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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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)

Securities registered pursuant to Section 12(b) of the Act:

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

Indicate by check mark:

- whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
- whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐
- whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of November 1, 2019, there were outstanding 360,421,232 shares of Common Stock, $0.01 par value per share, of the registrant.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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 references to future periods.

Forward-looking statements are based on management's current expectations and assumptions regarding future economic, competitive, legislative and other developments and their potential effect upon The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, the "Company" or "The Hartford"). Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual results could differ materially from expectations, depending on the evolution of various factors, including the risks and uncertainties identified below, as well as factors described in such forward-looking statements; or in Part II, Item 1A of The Hartford’s Quarterly Report on Form 10-Q for the period ended June 30, 2019, Part I, Item 1A, Risk Factors in The Hartford’s 2018 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;
  - the impacts associated with the withdrawal of the United Kingdom (“U.K.”) from the European Union (“E.U.”) on our international operations in the U.K. and E.U.
- Insurance Industry and Product-Related Risks:
  - the possibility of unfavorable loss development, including with respect to long-tailed exposures;
  - the significant uncertainties that limit our ability to estimate the ultimate reserves necessary for asbestos and environmental claims;
  - the possibility of 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;

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

- Risks Relating to Estimates, Assumptions and Valuations:
  - risk associated with the use of analytical models in making decisions in key areas such as underwriting, pricing, capital management, reserving, investments, reinsurance and catastrophe risk management;
  - the potential for differing interpretations of the methodologies, estimations and assumptions that underlie the Company's fair value estimates for its investments and the evaluation of 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;
  - 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 federal, state and international regulatory and legislative developments, including those that could adversely impact the demand for the Company's products, operating costs and required capital levels;
  - unfavorable judicial or legislative developments;
  - the impact of changes in federal 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 September 30, 2019, the related condensed consolidated statements of operations, comprehensive income (loss), and changes in stockholders' equity for the three-month and nine-month periods ended September 30, 2019 and 2018, and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 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
November 4, 2019

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

(in millions, except for per share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(Unaudited)			
Revenues				
Earned premiums	$ 4,394	$ 3,987	$ 12,500	$ 11,872
Fee income	330	344	970	994
Net investment income	490	444	1,448	1,323
Net realized capital gains (losses):				
Total other-than-temporary impairment ("OTTI") losses	(1)	(4)	(5)	(6)
OTTI losses recognized in other comprehensive income (“OCI”)	—	3	2	5
Net OTTI losses recognized in earnings	(1)	(1)	(3)	(1)
Other net realized capital gains	90	39	335	61
Total net realized capital gains	89	38	332	60
Other revenues	44	29	129	73
Total revenues	**5,347**	**4,842**	**15,379**	**14,322**
Benefits, losses and expenses				
Benefits, losses and loss adjustment expenses	2,914	2,786	8,533	8,219
Amortization of deferred policy acquisition costs ("DAC")	437	348	1,184	1,034
Insurance operating costs and other expenses	1,167	1,091	3,356	3,195
Loss on extinguishment of debt	90	—	90	6
Loss on reinsurance transaction	—	—	91	—
Interest expense	67	69	194	228
Amortization of other intangible assets	19	18	47	54
Total benefits, losses and expenses	**4,694**	**4,312**	**13,495**	**12,736**
Income from continuing operations, before tax	**653**	**530**	**1,884**	**1,586**
Income tax expense	118	103	347	297
Income from continuing operations, net of tax	**535**	**427**	**1,537**	**1,289**
Income from discontinued operations, net of tax	—	5	—	322
Net income	**535**	**432**	**1,537**	**1,611**
Preferred stock dividends	11	—	16	—
Net income available to common stockholders	**$ 524**	**$ 432**	**$ 1,521**	**$ 1,611**
Income from continuing operations, net of tax, available to common stockholders per common share				
Basic	**$ 1.45**	**$ 1.19**	**$ 4.21**	**$ 3.60**
Diluted	**$ 1.43**	**$ 1.17**	**$ 4.17**	**$ 3.54**
Net income available to common stockholders per common share				
Basic	**$ 1.45**	**$ 1.20**	**$ 4.21**	**$ 4.50**
Diluted	**$ 1.43**	**$ 1.19**	**$ 4.17**	**$ 4.42**

See Notes to Condensed Consolidated Financial Statements.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(Unaudited)			
Net income	**$ 535**	**$ 432**	**$ 1,537**	**$ 1,611**
Other comprehensive income (loss):				
Changes in net unrealized gain on securities	401	(171)	1,744	(2,164)
Changes in OTTI losses recognized in other comprehensive income	—	(1)	1	(1)
Changes in net gain on cash flow hedging instruments	6	(5)	22	(37)
Changes in foreign currency translation adjustments	(4)	1	—	(4)
Changes in pension and other postretirement plan adjustments	9	10	26	29
OCI, net of tax	**412**	**(166)**	**1,793**	**(2,177)**
Comprehensive income (loss)	**$ 947**	**$ 266**	**$ 3,330**	**$ (566)**

See Notes to Condensed Consolidated Financial Statements.

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

(in millions, except for share and per share data)	September 30, 2019	December 31, 2018
	(Unaudited)	
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of $40,174 and $35,603)	$ 42,389	$ 35,652
Fixed maturities, at fair value using the fair value option	39	22
Equity securities, at fair value	1,414	1,214
Mortgage loans (net of allowances for loan losses of $0 and $1)	3,736	3,704
Limited partnerships and other alternative investments	1,770	1,723
Other investments	302	192
Short-term investments	2,927	4,283
Total investments	52,577	46,790
Cash	207	112
Restricted cash	83	9
Premiums receivable and agents' balances, net	4,580	3,995
Reinsurance recoverables, net	5,333	4,357
Deferred policy acquisition costs	772	670
Deferred income taxes, net	376	1,248
Goodwill	1,913	1,290
Property and equipment, net	1,194	1,006
Other intangible assets, net	1,126	657
Other assets	2,095	2,173
Total assets	**$ 70,256**	**$ 62,307**
Liabilities		
Unpaid losses and loss adjustment expenses	$ 36,188	$ 33,029
Reserve for future policy benefits	645	642
Other policyholder funds and benefits payable	764	767
Unearned premiums	6,820	5,282
Short-term debt	500	413
Long-term debt	4,346	4,265
Other liabilities	4,915	4,808
Total liabilities	**54,178**	**49,206**
Commitments and Contingencies Note (12)		
Stockholders' Equity		
Preferred stock, $0.01 par value — 50,000,000 shares authorized, 13,800 shares issued at September 30, 2019 and December 31, 2018, aggregate liquidation preference of $345	334	334
Common stock, $0.01 par value — 1,500,000,000 shares authorized, 384,923,222 shares issued at September 30, 2019 and December 31, 2018	4	4
Additional paid-in capital	4,302	4,378
Retained earnings	12,251	11,055
Treasury stock, at cost — 23,940,696 and 25,772,238 shares	(1,027)	(1,091)
Accumulated other comprehensive income (loss), net of tax	214	(1,579)
Total stockholders' equity	**16,078**	**13,101**
Total liabilities and stockholders' equity	**$ 70,256**	**$ 62,307**

See Notes to Condensed Consolidated Financial Statements.

