20 %)
Total benefits, losses and expenses	**79**	**97**	**(19 %)**
Income (loss) before income taxes	**5**	**(84)**	**106 %**
Income tax expense (benefit) [3]	5	(20)	125 %
Loss from continuing operations, net of tax	**—**	**(64)**	**(100 %)**
Income from discontinued operations, net of tax	—	169	(100 %)
Net income	**—**	**105**	**(100 %)**
Preferred stock dividends	5	—	**NM**
Net income (loss) available to common stockholders	**$(5)**	**$105**	**(105 %)**

[1] Represents benefits expense on life and annuity business previously underwritten by the Company.

[2] For discussion of debt, see Note 9 - Debt of Notes to Condensed Consolidated Financial Statements and Note 13- Debt of Notes to Consolidated Financial Statement in The Hartford's 2018 Form 10-K Annual Report.

[3] For discussion of income taxes, see Note 10 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Net Income

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Net income declined due to a decrease in income from discontinued operations as a result of the sale of the life and annuity business in May 2018. The loss from continuing operations, net of tax, decreased primarily due to $28 included in 2019 other revenues from earnings on the Company's retained equity interest in the former life and annuity operations, as well as higher net investment income driven by the reinvestment of the proceeds from the sale of the life and annuity business and an increase in short-term interest rates, lower interest expense and an increase in net realized capital gains.

Interest Expense

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

Interest expense decreased for the three month period, primarily due to the maturity of senior notes payable and redemption of junior subordinated debentures. On January 15, 2019, the Company repaid at maturity the $413 principal amount of its 6.0% senior notes. On June 15, 2018, The Hartford redeemed $500 aggregate principal amount of its 8.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068. On March 15, 2018, the Company issued $500 of 4.4% senior notes due March 15, 2048 for net proceeds of approximately $490. The Company used a portion of the net proceeds to repay the Company's $320 of 6.3% notes at maturity.

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.

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. Insurance risk and financial risk are described in more detail below. Operational risk and specific risk tolerances for natural catastrophes and pandemic risk are described in the ERM section of the MD&A in The Hartford’s2018 Form 10-K Annual Report.

Insurance Risk

The Company categorizes its insurance risks across property-casualty and group benefits products. Non-catastrophe insurance risk arises from a number of exposures including property, liability, mortality, morbidity, disability and longevity. Catastrophe risk primarily arises in the property, automobile, group life, group disability, and workers' compensation product lines. The Company establishes risk limits to control potential loss and actively monitors the risk exposures as a percent of statutory surplus. The Company also uses reinsurance to transfer insurance risk to well-established and financially secure reinsurers.

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 has catastrophe reinsurance programs, including reinsurance treaties that cover property and workers' compensation losses aggregating from single catastrophe events.

Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Primary Catastrophe Treaty Reinsurance Coverages as of March 1, 2019

	Portion of losses reinsured	Portion of losses retained by The Hartford
Per Occurrence Property Catastrophe Treaty for all catastrophe events from 1/1/2019 to 12/31/2019 [1]		
Losses of $0 to $350 from one event	None	100% retained
Losses of $350 to $500 from one event	75% of $150 in excess of $350	25% co-participation
Losses of $500 to $1.1 billion from one event [2]	90% of $600 in excess of $500	10% co-participation
Additional Per Occurrence Property Catastrophe Treaty for catastrophes from 3/1/2019 to 12/31/2019 other than named storms and earthquake events [1] [5]		
Losses of $0 to $150 from one event	None	100% retained
Losses of $150 to $350 from one event	80% of $200 in excess of $150	20% co-participation
Aggregate Property Catastrophe Treaty for 1/1/2019 to 12/31/2019 [3]		
$0 to $775 of aggregate losses	None	100% retained
$775 to $1.025 billion of aggregate losses	100%	None
Workers' Compensation Catastrophe Treaty for 1/1/2019 to 12/31/2019		
Losses of $0 to $100 from one event	None	100% retained
Losses of $100 to $450 from one event [4]	80% of $350 in excess of $100	20% co-participation

[1] *In addition to the Property Occurrence Treaty and Additional Property Occurrence Treaty for Florida events, The Hartford has purchased the mandatory FHCF reinsurance for the period from 6/1/2018 to 5/30/2019. 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 for $84 of per event losses in excess of a $29 retention.*

[2] *Portions of this layer of coverage extend beyond the traditional one year term.*

[3] *The aggregate treaty is not limited to a single event; rather, it is designed to provide reinsurance protection for the aggregate of all events designated as catastrophes by PCS (Property Claims Services/Verisk) with a $350 limit on any one event. All catastrophe losses apply toward satisfying the $775 attachment point under the aggregate treaty regardless of whether a portion of per event losses up to $350 are recovered under the Additional Per Occurrence Property Catastrophe Treaty.*

[4] *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.*

[5] *The Additional Per Occurrence Property Catastrophe Treaty covers losses from catastrophe events other than from named hurricanes, tropical storms and earthquakes.*

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, Additional Per Occurrence Property Catastrophe Treaty and Workers' Compensation Catastrophe Treaty include a provision to reinstate limits 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 2020.