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

(in millions, except for share data)	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
	(Unaudited)			
Preferred Stock	$ 334	$ —	$ 334	$ —
Common Stock	4	4	4	4
Additional Paid-in Capital				
Additional Paid-in Capital, beginning of period	4,300	4,374	4,378	4,379
Issuance of shares under incentive and stock compensation plans	(17)	(9)	(91)	(92)
Stock-based compensation plans expense	19	22	95	105
Issuance of shares for warrant exercise	—	(2)	(80)	(7)
Additional Paid-in Capital, end of period	4,302	4,385	4,302	4,385
Retained Earnings				
Retained Earnings, beginning of period	11,836	10,649	11,055	9,642
Cumulative effect of accounting changes, net of tax	—	—	—	5
Adjusted balance, beginning of period	11,836	10,649	11,055	9,647
Net income	535	432	1,537	1,611
Dividends declared on preferred stock	(11)	—	(16)	—
Dividends declared on common stock	(109)	(108)	(325)	(285)
Retained Earnings, end of period	12,251	10,973	12,251	10,973
Treasury Stock, at cost				
Treasury Stock, at cost, beginning of period	(984)	(1,128)	(1,091)	(1,194)
Treasury stock acquired	(63)	—	(90)	—
Issuance of shares under incentive and stock compensation plans	27	14	112	109
Net shares acquired related to employee incentive and stock compensation plans	(7)	(2)	(38)	(36)
Issuance of shares for warrant exercise	—	2	80	7
Treasury Stock, at cost, end of period	(1,027)	(1,114)	(1,027)	(1,114)
Accumulated Other Comprehensive Income (Loss), net of tax				
Accumulated Other Comprehensive Income (Loss), net of tax, beginning of period	(198)	(1,353)	(1,579)	663
Cumulative effect of accounting changes, net of tax	—	—	—	(5)
Adjusted balance, beginning of period	(198)	(1,353)	(1,579)	658
Total other comprehensive income (loss)	412	(166)	1,793	(2,177)
Accumulated Other Comprehensive Income (Loss), net of tax, end of period	214	(1,519)	214	(1,519)
Total Stockholders' Equity	**$ 16,078**	**$ 12,729**	**$ 16,078**	**$ 12,729**
Preferred Shares Outstanding				
Preferred Shares Outstanding, beginning of period	13,800	—	13,800	—
Issuance of preferred shares	—	—	—	—
Preferred Shares Outstanding, end of period	13,800	—	13,800	—
Common Shares Outstanding				
Common Shares Outstanding, beginning of period (in thousands)	361,605	358,359	359,151	356,835
Treasury stock acquired	(1,076)	—	(1,581)	—
Issuance of shares under incentive and stock compensation plans	588	331	2,447	2,373
Return of shares under incentive and stock compensation plans to treasury stock	(134)	(57)	(755)	(694)
Issuance of shares for warrant exercise	—	43	1,721	162
Common Shares Outstanding, at end of period	360,983	358,676	360,983	358,676
Cash dividends declared per common share	**$ 0.30**	**$ 0.30**	**$ 0.90**	**$ 0.80**
Cash dividends declared per preferred share	**$ 750.00**	**$ —**	**$ 1,125.00**	**$ —**

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)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating Activities	(Unaudited)	
Net income	$ 1,537	$ 1,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized capital gains	(332)	(7)
Amortization of deferred policy acquisition costs	1,184	1,092
Additions to deferred policy acquisition costs	(1,222)	(1,057)
Depreciation and amortization	333	359
Loss on extinguishment of debt	90	6
Gain on sale	—	(202)
Other operating activities, net	75	346
Change in assets and liabilities:		
Decrease in reinsurance recoverables	115	111
Decrease (increase) in accrued and deferred income taxes	784	(74)
Increase (decrease) in insurance liabilities	630	(119)
Net change in other assets and other liabilities	(748)	(224)
Net cash provided by operating activities	**2,446**	**1,842**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	14,335	20,069
Fixed maturities, fair value option	7	21
Equity securities, at fair value	1,260	1,171
Mortgage loans	491	314
Partnerships	201	377
Payments for the purchase of:		
Fixed maturities, available-for-sale	(15,592)	(18,679)
Equity securities, at fair value	(847)	(1,084)
Mortgage loans	(515)	(667)
Partnerships	(218)	(408)
Net proceeds from (payments for) derivatives	60	(228)
Net additions of property and equipment	(75)	(70)
Net proceeds from (payments for) short-term investments	1,480	(2,689)
Other investing activities, net	(6)	(4)
Proceeds from business sold, net of cash transferred	—	1,115
Amount paid for business acquired, net of cash acquired	(1,901)	—
Net cash used for investing activities	**(1,320)**	**(762)**
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	107	1,814
Withdrawals and other deductions from investment and universal life-type contracts	(101)	(9,210)
Net transfers from separate accounts related to investment and universal life-type contracts	—	6,949
Repayments at maturity or settlement of consumer notes	—	(2)
Net decrease in securities loaned or sold under agreements to repurchase	(291)	(646)
Repayment of debt	(1,583)	(826)
Proceeds from the issuance of debt	1,376	490
Net issuance (return) of shares under incentive and stock compensation plans	(18)	10
Treasury stock acquired	(90)	—
Dividends paid on preferred stock	(16)	—
Dividends paid on common stock	(327)	(270)
Net cash used for financing activities	**(943)**	**(1,691)**
Foreign exchange rate effect on cash	(14)	(4)
Net increase (decrease) in cash, including cash classified as assets held for sale	169	(615)
Less: Net increase (decrease) in cash classified as assets held for sale	—	(537)
Net increase (decrease) in cash and restricted cash	169	(78)
Cash and restricted cash – beginning of period	121	180
Cash and restricted cash– end of period	**$ 290**	**$ 102**
Supplemental Disclosure of Cash Flow Information		
Income tax received (paid)	$ 420	$ (1)
Interest paid	$ 210	$ 197

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 May 23, 2019, the Company completed the previously announced acquisition of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.137 billion in cash, including transaction expenses. For further discussion of this transaction, see Note 2 - Business Acquisition of Notes to Condensed Consolidated Financial Statements.

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 17 - 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.

Reclassifications

Certain reclassifications have been made to prior year financial information to conform to the current year presentation. In particular, restricted cash has been reclassified out of cash to a separate line on the Condensed Consolidated Balance Sheets. Restrictions on cash primarily relate to funds that are held to support regulatory and contractual obligations.

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 accumulated other comprehensive income ("AOCI"). The updates allow hedge accounting for new types of interest rate hedges of financial instruments and simplify documentation requirements to qualify for hedge accounting. In addition, any gain or loss from hedge

ineffectiveness is reported in the same income statement line with the effective hedge results and the hedged transaction. For cash flow hedges, the ineffectiveness is recognized in earnings only when the hedged transaction affects earnings; otherwise, the ineffectiveness gains or losses remain in AOCI. Under previous accounting, total hedge ineffectiveness was reported separately in realized capital gains and losses apart from the hedged transaction. The adoption did not affect the Company's financial position or cash flows or have a material effect on net income.

Leases

On January 1, 2019, the Company adopted the FASB's updated lease guidance. Under the updated guidance, lessees with operating leases are required to recognize a liability for the present value of future minimum lease payments with a corresponding asset for the right of use of the property. Prior to the new guidance, future minimum lease payments on operating leases were commitments that were not recognized as liabilities on the balance sheet. Leases are classified as financing or operating leases. Where the lease is economically similar to a purchase because The Hartford obtains control of the underlying asset, the lease is classified as a financing lease and the Company recognizes amortization of the right of use asset and interest expense on the liability. Where the lease provides The Hartford with only the right to control the use of the underlying asset over the lease term and the lease term is greater than one year, the lease is an operating lease and the lease cost is recognized as rental expense over the lease term on a straight-line basis. Leases with a term of one year or less are also expensed over the lease term but not recognized on the balance sheet. On adoption, The Hartford recorded a lease payment obligation of $160 for outstanding leases and a right of use asset of $150, which is net of $10 in lease incentives received, with no change to comparative periods. As permitted by the new guidance, as of the implementation date, the Company did not reassess whether expired or existing contracts are leases or contain leases, did not change the classification of expired or existing operating leases, and did not reassess initial direct costs for existing leases to determine if deferred costs should be written-off or recorded on adoption. The adoption did not impact net income or cash flows.

Future Adoption of New Accounting Standards

Financial Instruments - Credit Losses

The FASB issued updated guidance for recognition and measurement of credit losses on financial instruments. See 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 for more information on the future adoption of the new financial instruments credit losses accounting standard. The Company will adopt the updated guidance January 1, 2020, as required, although earlier adoption is permitted. While the ultimate impact of the adoption will depend on the size and composition of the financial instruments and market conditions at the adoption date, the adoption is not expected to have a material effect on the Company's financial position, cash flows or net income. The Company's implementation activities are ongoing and include review and validation of methodologies, data and assumptions used to estimate expected credit losses on financial instruments carried at other than fair value as well as testing updates to our investment accounting system to establish and adjust valuation allowances for fixed maturities, available for sale ("AFS"), subject to a fair value floor.

2. BUSINESS ACQUISITION

Navigators Group

On May 23, 2019, The Hartford acquired 100% of the outstanding shares of Navigators Group for $70 a share, or $2.121 billion in cash, comprised of cash of $2.098 billion and a liability for cash awards to replace share-based awards of $23. The acquisition of the specialty underwriter expands product offerings and geographic reach, and adds underwriting and industry talent to strengthen the Company's value proposition to agents and customers.

Fair Value of Assets Acquired and Liabilities Assumed at the Acquisition Date

	As of May 23, 2019
Assets	
Cash and invested assets	$ 3,848
Premiums receivable	492
Reinsurance recoverables	1,100
Prepaid reinsurance premiums	238
Other intangible assets	580
Property and equipment	83
Other assets	99
Total Assets Acquired	**6,440**
Liabilities	
Unpaid losses and loss adjustment expenses	2,823
Unearned premiums	1,219
Long-term debt	284
Deferred income taxes, net	48
Other liabilities	568
Total Liabilities Assumed	**4,942**
Net identifiable assets acquired	**1,498**
Goodwill [1]	623
Net Assets Acquired	**$ 2,121**

[1] Non-deductible for income tax purposes.

Intangible Assets Recorded in Connection with the Acquisition

Asset	Amount	Weighted Average Expected Life
Value of in-force contracts - Property and Casualty ("P&C")	$ 180	1
Distribution relationships	302	15
Trade name	17	10
Total finite life intangibles	**499**	**10**
Capacity of Lloyd's Syndicate	66	
Licenses	15	
Total indefinite life intangibles	**81**	
Total other intangible assets	**$ 580**	

The value of in-force contracts represents the estimated profits relating to the unexpired contracts in force net of related prepaid reinsurance at the acquisition date through expiry of the contracts. The value of distribution relationships was estimated using net cash flows expected to come from the renewals of in-force contracts and new business sold through existing distribution partners less costs to service the related policies. The value of the trade name was estimated using an assumed cost of a market-based royalty fee applied to net cash flows expected to come from business marketed as Navigators, a brand of The Hartford. Lloyd's of London is an insurance market-place operating worldwide ("Lloyd's"). Lloyd's does not underwrite risks. Corporate members accept underwriting risks through the syndicates that they form. The Company accepts risks as the sole corporate member of Lloyd's Syndicate 1221 ("Lloyd's Syndicate"). The value of the capacity of Lloyd's Syndicate was estimated using net cash flows attributable to Navigators Group's right to underwrite business up to an approved level of premium in the Lloyd's market. The values for in-force contracts, the distribution relationships, trade name and the capacity of the Lloyd's Syndicate were estimated using a discounted cash flow method. Significant inputs to the valuation models include estimates of expected new business, premium retention rates, investment returns, claim costs, expenses and discount rates based on a weighted average cost of capital. The value of licenses to write insurance in over 50 U.S. jurisdictions was estimated based on recent transactions for shell companies.

Expected Pre-tax Amortization Expense [1] for Acquired Intangibles as of September 30, 2019

	Value of In-force Contracts	Other Intangible Assets
2019 (three months)	$ 38	$ 5
2020	$ 47	$ 22
2021	$ 21	$ 22
2022	$ 9	$ 22
2023	$ —	$ 22

[1] In the Condensed Consolidated Statements of Operations, the amortization of value of in-force contracts is reported in amortization of deferred policy acquisition costs and the amortization of other intangible assets is reported in amortization of other intangible assets.

Property and equipment includes real estate owned and right of use assets under leases that were valued based on current values and market rental rates, software that was valued based on estimated replacement cost and furniture and equipment. These will be amortized over periods consistent with the Company's policy.

The fair value of unpaid losses and loss adjustment expenses net of related reinsurance recoverables was estimated based on the present value of expected future net unpaid loss and loss adjustment expense payments discounted using a risk-free interest rate as of the acquisition date plus a risk margin. The discount and risk margin amounts substantially offset.

Debt assumed in the transaction was valued based on the principal and interest payments discounted at the current market yield. This debt was paid off in August 2019. For further discussion of this transaction, see Note 10 - Debt of Notes to Condensed Consolidated Financial Statements.

The $623 of goodwill recognized is largely attributable to the acquired employee workforce and underwriting talent, leverageable operating platform, improved investment yield and economies of scale. Goodwill is allocated to the Company's Commercial Lines reporting segment.

Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased an aggregate excess of loss reinsurance agreement covering adverse reserve development ("Navigators ADC") from National Indemnity Company ("NICO") on behalf of Navigators Insurance Company and certain of its affiliates (collectively, the "Navigators Insurers"). Under the Navigators ADC, the Navigators Insurers paid NICO a

reinsurance premium of $91 in exchange for reinsurance coverage of $300 of adverse net loss reserve development that attaches $100 above the Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018 subject to the treaty of $1.816 billion for accidents and losses prior to December 31, 2018. In addition to recognizing a $91 before tax charge to earnings in the second quarter of 2019 for the Navigators ADC reinsurance premium, the Company recognized a charge against earnings of $97 before tax in the second quarter of 2019 as a result of a review of Navigators Insurers' net acquired reserves upon acquisition of the business. Navigators Insurers had previously recognized $52 before tax of adverse reserve development in the first quarter of 2019, including $32 of adverse development subject to the Navigators ADC. As such, reserve development of $97 before tax in the second quarter of 2019 included $68 remaining of the $100 Navigators ADC retention for 2018 and prior accident years and $29 of adverse reserve development related to the 2019 accident year which is not covered by the ADC. The $68 of reserve development for the 2018 and prior accident years recorded in the second quarter of 2019 was net of a $91 reinsurance recoverable recognized under the Navigators ADC with the Company having ceded $91 of the $300 available limit, leaving $209 of remaining limit. There was no additional net adverse development subject to the Navigators ADC in the third quarter as reserve increases in commercial auto were offset by decreases in general liability, marine, commercial property and professional liability. The Navigators ADC will be accounted for as retroactive reinsurance and future adverse reserve development, if any, would result in recognizing a deferred gain.

Since the acquisition date of May 23, 2019, the revenues and net losses of the business acquired have been included in the Company's Consolidated Statements of Operations in the Commercial Lines reporting segment and were $616 and $140, respectively, during the period from the acquisition date to September 30, 2019, including the $91 before tax ($72 net of tax) of premium paid for the Navigators ADC and the charge of $97 before tax ($77 net of tax) for the increase in acquired reserves following the acquisition.

The Company recognized $16 of acquisition related costs for the nine months ended September 30, 2019. These costs are included in insurance operating costs and other expenses in the Condensed Consolidated Statement of Operations.

The acquisition date fair values of assets and liabilities, including insurance reserves and intangible assets, as well as the related estimated useful lives of intangibles, are provisional and are subject to revision within one year of the acquisition date.

The following table presents supplemental unaudited pro forma amounts of revenue and net income for the nine months ended September 30, 2019 and 2018 for the Company as though the business was acquired on January 1, 2018. Pro forma adjustments include the revenue and earnings of Navigators Group for each period as well as amortization of identifiable intangible assets acquired.

Pro Forma Results for the Nine Months Ended September 30

	Revenue	Earnings
2019 Supplemental (unaudited) combined pro forma	$ 16,055	$ 1,532
2018 Supplemental (unaudited) combined pro forma	$ 15,404	$ 1,669

3. EARNINGS PER COMMON SHARE

Computation of Basic and Diluted Earnings per Common Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except for per share data)	**2019**	**2018**	**2019**	**2018**
Earnings				
Income from continuing operations, net of tax	$ 535	$ 427	$ 1,537	$ 1,289
Less: Preferred stock dividends	11	—	16	—
Income from continuing operations, net of tax, available to common stockholders	**524**	**427**	**$ 1,521**	**$ 1,289**
Income from discontinued operations, net of tax, available to common stockholders	—	5	—	322
Net income available to common stockholders	**$ 524**	**$ 432**	**$ 1,521**	**$ 1,611**
Shares				
Weighted average common shares outstanding, basic	361.4	358.6	361.0	358.1
Dilutive effect of stock-based awards under compensation plans	4.0	3.6	3.4	4.0
Dilutive effect of warrants [1]	—	1.9	0.7	2.0
Weighted average common shares outstanding and dilutive potential common shares	**365.4**	**364.1**	**365.1**	**364.1**
Earnings per common share				
Basic				
Income from continuing operations, net of tax, available to common stockholders	$ 1.45	$ 1.19	$ 4.21	$ 3.60
Income from discontinued operations, net of tax, available to common stockholders	—	0.01	—	0.90
Net income available to common stockholders	**$ 1.45**	**$ 1.20**	**$ 4.21**	**$ 4.50**
Diluted				
Income from continuing operations, net of tax, available to common stockholders	$ 1.43	$ 1.17	$ 4.17	$ 3.54
Income from discontinued operations, net of tax, available to common stockholders	—	0.02	—	0.88
Net income available to common stockholders	**$ 1.43**	**$ 1.19**	**$ 4.17**	**$ 4.42**

[1] On June 26, 2019, the Capital Purchase Program warrants issued in 2009 expired.

4. SEGMENT INFORMATION

The Company currently 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), transaction expenses incurred in connection with an acquisition, certain purchase accounting adjustments related to goodwill and other expenses not allocated to the reporting segments. Corporate also includes investment management fees and expenses related to managing third party business, including management of the invested assets of Talcott Resolution Life, Inc. and its subsidiaries ("Talcott Resolution"). 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 17 - 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.") as well as in the United Kingdom, continental Europe and other international locations.