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 $180 in 2019, with the threshold increasing to $200 by 2020. Under the program, in any one calendar year, the federal government would 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 81% in 2019, decreasing to 80% in 2020. The Company's estimated deductible under the program is $1.3 billion for 2019. 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 Reserve Development- Under an ADC reinsurance agreement, NICO assumes adverse net loss and allocated loss adjustment expense reserve development up to $1.5 billion above the Company’s net A&E reserves recorded as of December 31, 2016. Under retroactive reinsurance accounting, net adverse A&E reserve development after December 31, 2016 results in an offsetting reinsurance recoverable up to the $1.5 billion limit. Cumulative ceded losses up to the $650 reinsurance premium paid for the ADC are recognized as a dollar-for-dollar offset to direct losses incurred. As of March 31, 2019, $523 of incurred A&E losses had been ceded to NICO, leaving approximately $977 of coverage available for future adverse net reserve development, if any. Cumulative ceded losses exceeding the $650 reinsurance premium paid would result in a deferred gain. The deferred gain would be 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 A&E claims after December 31, 2016 in excess of $650 may result in significant charges against earnings. Furthermore, there is a risk that cumulative adverse development of A&E claims could ultimately exceed the $1.5 billion treaty limit in which case all 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.

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.

Property & Casualty Reinsurance Recoverables

	As of March 31, 2019	As of December 31, 2018
Paid loss and loss adjustment expenses	$ 113	$ 127
Unpaid loss and loss adjustment expenses	3,775	3,773
Gross reinsurance recoverables	**3,888**	**3,900**
Less: Allowance for uncollectible reinsurance	(127)	(126)
Net reinsurance recoverables	**$ 3,761**	**$ 3,774**

Group benefits reinsurance recoverables represent reserve 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.

Group Benefits Reinsurance Recoverables

	As of March 31, 2019	As of December 31, 2018
Paid loss and loss adjustment expenses	$ 11	$ 12
Unpaid loss and loss adjustment expenses	237	239
Gross reinsurance recoverables	**248**	**251**
Less: Allowance for uncollectible reinsurance [1]	—	—
Net reinsurance recoverables	**$ 248**	**$ 251**

[1]No allowance for uncollectible reinsurance is required as of March 31, 2019 and December 31, 2018.

For further explanation of the Company's insurance risk management strategy, see MD&A Enterprise Risk Management Insurance Risk in The Hartford's 2018 Form 10-K Annual Report.

Financial Risk

Financial risks include direct and indirect risks to the Company's financial objectives coming from events that impact market conditions or prices. 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 mitigated where appropriate. The Company uses various risk management strategies, including reinsurance and over-the-counter ("OTC") and exchange traded derivatives with counterparties meeting the appropriate regulatory and due diligence requirements. Derivatives are utilized to achieve one of four 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; or entering into 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. Stressed market conditions may impact the ability to sell assets or otherwise transact business and may result in a significant loss in value.

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. The Company also monitors internal and external conditions, and identifies material risk changes and emerging risks that may impact liquidity.

For further discussion on liquidity see the section on Capital Resources and Liquidity.

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.

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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, but it is also present in the Company’s reinsurance and insurance portfolios.

Impact A decline in creditworthiness is typically associated with an increase in an investment’s credit spread, potentially resulting in an increase in other-than-temporary impairment and an increased probability of a realized loss upon sale. Premiums receivable and reinsurance recoverables are also subject to credit risk based on the counterparty’s unwillingness or inability to pay.

Management The objective of the Company’s enterprise credit risk management strategy is to identify, quantify, and manage credit risk on an aggregate portfolio basis and to limit potential losses in accordance with an established credit risk management policy. The Company primarily manages its credit risk by holding a diversified mix of investment grade issuers and counterparties across its investment, reinsurance, and insurance portfolios. Potential losses are also limited within portfolios by diversifying across geographic regions, asset types, and sectors.

The Company manages credit risk on an on-going basis through the use of various processes and analyses. Both the investment and reinsurance areas have formulated procedures for counterparty approvals and authorizations, which establish minimum levels of creditworthiness and financial stability. Credits considered for investment are subjected to underwriting reviews. Within the investment portfolio, private securities are 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 transactions through central clearing houses that require daily variation margin;
- Entering into 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 March 31, 2019, 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 5 - Investments of Notes to Condensed

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 collateralization before entering into any new trades.

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

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. For the three months ended March 31, 2019, the Company incurred no losses on derivative instruments due to counterparty default. For further discussion, see the Derivative Commitments section of Note 11 Commitments and Contingencies of Notes to Condensed 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.

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 reference investment grade single corporate issuers and indexes.