Net Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Commercial Lines	$ 336	$ 289	$ 890	$ 959
Personal Lines	94	51	252	146
Property & Casualty Other Operations	18	9	52	31
Group Benefits	146	77	377	227
Hartford Funds	40	41	108	112
Corporate	(99)	(35)	(142)	136
Net income	**535**	**432**	**1,537**	**1,611**
Preferred stock dividends	11	—	16	—
Net income available to common stockholders	**$ 524**	**$ 432**	**$ 1,521**	**$ 1,611**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Earned premiums and fee income:				
Commercial Lines				
Workers' compensation	$ 825	$ 845	$ 2,480	$ 2,495
Liability	330	170	731	480
Marine	59	—	86	—
Package business	376	343	1,092	1,013
Property	198	154	529	456
Professional liability	137	65	304	190
Bond	67	60	192	179
Assumed reinsurance	75	—	104	—
Automobile	191	157	522	454
Total Commercial Lines	2,258	1,794	6,040	5,267
Personal Lines				
Automobile	564	598	1,690	1,809
Homeowners	248	261	741	785
Total Personal Lines [1]	812	859	2,431	2,594
Group Benefits				
Group disability	697	684	2,124	2,051
Group life	621	652	1,902	1,968
Other	64	60	187	179
Total Group Benefits	1,382	1,396	4,213	4,198
Hartford Funds				
Mutual fund and Exchange-Traded Products ("ETP")	231	242	674	710
Talcott Resolution life and annuity separate accounts [2]	23	25	69	76
Total Hartford Funds	254	267	743	786
Corporate	18	15	43	21
Total earned premiums and fee income	4,724	4,331	13,470	12,866
Net investment income	490	444	1,448	1,323
Net realized capital gains	89	38	332	60
Other revenues	44	29	129	73
Total revenues	**$ 5,347**	**$ 4,842**	**$ 15,379**	**$ 14,322**

[1]For the three months ended September 30, 2019 and 2018, AARP members accounted for earned premiums of $729 and $758, respectively. For the nine months ended September 30, 2019 and 2018, AARP members accounted for earned premiums of $2.2 billion and $2.3 billion, 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.

Revenue from Non-Insurance Contracts with Customers

		Three months ended September 30,		Nine months ended September 30,	
	Revenue Line Item	2019	2018	2019	2018
Commercial Lines					
Installment billing fees	Fee income	$ 8	$ 9	$ 26	$ 26
Personal Lines					
Installment billing fees	Fee income	9	10	28	30
Insurance servicing revenues	Other revenues	23	24	65	66
Group Benefits					
Administrative services	Fee income	45	43	135	131
Hartford Funds					
Advisor, distribution and other management fees	Fee income	232	245	677	722
Other fees	Fee income	22	21	65	63
Corporate					
Investment management and other fees	Fee income	14	15	38	21
Transition service revenues	Other revenues	6	6	18	8
Total non-insurance revenues with customers		**$ 359**	**$ 373**	**$ 1,052**	**$ 1,067**

5. FAIR VALUE MEASUREMENTS

The Company carries certain financial assets and liabilities at estimated fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. Our fair value framework includes a hierarchy that gives the highest priority to the use of quoted prices in active markets, followed by the use of market observable inputs, followed by the use of unobservable inputs. The fair value hierarchy levels are as follows:

Level 1 Fair values based primarily on unadjusted quoted prices for identical assets or liabilities, in active markets that the Company has the ability to access at the measurement date.

Level 2 Fair values primarily based on observable inputs, other than quoted prices included in Level 1, or based on prices for similar assets and liabilities.

Level 3 Fair values derived when one or more of the significant inputs are unobservable (including assumptions about risk). With little or no observable market, the determination of fair values uses considerable judgment and represents the Company's best estimate of an amount that could be realized in a market exchange for the asset or liability. Also included are securities that are traded within illiquid markets and/or priced by independent brokers.

The Company will classify the financial asset or liability by level based upon the lowest level input that is significant to the determination of the fair value. In most cases, both observable inputs (e.g., changes in interest rates) and unobservable inputs (e.g., changes in risk assumptions) are used to determine fair values that the Company has classified within Level 3.

Assets and (Liabilities) Carried at Fair Value by Hierarchy Level as of September 30, 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")	$ 1,337	$ —	$ 1,337	$ —
Collateralized loan obligations ("CLOs")	2,158	—	1,862	296
Commercial mortgage-backed securities ("CMBS")	4,254	—	4,234	20
Corporate	17,801	—	17,078	723
Foreign government/government agencies	1,117	—	1,114	3
Municipal	9,895	—	9,895	—
Residential mortgage-backed securities ("RMBS")	4,732	—	4,118	614
U.S. Treasuries	1,095	7	1,088	—
Total fixed maturities	42,389	7	40,726	1,656
Fixed maturities, FVO	39	—	39	—
Equity securities, at fair value	1,414	1,196	148	70
Derivative assets				
Credit derivatives	9	—	9	—
Foreign exchange derivatives	4	—	4	—
Interest rate derivatives	(1)	—	(1)	—
Total derivative assets [1]	12	—	12	—
Short-term investments	2,927	1,211	1,716	—
Total assets accounted for at fair value on a recurring basis	**$ 46,781**	**$ 2,414**	**$ 42,641**	**$ 1,726**
Liabilities accounted for at fair value on a recurring basis				
Derivative liabilities				
Credit derivatives	(1)	—	(1)	—
Equity derivatives	(5)	—	—	(5)
Foreign exchange derivatives	4	—	4	—
Interest rate derivatives	(69)	—	(69)	—
Total derivative liabilities [2]	(71)	—	(66)	(5)
Contingent consideration [3]	(21)	—	—	(21)
Total liabilities accounted for at fair value on a recurring basis	**$ (92)**	**$ —**	**$ (66)**	**$ (26)**

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.

In connection with the acquisition of Navigators Group, the Company has overseas deposits in Other Invested Assets of $55 as of September 30, 2019, which are measured at fair value using the net asset value as a practical expedient. There were no overseas deposits held as of December 31, 2018.

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

Valuation Techniques

The Company generally determines fair values using valuation techniques that use prices, rates, and other relevant information evident from market transactions involving identical or similar instruments. Valuation techniques also include, where appropriate, estimates of future cash flows that are converted into a single discounted amount using current market expectations. The Company uses a "waterfall" approach comprised of the following pricing sources and techniques, which are listed in priority order:

- Quoted prices, unadjusted, for identical assets or liabilities in active markets, which are classified as Level 1.
- Prices from third-party pricing services, which primarily utilize a combination of techniques. These services utilize recently reported trades of identical, similar, or benchmark securities making adjustments for market observable inputs available through the reporting date. If there are no recently

reported trades, they may use a discounted cash flow technique to develop a price using expected cash flows based upon the anticipated future performance of the underlying collateral discounted at an estimated market rate. Both techniques develop prices that consider the time value of future cash flows and provide a margin for risk, including liquidity and credit risk. Most prices provided by third-party pricing services are classified as Level 2 because the inputs used in pricing the securities are observable. However, some securities that are less liquid or trade less actively are classified as Level 3. Additionally, certain long-dated securities, such as municipal securities and bank loans, include benchmark interest rate or credit spread assumptions that are not observable in the marketplace and are thus classified as Level 3.

- Internal matrix pricing, which is a valuation process internally developed for private placement securities for which the Company is unable to obtain a price from a third-party pricing service. Internal pricing matrices determine credit spreads that, when combined with risk-free rates, are applied to contractual cash flows to develop a price. The Company develops credit spreads using market based data for public securities adjusted for credit spread differentials between public and private securities, which are obtained from a survey of multiple private placement brokers. The market-based reference credit spread considers the issuer's financial strength and term to maturity, using an independent public security index 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 incorporates counterparty credit risk. In some cases, quoted market prices for exchange-traded and over-the-counter ("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.