For further information on credit derivatives, see Note 6 - Derivatives of Notes to Condensed 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 rates arising from its fixed maturity securities, long-term debt obligations, short and long-term disability claim reserves, and discount rate assumptions associated with the Company’s pension and other post retirement benefit obligations.

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

Management The Company primarily 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 may also utilize 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.

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 20 - Business Dispositions and Discontinued Operations of Notes to Consolidated Financial Statements included in the Company’s 2018 Form 10-K Annual Report.

Impact The investment portfolio is exposed to losses from market declines affecting equity securities, alternative assets and

limited partnerships which could negatively impact the Company's reported earnings. 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 assets under management and the amount of fee income generated from those assets. Increases in equity markets will generally have the inverse impact.

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 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.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk of financial loss due to changes in the relative value between currencies. The Company has foreign currency exchange risk in non-U.S. dollar denominated investments, which primarily consist of fixed maturity and equity investments and foreign denominated cash.

The open 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 currency futures/forwards/swaps. In order to manage the currency risk related to any non-U.S. dollar denominated liability contracts, the Company holds non-U.S. dollar denominated investments which match the underlying currency exposure of the liabilities.

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.

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Fixed Maturities by Credit Quality

	March 31, 2019			December 31, 2018		
	Amortized Cost	**Fair Value**	**Percent of Total Fair Value**	**Amortized Cost**	**Fair Value**	**Percent of Total Fair Value**
United States Government/Government agencies	$ 4,800	$ 4,847	13.2 %	$ 4,446	$ 4,430	12.4 %
AAA	6,028	6,160	16.7 %	6,366	6,440	18.1 %
AA	6,760	7,016	19.0 %	6,861	6,985	19.6 %
A	8,548	8,871	24.1 %	8,314	8,370	23.5 %
BBB	8,383	8,530	23.2 %	8,335	8,163	22.9 %
BB & below	1,375	1,395	3.8 %	1,281	1,264	3.5 %
Total fixed maturities, AFS	**$ 35,894**	**$ 36,819**	**100.0 %**	**$ 35,603**	**$ 35,652**	**100.0 %**

The fair value of fixed maturities, AFS as compared to December 31, 2018, increased primarily due to an increase in valuations due to tightening of credit spreads and lower interest rates. Fixed maturities, FVO, are not included in the preceding

table. For further discussion on FVO securities, see Note 4 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

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Securities by Type

	March 31, 2019					December 31, 2018				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value
Asset-backed securities ("ABS")										
Consumer loans	$ 849	$ 9	$ (1)	$ 857	2.3 %	$ 1,159	$ 5	$ (1)	$ 1,163	3.3 %
Other	110	1	—	111	0.3 %	113	—	—	113	0.3 %
Collateralized loan obligations ("CLOs")	1,442	7	(11)	1,438	3.9 %	1,455	2	(20)	1,437	4.0 %
CMBS										
Agency [1]	1,433	19	(24)	1,428	3.9 %	1,447	13	(33)	1,427	4.0 %
Bonds	1,843	38	(8)	1,873	5.1 %	1,845	13	(29)	1,829	5.1 %
Interest only	258	10	(1)	267	0.7 %	289	9	(2)	296	0.8 %
Corporate										
Basic industry	669	18	(6)	681	1.8 %	604	8	(21)	591	1.7 %
Capital goods	1,219	24	(10)	1,233	3.2 %	1,132	8	(31)	1,109	3.1 %
Consumer cyclical	945	21	(10)	956	2.6 %	943	9	(29)	923	2.6 %
Consumer non-cyclical	1,844	34	(17)	1,861	5.1 %	1,936	11	(71)	1,876	5.3 %
Energy	1,132	37	(9)	1,160	3.2 %	1,156	14	(43)	1,127	3.1 %
Financial services	3,567	60	(28)	3,599	9.8 %	3,368	17	(99)	3,286	9.2 %
Tech./comm.	1,909	78	(15)	1,972	5.4 %	1,720	34	(54)	1,700	4.8 %
Transportation	588	10	(2)	596	1.6 %	548	4	(18)	534	1.5 %
Utilities	2,024	65	(33)	2,056	5.6 %	2,017	43	(69)	1,991	5.6 %
Other	290	2	(3)	289	0.8 %	272	—	(11)	261	0.7 %
Foreign govt./govt. agencies	866	23	(7)	882	2.4 %	866	7	(26)	847	2.4 %
Municipal bonds										
Taxable	607	25	(6)	626	1.7 %	629	14	(17)	626	1.8 %
Tax-exempt	9,173	548	(1)	9,720	26.4 %	9,343	407	(30)	9,720	27.3 %
RMBS										
Agency	1,748	15	(10)	1,753	4.8 %	1,508	7	(29)	1,486	4.2 %
Non-agency	978	9	(3)	984	2.7 %	933	5	(6)	932	2.6 %
Alt-A	83	3	—	86	0.2 %	43	4	—	47	0.1 %
Sub-prime	698	27	—	725	2.0 %	786	28	—	814	2.3 %
U.S. Treasuries	1,619	51	(4)	1,666	4.5 %	1,491	41	(15)	1,517	4.2 %
Total fixed maturities, AFS	**$ 35,894**	**$ 1,134**	**$ (209)**	**$ 36,819**	**100.0 %**	**$ 35,603**	**$ 703**	**$ (654)**	**$ 35,652**	**100.0 %**
Fixed maturities, FVO				**$ 20**					**$ 22**	
Equity securities, at fair value				**$ 1,275**					**$ 1,214**	

[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 fair value of AFS securities increased as compared to December 31, 2018, primarily due to an increase in valuations due to tightening of credit spreads and lower interest rates.