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

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 September 30, 2019				
CLOs [3]	$ 225	Discounted cash flows	Spread	235 bps	244 bps	240 bps	Decrease
CMBS [3]	$ 11	Discounted cash flows	Spread (encompasses prepayment, default risk and loss severity)	9 bps	1,832 bps	197 bps	Decrease
Corporate [4]	$ 508	Discounted cash flows	Spread	126 bps	668 bps	223 bps	Decrease
RMBS [3]	$ 614	Discounted cash flows	Spread [6]	15 bps	231 bps	73 bps	Decrease
			Constant prepayment rate [6]	1%	11%	6%	Decrease [5]
			Constant default rate [6]	1%	5%	3%	Decrease
			Loss severity [6]	—%	100%	72%	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 September 30, 2019				
Equity options	$ (5)	Option model	Equity volatility	11%	25%	15%	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 certain securities for which fair values are predominately based on independent broker quotes. While the Company does not have access to the significant unobservable inputs that independent brokers may use in their pricing process, the Company believes brokers likely use inputs similar to those used by the Company and third-party pricing services to price similar instruments. As such, in their pricing models, brokers likely use estimated loss severity rates, prepayment rates, constant default rates and credit spreads. Therefore, similar to non-broker priced securities, increases in these inputs would generally cause fair values to decrease. As of

September 30, 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 11.4%. 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 $43, of which $20 was paid in the first nine months of 2019 with ETP AUM of $2.6 billion as of September 30, 2019. Accordingly, as of September 30, 2019, the fair value of $21 reflects remaining consideration payable of $23, 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 September 30, 2019

	Fair value as of June 30, 2019	Total realized/unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of September 30, 2019
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 5	$ —	$ —	$ —	$ —	$ —	$ —	$ (5)	$ —
CLOs	286	—	—	92	(8)	—	—	(74)	296
CMBS	35	—	—	10	(1)	—	—	(24)	20
Corporate	568	(3)	—	166	(7)	(4)	15	(12)	723
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	758	—	(3)	—	(51)	—	—	(90)	614
Total Fixed Maturities, AFS	1,655	(3)	(3)	268	(67)	(4)	15	(205)	1,656
Equity Securities, at fair value	72	(2)	—	—	—	—	—	—	70
Total Assets	**$ 1,727**	**$ (5)**	**$ (3)**	**$ 268**	**$ (67)**	**$ (4)**	**$ 15**	**$ (205)**	**$ 1,726**
Liabilities									
Contingent Consideration	(21)	—	—	—	—	—	—	—	(21)
Derivatives, net [4]									
Equity	(3)	(2)	—	—	—	—	—	—	(5)
Total Derivatives, net [4]	(3)	(2)	—	—	—	—	—	—	(5)
Total Liabilities	**$ (24)**	**$ (2)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (26)**

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Nine Months Ended September 30, 2019

	Fair value as of January 1, 2019	Total realized/unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of September 30, 2019
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 10	$ —	$ —	$ 5	$ (1)	$ —	$ —	$ (14)	$ —
CLOs	100	—	—	329	(18)	(6)	—	(109)	296
CMBS	12	—	1	34	(3)	—	—	(24)	20
Corporate	520	(4)	9	261	(13)	(68)	61	(43)	723
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
RMBS	920	1	(5)	134	(163)	(35)	—	(238)	614
Total Fixed Maturities, AFS	1,565	(3)	5	763	(198)	(109)	61	(428)	1,656
Equity Securities, at fair value	77	(3)	—	9	—	(13)	—	—	70
Derivatives, net [4]									
Interest rate	1	(1)	—	—	—	—	—	—	—
Total Derivatives, net [4]	1	(1)	—	—	—	—	—	—	—
Total Assets	**$ 1,643**	**$ (7)**	**$ 5**	**$ 772**	**$ (198)**	**$ (122)**	**$ 61**	**$ (428)**	**$ 1,726**
Liabilities									
Contingent Consideration	(35)	(6)	—	—	20	—	—	—	(21)
Derivatives, net [4]									
Equity	3	(8)	—	—	—	—	—	—	(5)
Total Derivatives, net [4]	3	(8)	—	—	—	—	—	—	(5)
Total Liabilities	**$ (32)**	**$ (14)**	**$ —**	**$ —**	**$ 20**	**$ —**	**$ —**	**$ —**	**$ (26)**

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Three Months Ended September 30, 2018

	Fair value as of June 30, 2018	Total realized/unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of September 30, 2018
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 57	$ —	$ —	$ 39	$ (2)	$ —	$ 9	$ (49)	$ 54
CLOs	159	—	—	211	—	—	—	(74)	296
CMBS	28	(1)	1	—	(1)	—	—	(5)	22
Corporate	559	—	(2)	12	(2)	(12)	—	(4)	551
Foreign Govt./Govt. Agencies	3	—	—	—	—	—	—	—	3
Municipal	9	—	—	—	—	—	—	—	9
RMBS	1,137	—	(3)	—	(77)	(26)	—	(97)	934
Total Fixed Maturities, AFS	1,952	(1)	(4)	262	(82)	(38)	9	(229)	1,869
Equity Securities, at fair value	66	—	—	12	—	—	—	—	78
Derivatives, net [4]									
Equity	1	—	—	—	—	—	—	—	1
Interest rate	2	—	—	—	—	—	—	—	2
Total Derivatives, net [4]	3	—	—	—	—	—	—	—	3
Total Assets	**$ 2,021**	**$ (1)**	**$ (4)**	**$ 274**	**$ (82)**	**$ (38)**	**$ 9**	**$ (229)**	**$ 1,950**
Liabilities									
Contingent Consideration	(31)	(1)	—	—	—	—	—	—	(32)
Total Liabilities	**$ (31)**	**$ (1)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (32)**

Fair Value Rollforwards for Financial Instruments Classified as Level 3 for the Nine Months Ended September 30, 2018

	Fair value as of January 1, 2018	Total realized/unrealized gains (losses)		Purchases	Settlements	Sales	Transfers into Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of September 30, 2018
		Included in net income [1]	Included in OCI [2]						
Assets									
Fixed Maturities, AFS									
ABS	$ 19	$ —	$ —	$ 89	$ (5)	$ —	$ 12	$ (61)	$ 54
CLOs	95	—	—	309	—	(4)	—	(104)	296
CMBS	69	(1)	—	25	(4)	(8)	—	(59)	22
Corporate	520	1	(10)	143	(34)	(43)	15	(41)	551
Foreign Govt./Govt. Agencies	2	—	—	1	—	—	—	—	3
Municipal	17	—	(1)	—	—	—	—	(7)	9
RMBS	1,230	—	(10)	170	(251)	(27)	—	(178)	934
Total Fixed Maturities, AFS	1,952	—	(21)	737	(294)	(82)	27	(450)	1,869
Equity Securities, at fair value	76	28	1	13	—	(40)	—	—	78
Derivatives, net [4]									
Equity	1	1	—	1	—	(2)	—	—	1
Interest rate	1	1	—	—	—	—	—	—	2
Total Derivatives, net [4]	2	2	—	1	—	(2)	—	—	3
Total Assets	**$ 2,030**	**$ 30**	**$ (20)**	**$ 751**	**$ (294)**	**$ (124)**	**$ 27**	**$ (450)**	**$ 1,950**
Liabilities									
Contingent Consideration	(29)	(3)	—	—	—	—	—	—	(32)
Total Liabilities	**$ (29)**	**$ (3)**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ (32)**

[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.

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

	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	2019	2018	2019	2018	2019	2018
	Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]		Changes in Unrealized Gain/(Loss) included in OCI [3]		Changes in Unrealized Gain/(Loss) included in Net Income [1] [2]		Changes in Unrealized Gain/(Loss) included in OCI [3]	
Assets								
Fixed Maturities, AFS								
CLOs	$ —	$ —	$ —	$ —	$ —	$ —	$ 1	$ —
CMBS	—	—	—	1	—	—	—	1
Corporate	(2)	—	—	(2)	(3)	—	8	(11)
Foreign Govt./Govt. Agencies	—	—	—	—	—	—	1	—
RMBS	—	—	(3)	(3)	—	—	(4)	(10)
Total Fixed Maturities, AFS	(2)	—	(3)	(4)	(3)	—	6	(20)
Equity Securities, at fair value	(2)	—	—	—	(2)	—	—	—
Derivatives, net								
Equity	—	(1)	—	—	—	(1)	—	—
Interest rate	—	—	—	—	(1)	—	—	—
Total Derivatives, net	—	(1)	—	—	(1)	(1)	—	—
Total Assets	**$ (4)**	**$ (1)**	**$ (3)**	**$ (4)**	**$ (6)**	**$ (1)**	**$ 6**	**$ (20)**
Liabilities								
Contingent Consideration	—	(1)	—	—	(6)	(3)	—	—
Derivatives, net								
Equity	(2)	—	—	—	(8)	—	—	—
Total Derivatives, net	(2)	—	—	—	(8)	—	—	—
Total Liabilities	**$ (2)**	**$ (1)**	**$ —**	**$ —**	**$ (14)**	**$ (3)**	**$ —**	**$ —**

[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 RMBS that contain embedded credit derivatives with underlying credit risk. These securities are included within Fixed Maturities, FVO on the Condensed Consolidated Balance Sheets and changes in the fair value of these securities are reported in net realized capital gains and losses.

As of September 30, 2019 and December 31, 2018, the fair value of assets and liabilities using the fair value option was $39 and $22, respectively, within the residential real estate sector.

For the three and nine months ended September 30, 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

	September 30, 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	$ 3,736	$3,900	Level 3	$ 3,704	$3,746
Liabilities						
Other policyholder funds and benefits payable	Level 3	$ 772	$ 774	Level 3	$ 774	$ 775
Senior notes [1]	Level 2	$ 3,757	$4,416	Level 2	$ 3,589	$3,887
Junior subordinated debentures [1]	Level 2	$ 1,089	$1,122	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.

6. INVESTMENTS

Net Realized Capital Gains

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Before tax)	2019	2018	2019	2018
Gross gains on sales	$ 77	$ 26	$ 190	$ 91
Gross losses on sales	(4)	(41)	(44)	(129)
Equity securities [1]	19	46	181	88
Net OTTI losses recognized in earnings	(1)	(1)	(3)	(1)
Valuation allowances on mortgage loans	—	—	1	—
Transactional foreign currency revaluation	—	—	—	1
Non-qualifying foreign currency derivatives	2	1	2	2
Other, net [2]	(4)	7	5	8
Net realized capital gains	**$ 89**	**$ 38**	**$ 332**	**$ 60**

[1]Includes all changes in fair value and trading gains and losses for equity securities. The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of September 30, 2019, were $17 and $100 for the three and nine months ended September 30, 2019, respectively. The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of September 30, 2018, were $41 and $50 for the three and nine months ended September 30, 2018, respectively.

[2]Includes gains (losses) on non-qualifying derivatives, excluding foreign currency derivatives, of $(7) and $8, respectively, for the three months ended September 30, 2019 and 2018. For the nine months ended September 30, 2019 and 2018, the non-qualifying derivatives, excluding foreign currency derivatives, were $1 and $6 respectively.

Net realized capital gains (losses) from investment sales are reported as a

September 30, 2019, respectively, and $(15) and $(59) for the three and nine months ended September 30, 2018, respectively. Proceeds from the sales of AFS securities totaled $2.6 billion and $11.5 billion for the three and nine months ended September 30, 2019 , respectively, and $4.6 billion and $13.1 billion, for the three and nine months ended September 30, 2018, respectively.

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)

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 $72 and $143 for the three and nine months ended

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.

Impairments in Earnings by Type

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Credit impairments	$ 1	$ 1	$ 3	$ 1
Total impairments	**$ 1**	**$ 1**	**$ 3**	**$ 1**

Cumulative Credit Impairments

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Before tax)	2019	2018	2019	2018
Balance as of beginning of period	$ (18)	$ (20)	$ (19)	$ (25)
Additions for credit impairments recognized on [1]:				
Securities not previously impaired	(1)	—	(3)	—
Securities previously impaired	—	(1)	—	(1)
Reductions for credit impairments previously recognized on:				
Securities that matured or were sold during the period	—	1	3	6
Balance as of end of period	**$ (19)**	**$ (20)**	**$ (19)**	**$ (20)**

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

Available-for-Sale Securities

AFS Securities by Type

	September 30, 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	$ 1,315	$ 23	$ (1)	$ 1,337	$ —	$ 1,272	$ 5	$ (1)	$ 1,276	$ —
CLOs	2,162	4	(8)	2,158	—	1,455	2	(20)	1,437	—
CMBS	4,067	193	(6)	4,254	(4)	3,581	35	(64)	3,552	(5)
Corporate	16,867	970	(36)	17,801	—	13,696	148	(446)	13,398	—
Foreign govt./govt. agencies	1,053	65	(1)	1,117	—	866	7	(26)	847	—
Municipal	9,095	801	(1)	9,895	—	9,972	421	(47)	10,346	—
RMBS	4,626	107	(1)	4,732	—	3,270	44	(35)	3,279	—
U.S. Treasuries	989	106	—	1,095	—	1,491	41	(15)	1,517	—
Total fixed maturities, AFS	**$ 40,174**	**$ 2,269**	**$ (54)**	**$ 42,389**	**$ (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 September 30, 2019 and December 31, 2018.

Fixed maturities, AFS, by Contractual Maturity Year

	September 30, 2019		December 31, 2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$ 1,226	$ 1,233	$ 999	$ 1,002
Over one year through five years	7,144	7,333	5,786	5,791
Over five years through ten years	7,405	7,812	6,611	6,495
Over ten years	12,229	13,530	12,629	12,820
Subtotal	28,004	29,908	26,025	26,108
Mortgage-backed and asset-backed securities	12,170	12,481	9,578	9,544
Total fixed maturities, AFS	**$ 40,174**	**$ 42,389**	**$ 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 September 30, 2019 or December 31, 2018 other than U.S. government securities and certain U.S. government agencies.

Unrealized Losses on AFS Securities

Unrealized Loss Aging for AFS Securities by Type and Length of Time as of September 30, 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	$ 144	$ 143	$ (1)	$ 11	$ 11	$ —	$ 155	$ 154	$ (1)
CLOs	1,109	1,105	(4)	429	425	(4)	1,538	1,530	(8)
CMBS	88	87	(1)	31	26	(5)	119	113	(6)
Corporate	930	918	(12)	497	473	(24)	1,427	1,391	(36)
Foreign govt./govt. agencies	58	58	—	39	38	(1)	97	96	(1)
Municipal	128	127	(1)	—	—	—	128	127	(1)
RMBS	166	165	(1)	69	69	—	235	234	(1)
U.S. Treasuries	37	37	—	119	119	—	156	156	—
Total fixed maturities, AFS in an unrealized loss position	**$ 2,660**	**$ 2,640**	**$ (20)**	**$ 1,195**	**$ 1,161**	**$ (34)**	**$ 3,855**	**$ 3,801**	**$ (54)**

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 September 30, 2019, AFS securities in an unrealized loss position consisted of 781 securities, primarily in the corporate sector, which were depressed primarily due to widening of credit spreads since the securities were purchased. As of September 30, 2019, 95% of these securities were depressed less than 20% of cost or amortized cost. The decrease in unrealized losses during the nine months ended September 30, 2019 was primarily attributable to lower interest rates and tighter credit spreads.

Most of the securities depressed for twelve months or more relate to corporate securities which were primarily depressed because current market spreads are wider 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.

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 September 30, 2019, mortgage loans had an amortized cost of $3.7 billion and carrying value of $3.7 billion, with no valuation allowance. 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 September 30, 2019, there were no mortgage loans that had a valuation allowance. As of 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 September 30, 2019 or December 31, 2018. As of September 30, 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	1	—
Deductions	—	—
Balance, as of September 30	**$ —**	**$ (1)**

The weighted-average LTV ratio of the Company’s mortgage loan portfolio was 52% as of September 30, 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 September 30, 2019 and December 31, 2018, the Company held no delinquent commercial mortgage loans past due by 90 days or more.

Mortgage Loans Credit Quality

	September 30, 2019		December 31, 2018	
Loan-to-value	**Carrying Value**	**Avg. Debt-Service Coverage Ratio**	**Carrying Value**	**Avg. Debt-Service Coverage Ratio**
65% - 80%	481	1.53x	386	1.60x
Less than 65%	3,255	2.52x	3,318	2.59x
Total mortgage loans	**$ 3,736**	**2.39x**	**$ 3,704**	**2.49x**

Mortgage Loans by Region

	September 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
East North Central	$ 274	7.3%	$ 250	6.8%
Middle Atlantic	306	8.2%	270	7.3%
Mountain	63	1.7%	30	0.8%
New England	345	9.2%	330	8.9%
Pacific	835	22.4%	917	24.8%
South Atlantic	743	19.9%	712	19.2%
West North Central	121	3.2%	148	4.0%
West South Central	406	10.9%	420	11.3%
Other [1]	643	17.2%	627	16.9%
Total mortgage loans	**$ 3,736**	**100.0%**	**$ 3,704**	**100.0%**

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

Mortgage Loans by Property Type

	September 30, 2019		December 31, 2018	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Commercial				
Industrial	$ 1,156	30.9%	$ 1,108	29.9%
Multifamily	1,156	30.9%	1,138	30.7%
Office	719	19.3%	708	19.1%
Retail	430	11.5%	392	10.6%
Single Family	135	3.6%	82	2.2%
Other	140	3.8%	276	7.5%
Total mortgage loans	**$ 3,736**	**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 fee income over the period that services are performed. As of September 30, 2019, under this program, the Company serviced mortgage loans with a total outstanding principal of $6.6 billion, of which $4.1 billion was serviced on behalf of third parties and $2.5 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 September 30, 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 September 30, 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 of September 30, 2019 and December 31, 2018 was limited to the total carrying value of $1.1 billion and $1.0 billion, respectively, which are included in limited partnerships and other alternative investments in the Company's Condensed Consolidated Balance Sheets. As of September 30, 2019 and December 31, 2018, the Company has outstanding commitments totaling $808 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's 2018 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 include ABS, CLOs, CMBS and RMBS and are reported in fixed maturities, available-for-sale, 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 and Restricted Investments

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

	September 30, 2019	December 31, 2018
	Fair Value	Fair Value
Securities Lending Transactions:		
Gross amount of securities on loan	$ 603	$ 820
Gross amount of associated liability for collateral received [1]	$ 618	$ 840
Repurchase agreements:		
Gross amount of recognized liabilities for repurchase agreements	$ —	$ 72
Gross amount of collateral pledged related to repurchase agreements [2]	$ —	$ 73
Gross amount of recognized receivables for reverse repurchase agreements	$ 52	$ 64

[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 $0 and $3 which are excluded from the Company's Condensed Consolidated Balance Sheets as of September 30, 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 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.