Commercial & Residential Real Estate

The following table presents the Company's exposure to CMBS and RMBS by current credit quality included in the preceding Securities by Type table.

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Exposure to CMBS Bonds as of March 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]	$ 1,433	$ 1,428	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,433	$ 1,428
Bonds	956	968	454	457	381	394	52	54	—	—	1,843	1,873
Interest Only	168	174	79	82	2	2	7	7	2	2	258	267
Total CMBS	**2,557**	**2,570**	**533**	**539**	**383**	**396**	**59**	**61**	**2**	**2**	**3,534**	**3,568**
RMBS												
Agency	1,748	1,753	—	—	—	—	—	—	—	—	1,748	1,753
Non-Agency	665	668	165	167	118	117	19	19	11	13	978	984
Alt-A	40	40	10	11	4	4	9	9	20	22	83	86
Sub-Prime	25	26	66	68	220	228	159	166	228	237	698	725
Total RMBS	**2,478**	**2,487**	**241**	**246**	**342**	**349**	**187**	**194**	**259**	**272**	**3,507**	**3,548**
Total CMBS & RMBS	**$ 5,035**	**$ 5,057**	**$ 774**	**$ 785**	**$ 725**	**$ 745**	**$ 246**	**$ 255**	**$ 261**	**$ 274**	**$ 7,041**	**$ 7,116**

Exposure to CMBS Bonds as of December 31, 2018

	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]	$ 1,447	$ 1,427	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,447	$ 1,427
Bonds	983	973	444	436	368	370	50	50	—	—	1,845	1,829
Interest Only	204	210	77	79	1	1	5	4	2	2	289	296
Total CMBS	**2,634**	**2,610**	**521**	**515**	**369**	**371**	**55**	**54**	**2**	**2**	**3,581**	**3,552**
RMBS												
Agency	1,508	1,486	—	—	—	—	—	—	—	—	1,508	1,486
Non-Agency	611	610	167	167	111	109	33	33	11	13	933	932
Alt-A	—	—	10	10	4	5	9	9	20	23	43	47
Sub-Prime	31	32	72	73	211	217	179	186	293	306	786	814
Total RMBS	**2,150**	**2,128**	**249**	**250**	**326**	**331**	**221**	**228**	**324**	**342**	**3,270**	**3,279**
Total CMBS & RMBS	**$ 4,784**	**$ 4,738**	**$ 770**	**$ 765**	**$ 695**	**$ 702**	**$ 276**	**$ 282**	**$ 326**	**$ 344**	**$ 6,851**	**$ 6,831**

[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 loans are originated by the Company as high quality whole loans, and are participated out to third parties. Loan participations are loans where the Company has purchased or retained a portion of an outstanding loan or package of loans and participates on a pro-rata basis in collecting interest and principal pursuant to the terms of the participation agreement.

As of March 31, 2019, commercial mortgage loans had an amortized cost of $3.6 billion and carrying value of $3.6 billion, with a valuation allowance of $1. As of December 31, 2018, commercial mortgage loans had an amortized cost of $3.7 billion and carrying value of $3.7 billion, with a valuation allowance of $1.

The Company funded $1 of commercial mortgage loans with a weighted average loan-to-value (“LTV”) ratio of 58% and a weighted average yield of 4.6% during the three months ended March 31, 2019. The Company continues to originate commercial loans within primary markets, such as office, industrial and multi-family, focusing on loans with strong LTV ratios and high quality property collateral. There were no mortgage loans held for sale as of March 31, 2019 or December 31, 2018.

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

	March 31, 2019			December 31, 2018		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$ 1,315	$ 1,399	AA	$ 1,222	$ 1,275	AA
Pre-Refunded [1]	1,673	1,727	AAA	1,845	1,904	AAA
Revenue						
Transportation	1,389	1,515	A+	1,449	1,537	A+
Health Care	1,330	1,398	AA-	1,270	1,304	AA-
Education	902	943	AA	941	953	AA
Water & Sewer	782	824	AA	816	847	AA
Leasing [2]	766	809	AA-	772	799	AA-
Sales Tax	491	539	AA	507	541	AA
Power	294	319	A+	308	328	A+
Housing	28	29	AA	33	35	A+
Other	810	844	AA-	809	823	AA-
Total Revenue	6,792	7,220	AA-	6,905	7,167	AA-
Total Municipal	**$ 9,780**	**$ 10,346**	**AA**	**$ 9,972**	**$ 10,346**	**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 both March 31, 2019 and December 31, 2018, the largest issuer concentrations were the New York Dormitory Authority, the Commonwealth of Massachusetts, and the New York City Transitional Finance Authority, 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 22% of the fair value of the Company's investment portfolio.