Other Collateral Transactions

As of September 30, 2019 and December 31, 2018, the Company pledged collateral of $37 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 7 - Derivatives of Notes to Condensed Consolidated Financial Statements. For disclosure of collateral in support of credit facilities, refer to Note 10 - Debt of Notes to Condensed Consolidated Financial Statements.

Other Restricted Investments

The Company is required by law to deposit securities with government agencies in certain states in which it conducts business. As of September 30, 2019 and December 31, 2018, the fair value of securities on deposit was $2.4 billion and $2.2 billion, respectively.

In addition, as of September 30, 2019, the Company held fixed maturities and short-term investments of $548 and $0, respectively in trust for the benefit of syndicate policyholders and other investments of $55 primarily consisting of overseas deposits in various countries with Lloyd's to support underwriting activities in those countries.

7. DERIVATIVES

The Company utilizes a variety of OTC, OTC-cleared and exchange traded derivative instruments as a part of its overall risk management strategy as well as to enter into replication transactions. 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.

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’s 2018 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 non-U.S. 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 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 September 30, 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 non-U.S. dollar denominated fixed maturity investments to U.S. dollars. The Company may at times enter into foreign currency forwards to hedge non-U.S. dollar denominated cash or equity securities.

Equity Index Options

The Company enters into equity index options to hedge the impact of a decline in the equity markets on the investment portfolio. The Company also enters into call options on equity securities to generate additional return.

Derivative Balance Sheet Classification

For reporting purposes, the Company has elected to offset within assets or liabilities based upon the net of the fair value amounts, income accruals, and related cash collateral receivables and payables of OTC derivative instruments executed in a legal entity and with the same counterparty under a master netting agreement, which provides the Company with the legal right of offset. The following fair value amounts do not include income accruals or related cash collateral receivables and payables, which are netted with derivative fair value amounts to determine balance sheet presentation. The Company's derivative instruments are held for risk management purposes, unless otherwise noted in the following table. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company's derivative activity. Notional amounts are not necessarily reflective of credit risk.

Derivative Balance Sheet Presentation

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Hedge Designation/ Derivative Type	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2019	Dec. 31, 2018
Cash flow hedges								
Interest rate swaps	$ 2,040	$ 2,040	$ —	$ 1	$ —	$ 2	$ —	$ (1)
Foreign currency swaps	242	153	7	(6)	9	2	(2)	(8)
Total cash flow hedges	**2,282**	**2,193**	**7**	**(5)**	**9**	**4**	**(2)**	**(9)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps and futures	8,844	8,451	(70)	(62)	2	8	(72)	(70)
Foreign exchange contracts								
Foreign currency swaps and forwards	454	287	1	(1)	1	—	—	(1)
Credit contracts								
Credit derivatives that purchase credit protection	353	6	(2)	—	—	—	(2)	—
Credit derivatives that assume credit risk [1]	521	1,102	10	3	10	8	—	(5)
Credit derivatives in offsetting positions	32	41	—	—	5	6	(5)	(6)
Equity contracts								
Equity index swaps and options	715	211	(5)	4	8	5	(13)	(1)
Total non-qualifying strategies	**10,919**	**10,098**	**(66)**	**(56)**	**26**	**27**	**(92)**	**(83)**
Total cash flow hedges and non-qualifying strategies	**$ 13,201**	**$ 12,291**	**$ (59)**	**$ (61)**	**$ 35**	**$ 31**	**$ (94)**	**$ (92)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 225	$ 153	$ —	$ —	$ —	$ —	$ —	$ —
Other investments	1,305	9,864	12	7	15	23	(3)	(16)
Other liabilities	11,671	2,274	(71)	(68)	20	8	(91)	(76)
Total derivatives	**$ 13,201**	**$ 12,291**	**$ (59)**	**$ (61)**	**$ 35**	**$ 31**	**$ (94)**	**$ (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 September 30, 2019							
Other investments	$ 35	$ 32	$ 12	$ (9)	$ 1		$ 2
Other liabilities	$ (94)	$ (12)	$ (71)	$ (11)	$ (73)		$ (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.

Gain (Loss) Recognized in OCI

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest rate swaps	$ —	$ —	$ 20	$ (16)
Foreign currency swaps	10	—	14	1
Total	**$ 10**	**$ —**	**$ 34**	**$ (15)**

Gain (Loss) Reclassified from AOCI into Income

	Three Months Ended September 30,						Nine Months Ended September 30,					
	2019			2018			2019			2018		
	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense	Net Realized Capital Gain/(Loss)	Net Investment Income	Interest Expense
Interest rate swaps	$ —	$ 1	$ —	$ —	$ 7	$ —	$ 2	$ 1	$ 1	$ 1	$ 24	$ —
Foreign currency swaps	—	1	—	—	—	—	—	2	—	—	—	—
Total	**$ —**	**$ 2**	**$ —**	**$ —**	**$ 7**	**$ —**	**$ 2**	**$ 3**	**$ 1**	**$ 1**	**$ 24**	**$ —**
Total amounts presented on the Condensed Consolidated Statement of Operations	**$ 89**	**$ 490**	**$ 67**	**$ 38**	**$ 444**	**$ 69**	**$ 332**	**$ 1,448**	**$ 194**	**$ 60**	**$ 1,323**	**$ 228**

As of September 30, 2019, the Company had $20 of before tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months. 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 and nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Foreign exchange contracts				
Foreign currency swaps and forwards	$ 2	$ 1	$ 2	$ 2
Other non-qualifying derivatives				
Interest rate contracts				
Interest rate swaps, swaptions, and futures	(5)	1	(20)	7
Credit contracts				
Credit derivatives that purchase credit protection	(1)	—	(1)	—
Credit derivatives that assume credit risk	—	8	27	—
Equity contracts				
Equity index swaps and options	(1)	(1)	(5)	(1)
Total other non-qualifying derivatives	(7)	8	1	6
Total [1]	**$ (5)**	**$ 9**	**$ 3**	**$ 8**

[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 5 - 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.

Credit Risk Assumed Derivatives by Type

	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
As of September 30, 2019							
Single name credit default swaps							
Investment grade risk exposure	$ 121	$ 2	5 years	Corporate Credit	A-	$ —	$ —
Basket credit default swaps [4]							
Investment grade risk exposure	400	8	5 years	Corporate Credit	BBB+	—	—
Investment grade risk exposure	1	—	Less than 1 year	CMBS Credit	A-	1	—
Below investment grade risk exposure	15	(5)	Less than 1 year	CMBS Credit	CCC-	15	5
Total [5]	**$ 537**	**$ 5**				**$ 16**	**$ 5**
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 5 - 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 September 30, 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 September 30, 2019 and December 31, 2018, the Company also pledged securities collateral associated with derivative instruments with a fair value of $81 and $67, respectively, which have been included in fixed maturities on the Company's Condensed Consolidated Balance Sheets. The counterparties generally have the right to sell or re-pledge these securities.

In addition, as of September 30, 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 $83 and $89, respectively, which are included within fixed maturities on the Company's Condensed Consolidated Balance Sheets.

As of September 30, 2019 and December 31, 2018, the Company accepted cash collateral associated with derivative instruments of $17 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 September 30, 2019 and December 31, 2018, with a fair value of $2 and $5, respectively, which the Company has the right to sell or repledge. As of September 30, 2019 and December 31, 2018, the Company had no repledged securities and no securities held as collateral have been sold. As of September 30, 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.

8. 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 nine months ended September 30,	
	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**
Navigators Group acquisition	2,001	—
Provision for unpaid losses and loss adjustment expenses		
Current accident year	5,448	5,151
Prior accident year development	(23)	(139)
Total provision for unpaid losses and loss adjustment expenses	**5,425**	**5,012**
Payments		
Current accident year	(1,549)	(1,647)
Prior accident years	(3,403)	(3,166)
Total payments	**(4,952)**	**(4,813)**
Foreign currency adjustment	(12)	**—**
Ending liabilities for unpaid losses and loss adjustment expenses, net	**22,814**	**20,017**
Reinsurance and other recoverables	5,083	3,780
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 27,897**	**$ 23,797**

Unfavorable (Favorable) Prior Accident Year Development

	For the nine months ended September 30,	
	2019	2018
Workers' compensation	$ (90)	$ (97)
Workers' compensation discount accretion	25	30
General liability	62	32
Marine	8	—
Package business	(32)	(16)
Commercial property	(16)	(10)
Professional liability	32	(12)
Bond	(2)	—
Assumed Reinsurance	3	—
Automobile liability - Commercial Lines	27	(15)
Automobile liability - Personal Lines	(28)	(10)
Homeowners	—	(20)
Net asbestos reserves	—	—
Net environmental reserves	—	—
Catastrophes	(27)	(47)
Uncollectible reinsurance	—	22
Other reserve re-estimates, net	15	4
Total prior accident year development [1]	**$ (23)**	**$ (139)**

[1] Included a prior accident year reserve increase of $68 related to the Navigators Group acquisition for the nine months ended September 30, 2019 consisting of $34 for general liability, $25 for professional liability, $10 for marine, $3 for assumed reinsurance and $2 for commercial auto liability, partially offset by a reserve decrease of $6 for commercial property.