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 as well as limited exposure to public markets.

Limited Partnerships and Other Alternative Investments - Net Investment Income

	Three Months Ended March 31,	
	2019	2018

	Amount	Yield	Amount	Yield
Hedge funds	$ 1	5.1 %	$ —	— %
Real estate funds	20	16.9 %	(1)	(0.3 %)
Private equity funds	27	14.2 %	72	42.7 %
Other alternative investments [1]	8	8.7 %	2	1.7 %
Total	**$ 56**	**13.4 %**	**$ 73**	**18.6 %**

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Investments in Limited Partnerships and Other Alternative Investments

	March 31, 2019		December 31, 2018	
	Amount	Percent	Amount	Percent
Hedge funds	$ 53	3.1 %	$ 51	3.0 %
Real estate funds	454	26.4 %	499	29.0 %
Private equity and other funds	827	48.1 %	788	45.7 %
Other alternative investments [1]	385	22.4 %	385	22.3 %
Total	**$ 1,719**	**100.0 %**	**$ 1,723**	**100.0 %**

[1]Consists of an insurer-owned life insurance policy which is invested in hedge funds and other investments.

Available-for-sale Securities — Unrealized Loss Aging

The total gross unrealized losses were $209 as of March 31, 2019 and have decreased $445, from December 31, 2018, primarily due to tightening of credit spreads and lower interest rates. As of March 31, 2019, $204 of the gross unrealized losses were associated with securities depressed less than 20% of cost or amortized cost. The remaining $5 of gross unrealized losses were associated with securities depressed greater than 20%. The securities depressed more than 20% are primarily securities with exposure to commercial real estate which are depressed primarily due to wider spreads since the securities were purchased.

As part of the Company's ongoing security monitoring process, the Company has reviewed its AFS securities in an unrealized loss position and concluded that these securities are temporarily depressed and are expected to recover in value as the securities approach maturity or as market spreads tighten. For these securities in an unrealized loss position where a credit impairment has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the security. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities. For further information regarding the Company's impairment analysis, see Other-Than-Temporary Impairments in the Investment Portfolio Risks and Risk Management section of this MD&A.

Unrealized Loss Aging for AFS Securities

	March 31, 2019				December 31, 2018			
Consecutive Months	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	114	$ 522	$ 519	$ (3)	468	$ 3,191	$ 3,153	$ (38)
Greater than three to six months	127	1,037	1,030	(7)	359	2,530	2,487	(43)
Greater than six to nine months	82	568	561	(7)	347	2,243	2,186	(57)
Greater than nine to eleven months	120	487	477	(10)	817	5,921	5,688	(233)
Twelve months or more	1,239	7,612	7,430	(182)	969	5,272	4,989	(283)
Total	**1,682**	**$ 10,226**	**$ 10,017**	**$ (209)**	**2,960**	**$ 19,157**	**$ 18,503**	**$ (654)**

Unrealized Loss Aging for AFS Securities Continuously Depressed Over 20%

	March 31, 2019				December 31, 2018			
Consecutive Months	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	—	$ —	$ —	$ —	13	$ 59	$ 43	$ (16)
Greater than three to six months	3	5	4	(1)	—	—	—	—

Greater than six to nine months	—	—	—	—		3	3	2	(1	)
Greater than nine to eleven months	—	—	—	—		2	2	1	(1	)
Twelve months or more	36	10	6	(4	)	36	13	8	(5	)
Total	**39**	**$ 15**	**$ 10**	**$ (5**	**)**	**54**	**$ 77**	**$ 54**	**$ (23**	**)**

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Other-than-temporary Impairments Recognized in Earnings by Security Type

	Three Months Ended March 31, 2019	2018
Credit Impairments		
Corporate	$ 2	$ —
Total	**$ 2**	**$ —**

Three months ended March 31, 2019

Impairments recognized in earnings were comprised of credit impairments of $2. The credit impairments were primarily related to one corporate security experiencing issuer-specific financial difficulties.

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.

Non-credit impairments recognized in other comprehensive income were $2.

Future impairments may develop as the result of changes in 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.

Three months ended March 31, 2018

There were no impairments recognized in earnings and no non-credit impairments recognized in other comprehensive income.

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 March 31, 2019:

- $2.9 billion in fixed maturities, short-term investments, and cash at The Hartford Financial Services Group, Inc, ("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. No borrowings were outstanding as of March 31, 2019.
- Borrowings available under a commercial paper program to a maximum of $750. As of March 31, 2019 there was no commercial paper outstanding.
- The Hartford has 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.

2019 expected dividends and other sources of capital:

- **P&C -** The Company does not anticipate receiving net dividends from its property and casualty insurance subsidiaries in 2019.
- **Group Benefits -** HLA has $380 dividend capacity for 2019, and anticipates paying $250 to $300 in dividends in 2019.
- **Hartford Funds** - Anticipates paying $100 to $125 of dividends in 2019.

In addition, HFSG Holding Company anticipates cash tax receipts of approximately $600 to $700, including realization of net operating losses and AMT credits.

Expected liquidity requirements for the next twelve months as of March 31, 2019:

- $500 maturing debt payment in March of 2020
- $295 of interest on debt.
- $21 dividends on preferred stock, subject to the discretion of the Board of Directors.
- $440 of common stockholders' dividends, subject to the discretion of the Board of Directors and before share repurchases and any changes in common stockholder dividend rate.
- $2.2 billion of cash consideration including transaction expenses to acquire all outstanding common shares of Navigators Group, a global specialty underwriter.

Liquidity Requirements and Sources of Capital

The Hartford Financial Services Group, Inc. (Holding Company)

The liquidity requirements of the holding company of The Hartford Financial Services Group, Inc. have been and will continue to be met by HFSG Holding Company’s fixed maturities, short-term investments and cash, dividends from its subsidiaries, principally its insurance operations, and tax receipts, including realization of HFSG Holding Company net operating losses and refunds of prior period AMT credits. In addition HFSG Holding Company can meet its liquidity requirements through the

issuance of common stock, debt or other capital securities and borrowings from its credit facilities, as needed.
As of March 31, 2019, HFSG Holding Company held fixed maturities, short-term investments, and cash of $2.9 billion. Expected liquidity requirements of HFSG Holding Company for the next twelve months include payment of the 5.5% senior note of $500 due at maturity in March of 2020, the interest payments on debt of approximately $295, preferred stock dividends of approximately $21 and common stockholder dividends of approximately $440, subject to the discretion of the Board of Directors, as well as $2.2 billion of cash consideration including transaction expenses to acquire all outstanding common shares of Navigators Group.
The Company expects cash tax receipts of approximately $600 to $700 in 2019, including realization of net operating losses and AMT credits

Debt

On January 15, 2019, The Hartford repaid at maturity the $413 principal amount of its 6.0% senior notes.

Equity

In February, 2019, the Company announced a $1.0 billion share repurchase authorization by the Board of Directors which is effective through December 31, 2020. Based on projected holding company resources, the Company expects to use a portion of the authorization in 2019 but anticipates using the majority of the program in 2020. Any repurchase of shares under the equity repurchase program is dependent on market conditions and other factors.
During the three months ended March 31, 2019, no common shares were repurchased.

Dividends

On February 21, 2019, The Hartford’s Board of Directors declared a quarterly dividend of $0.30 per common share payable on April 1, 2019 to common stockholders of record as of March 4, 2019.
On February 21, 2019, The Hartford's Board of Directors declared a dividend of $375.00 on each share of the Series G preferred stock (equivalent to $0.3750 per depository share) payable on May 15, 2019 to stockholders of record at the close of business on May 1, 2019.
There are no current restrictions on the HFSG Holding Company's ability to pay dividends to its stockholders.
For a discussion of restrictions on dividends to the HFSG Holding Company from its insurance subsidiaries, see the following "Dividends from Insurance Subsidiaries" discussion. For a discussion of potential restrictions on the HFSG Holding Company's ability to pay dividends, see the risk factor "Our ability to declare and pay dividends is subject to limitations" in Item 1A of Part I of the Company’s Annual Report on Form 10-K for the year endedDecember 31, 2018.

Pension Plans and Other Postretirement Benefits

The Company does not have a 2019 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.

Dividends from Insurance Subsidiaries

Dividends to the HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. 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. 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. As of December 31, 2018, under the formula described above, the Company’s property and casualty insurance subsidiaries are permitted to pay up to a maximum of approximately $1.2 billion in dividends to HFSG Holding Company in 2019 without prior approval from the applicable insurance commissioner, though only approximately $200 of this dividend capacity can be paid before the fourth quarter of 2019. Hartford Life and Accident Insurance Company ("HLA") has $380 of dividend capacity for 2019.

During the first three months of 2019, HFSG Holding Company received $107 dividends, including $75 from Hartford Life and Accident Insurance Company ("HLA") , $29 from Hartford Funds and $3 from a run-off HFSG subsidiary. There were no dividends received from P&C subsidiaries in 2019.

Over the remainder of 2019, the Company anticipates receiving approximately $175 to $225 of dividends from HLA and $75 to $100 dividends from Hartford Funds and does not anticipate receiving any additional dividends from P&C subsidiaries.

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 July 29, 2016 that permits it to offer and sell debt and equity securities during the three-year life of the registration statement.

Revolving Credit Facilities and Commercial Paper

Revolving Credit Facilities

The Company has a senior unsecured five-year revolving credit facility (the "Credit Facility") that provides up to $750 million of unsecured credit through March 29, 2024. As of March 31, 2019, no borrowings were outstanding and $3 in letters of credit were issued under the Credit Facility and the Company was in compliance with all financial covenants.

Commercial Paper

As of March 31, 2019, The Hartford's maximum borrowings available under its commercial paper program is $750 and there was no commercial paper outstanding.

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 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 March 31, 2019 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 Hartford Life and Accident Insurance Company (“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 March 31, 2019, there were no advances outstanding used to support general corporate purposes and $50 in advances outstanding used to earn incremental investment income under the Hartford Fire FHLBB facility. This advance was repaid on April 22, 2019.

For further information regarding collateralized advances with Federal Home Loan Bank of Boston, see Note 5 – Investments of Notes to Condensed Consolidated Financial Statements and Note

13 - Debt of Notes to Consolidated Financial Statements included in the Company’s 2018 Form 10-K Annual Report.

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 March 31, 2019 was $68. For this $68, the legal entities have posted collateral of $61 in the normal course of business. Based on derivative market values as of March 31, 2019, 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. Based on derivative market values as of March 31, 2019, a downgrade of two levels below the current financial strength ratings by either Moody’s or S&P would require an additional$8 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 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.

As of March 31, 2019, 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 be within historical norms and, therefore, the Company’s insurance operations’ current liquidity position is considered to be sufficient to meet anticipated demands over the next twelve months. 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 included in The Hartford’s 2018 Form 10-K Annual Report.

The principal sources of operating funds are premiums, fees earned from assets under management and investment income, while investing cash flows 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 necessary to meet liquidity needs, for each of the Company’s insurance operations.

Property & Casualty

	As of March 31, 2019
Fixed maturities	$ 25,995
Short-term investments	1,229
Cash	80
Less: Derivative collateral	58
Total	**$ 27,246**

Group Benefits Operations

	As of March 31, 2019
Fixed maturities	$ 10,081
Short-term investments	377
Cash	18
Less: Derivative collateral	22
Total	**$ 10,454**

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

There have been no material changes to the Company’s off-balance sheet arrangements and aggregate contractual obligations since the filing of the Company’s2018 Form 10-K Annual Report.

Capitalization

Capital Structure

	March 31, 2019	December 31, 2018	Change
Short-term debt (includes current maturities of long-term debt)	$ 499	$ 413	21 %
Long-term debt	3,767	4,265	(12 %)
Total debt	**4,266**	**4,678**	**(9 %)**

Common stockholders' equity excluding AOCI, net of tax	14,891	14,346	4	%
Preferred stock	334	334	—	%
AOCI, net of tax	(885)	(1,579)	44	%
Total stockholders’ equity	**$14,340**	**$ 13,101**	**9**	**%**
Total capitalization	**$18,606**	**$ 17,779**	**5**	**%**
Debt to stockholders’ equity	30 %	36 %		
Debt to capitalization	23 %	26 %		

Total capitalization increased $827, or 5%, as of March 31, 2019 compared to December 31, 2018 primarily due to an increase in AOCI and net income in excess of stockholder dividends, partially offset by a decrease in total debt due to the repayment at maturity of the $413 principal amount of the 6.0% senior notes.

For additional information on AOCI, net of tax, unrealized capital gains from securities, and debt see Note 13 - Changes In and Reclassifications From Accumulated Other Comprehensive Income (Loss), Note 5 - Investments and Note 9 - Debt.of Notes to Condensed Consolidated Financial Statements, respectively.

Cash Flow[1]

	Three Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	$279	$712
Net cash provided by (used for) investing activities	$129	$(242)
Net cash used for financing activities	$(428)	$(677)
Cash – end of period	$104	$228

[1] Cash activities in 2018 include cash flows from Discontinued Operations; see Note 16 - Business Disposition and Discontinued Operations of Notes to Condensed Consolidated Financial Statements for information on cash flows from Discontinued Operations.

Cash provided by operating activities decreased in 2019 as compared to the prior year period primarily driven by the inclusion of operations from the life and annuity business sold in May 2018 in the prior year period.

Cash provided by (used for) investing activities changed from cash used for investing activities in 2018 to cash provided by investing activities in 2019, primarily due to an increase in net proceeds from short-term investments and derivatives, partially offset by an increase in net payments for fixed maturities .

Cash used for financing activities decreased from the 2018 period primarily due to a change to an increase in securities loaned or sold under agreements to repurchase from a decrease in the prior year period, as well as proceeds in 2019 from FHLBB collateral advances, offset by an increase in debt repayments and a decline in proceeds from issuance of debt. Additionally, a substantial amount of cash use in the 2018 period consisted of net payments for deposits, transfers and withdrawals for investments and universal life products associated with the life and annuity business sold in May 2018.

Operating cash flow for the three months ended March 31, 2019 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 section in this MD&A and the Financial Risk on Statutory Capital section of the MD&A in the Company's 2018 Form 10-K Annual Report.

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 April 15, 2019, Standards & Poor's ("S&P") raised its issuer credit and financial strength ratings on Hartford Life and Accident Insurance Co. ("HLA") to A+ from A. The upgrade of HLA's ratings reflects S&P's improved view of the Company's group benefits business which they consider core to the Company under their group rating methodology criteria.

Insurance Financial Strength Ratings as of April 29, 2019

	A.M. Best	Standard & Poor's	Moody's
Hartford Fire Insurance Company	A+	A+	A1
Hartford Life and Accident Insurance Company	A	A+	A2

Other Ratings:

The Hartford Financial Services Group, Inc.:

Senior debt	a-	BBB+	Baa1
Commercial paper	AMB-1	A-2	P-2

These ratings are not a recommendation to buy 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.

The agencies consider many factors in determining the final rating of an insurance company. One consideration is the relative level of statutory capital and surplus (referred to collectively as "statutory capital") necessary to support the business written and is reported in accordance with accounting practices prescribed by the applicable state insurance department.

Statutory Capital

Statutory Capital Rollforward for the Company's Insurance Subsidiaries

	Property and Casualty Insurance Subsidiaries [1]	Group Benefits Insurance Subsidiary	Total
U.S statutory capital at January 1, 2019	**$ 7,435**	**$ 2,407**	**$ 9,842**
Statutory income	437	145	582
Dividends to parent	—	(75)	(75)
Other items	137	17	154
Net change to U.S. statutory capital	574	87	661
U.S statutory capital at March 31, 2019	**$ 8,009**	**$ 2,494**	**$ 10,503**

[1] The statutory capital for property and casualty insurance subsidiaries in this table does not include the value of an intercompany note owed by Hartford Holdings, Inc. to Hartford Fire Insurance Company.

Contingencies

Legal Proceedings

For a discussion regarding contingencies related to The Hartford's legal proceedings, please see the information contained under "Litigation" and "Asbestos and Environmental Claims" in Note 11 - Commitments and Contingencies Notes to Condensed Consolidated Financial Statements and Part II, Item 1 Legal Proceedings, which are incorporated herein by reference.

Legislative and Regulatory Developments

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, Congress passed and the president signed, the Tax Cuts and Jobs Act of 2017 ("Tax Reform"), which enacted significant reforms to the U.S. tax code. The major areas of interest to the company include 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. We continue to analyze Tax Reform for other potential impacts. The U.S. Treasury and IRS are developing guidance implementing Tax Reform, and Congress may consider additional technical corrections to the legislation. 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 Tax Reform, please 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 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

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 included in The Hartford’s2018 Form 10-K Annual Report and Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Item 4. 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 March 31, 2019.

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 current fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 1. LEGAL PROCEEDINGS

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 The Hartford's A&E claims discussed in Note 11 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements, 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, these actions include, among others, putative state and federal class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, underpayment of claims or improper underwriting practices in connection with various kinds of insurance policies, such as personal and commercial automobile, property, disability, 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.

Item 1A. RISK FACTORS

Investing in The Hartford involves risk. In deciding whether to invest in The Hartford, you should carefully consider the risk factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (collectively the “Company’s Risk Factors” or individually, the “Company’s Risk Factor”), any of which could have a significant or material adverse effect on the business, financial condition, operating results or liquidity of The Hartford. This information should be considered carefully together with the other information contained in this report and the other reports and materials filed by The Hartford with the SEC.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

In February, 2019, the Company announced a $1.0 billion share repurchase authorization by the Board of Directors which is

effective through December 31, 2020. Based on projected holding company resources, the Company expects to use a portion of the authorization in 2019 but anticipates using the majority of the program in 2020. Any repurchase of shares under the equity repurchase program is dependent on market conditions and other factors.

Item 6. EXHIBITS

See Exhibits Index on page 97.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE QUARTER ENDED MARCH 31, 2019
FORM 10-Q
EXHIBITS INDEX

Exhibit No.	Description	Form	File No.	Exhibit No	Filing Date
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	3.1	10/20/2014
3.02	Amended and Restated By-Laws of The Hartford, amended effective July 21, 2016.	8-K	001-13958	3.1	7/21/2016
***10.01**	The Hartford 2014 Incentive Stock Plan Form of Individual Award Agreement. **				
15.01	Deloitte & Touche LLP Letter of Awareness.**				
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	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	XBRL Taxonomy Extension Schema.**				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**				
101.DEF	XBRL Taxonomy Extension Definition Linkbase.**				
101.LAB	XBRL Taxonomy Extension Label Linkbase.**				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**				
*	Management contract, compensatory plan or arrangement.				
**	Filed with the Securities and Exchange Commission as an exhibit to this report.				

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		The Hartford Financial Services Group, Inc. (Registrant)
Date:	May 1, 2019	/s/ Scott R. Lewis Scott R. Lewis Senior Vice President and Controller (Chief accounting officer and duly authorized signatory)