Re-estimates of prior accident year reserves for the nine months ended September 30, 2019

Workers' compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 through 2017 accident years and, to a lesser extent, in national accounts due to lower estimated claim severity, primarily for accident years 2013 and prior.

General liability reserves were increased, primarily due to reserve increases in small commercial for accident years 2017 and 2018 due to higher frequency of high-severity bodily injury claims, reserve increases in middle and large commercial for accident years 2015 to 2018 due to higher estimated severity, as well as increased estimated severity on the acquired Navigators book of business related to U.S. construction, premises liability, products liability and excess casualty, mostly related to accident years 2014 to 2018. In addition, an increase in reserves for mass torts was offset by a decrease in reserves for extra contractual liability claims.

Marine reserves were increased, principally related to pollution exposure from the 1980s and 1990s related to the Navigators Group book of business.

Package business reserves were decreased, primarily due to favorable emergence on property claims related to accident years 2016 through 2018 and due to favorable development of allocated loss adjustment expenses on general liability claims for 2017 and prior accident years.

Commercial property reserves were decreased, principally due to favorable emergence of reported losses, including on the acquired Navigators Group book of business related to offshore energy in accident years 2017 to 2018 and construction engineering across accident years 2015 to 2018.

Professional liability reserves were increased, primarily due to large loss activity, including wrongful termination and discrimination claims, in accident years 2017 and 2018 and increased estimated frequency and severity of directors' and officers' reserves on the Navigators Group book of business, principally for the 2014 to 2018 accident years.

Automobile liability reserves were decreased in Personal Lines due to the emergence of lower estimated severity in automobile liability for accident year 2017 and were increased in Commercial Lines due to higher estimated severity on national accounts, principally in accident years 2017 and 2018.

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

In September, 2019, PG&E Corporation and Pacific Gas and Electric Company (together, "PG&E") agreed in principle to an $11 billion settlement with insurers representing approximately 85 percent of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. The settlement is subject to approval of the bankruptcy court overseeing PG&E's Chapter 11 bankruptcy filing. The settlement is also subject to the confirmation by the bankruptcy court of a chapter 11 plan of reorganization (a "Plan") which implements the terms of the settlement. If a Plan is approved, certain of the Company's insurance subsidiaries would be entitled to settlement payments. Based on reserve estimates submitted with the subrogation request, the amount our subsidiaries could collect from PG&E, if any, would be approximately $325 but could be more or less than that amount depending on how the Company's ultimate paid claims subject to subrogation compare to other insurers' ultimate paid claims subject to subrogation. Approval of the Plan and amount of the Company's ultimate subrogation recoveries from PG&E are subject to uncertainty. This includes, among other things, uncertainty regarding liabilities for current or future wildfires caused or allegedly caused by PG&E, the value of recoveries by other creditors and PG&E's ability to secure funds to pay its creditors.

Given the uncertainty, the Company has not recognized a benefit from potential subrogation from PG&E and will evaluate in future periods when more information becomes known. The first $116 of subrogation recoveries would be offset by a $116 reduction in reinsurance recoverables resulting in no net benefit to income. No changes have been made in 2019 to estimated incurred losses from the 2017 or 2018 wildfires.

Re-estimates of prior accident year reserves for the nine months ended September 30, 2018

Workers' compensation reserves were reduced in small commercial and middle market, primarily for accident years 2012 to 2015, as both claim frequency and medical claim severity have emerged favorably compared to previous reserve estimates.

General liability reserves were increased, primarily due to an increase in reserves for higher hazard general liability exposures in middle market for accident years 2009 to 2017, partially offset by a decrease in reserves for other lines within middle market, including premises and operations, umbrella and products liability, principally for accident years 2015 and prior. Contributing to the increase in reserves for higher hazard general liability exposures was an increase in large losses and, in more recent accident years, an increase in claim frequency. Contributing to the reduction in reserves for other middle market lines were more favorable outcomes due to initiatives to reduce legal expenses. In addition, reserve increases for claims with lead paint exposure were offset by reserve decreases for other mass torts and extra-contractual liability claims.

Package business reserves were reduced, primarily due to lower reserve estimates for both liability and property for accident years 2010 and prior, including a recovery of loss adjustment expenses for the 2005 accident year.

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

Professional liability reserves were reduced, principally for accident years 2014 and prior, for directors and officers liability claims principally due to a number of older claims closing with limited or no payment.

Automobile liability reserves were reduced, primarily driven by reduced estimates of loss adjustment expenses in small commercial for recent accident years and favorable development in personal automobile liability for accident years 2014 to 2017, principally due to lower severity, including with uninsured and underinsured motorist claims.

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

Catastrophe reserves were reduced, primarily as a result of lower estimated net losses from 2017 catastrophes, principally related to hurricanes Harvey and Irma. Before reinsurance, estimated losses for 2017 catastrophe events decreased by $133 in the nine months ended September 30, 2018, resulting in a decrease in reinsurance recoverables of $90 as the Company no longer expects to recover under the 2017 Property Aggregate reinsurance treaty as aggregate ultimate losses for 2017 catastrophe events are now projected to be less than $850.

Uncollectible reinsurance reserves were increased due to lower anticipated recoveries related to older accident years.

Group Life, Disability and Accident Products

Rollforward of Liabilities for Unpaid Losses and Loss Adjustment Expenses

	For the nine months ended September 30,	
	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**
Aetna U.S. group life and disability business acquisition	—	42
Provision for unpaid losses and loss adjustment expenses		
Current incurral year	3,351	3,423
Prior year's discount accretion	169	175
Prior incurral year development [1]	(321)	(284)
Total provision for unpaid losses and loss adjustment expenses [2]	**3,199**	**3,314**
Payments		
Current incurral year	(1,603)	(1,659)
Prior incurral years	(1,743)	(1,741)
Total payments	**(3,346)**	**(3,400)**
Ending liabilities for unpaid losses and loss adjustment expenses, net	**8,059**	**8,259**
Reinsurance recoverables	231	241
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 8,290**	**$ 8,500**

[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 $130 and $131 for the nine months ended September 30, 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 nine months ended September 30, 2019

Group disability- Prior period reserve estimates decreased by approximately $265 largely driven by group long-term disability claim recoveries higher than prior reserve assumptions and claim incidence lower than prior assumptions. Long-term disability ("LTD") reserve assumptions were also updated based partially on these more recent favorable trends. New York Paid Family Leave also experienced favorable claim emergence and refund compared to year-end estimates.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $45 largely driven by lower-than-previously expected claim incidence in group life Premium Waiver.

Re-estimates of prior incurral years reserves for the nine months ended September 30, 2018

Group disability- Prior period reserve estimates decreased by approximately $195 largely driven by group long-term

disability claim recoveries higher than prior reserve assumptions and claim incidence lower than prior assumptions. Short-term disability has also experienced favorable claim recoveries.

Group life and accident (including group life premium waiver)- Prior period reserve estimates decreased by approximately $85 largely driven by lower-than-previously expected claim incidence inclusive of group life, group life premium waiver, and group accidental death & dismemberment.

9. RESERVE FOR FUTURE POLICY BENEFITS

Changes in Reserves for Future Policy Benefits[1]

Liability balance, as of January 1, 2019	**$**	**642**
Incurred		63
Paid		(77)
Change in unrealized investment gains and losses		17
Liability balance, as of September 30, 2019	**$**	**645**
Reinsurance recoverable asset, as of January 1, 2019	**$**	**27**
Incurred		2
Paid		—
Reinsurance recoverable asset, as of September 30, 2019	**$**	**29**
Liability balance, as of January 1, 2018	**$**	**713**
Incurred		10
Paid		(25)
Change in unrealized investment gains and losses		(42)
Liability balance, as of September 30, 2018	**$**	**656**
Reinsurance recoverable asset, as of January 1, 2018	**$**	**26**
Incurred		10
Paid		(1)
Reinsurance recoverable asset, as of September 30, 2018	**$**	**35**

[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.

10. DEBT

Shelf Registrations

On May 17, 2019, the Company filed with the Securities and Exchange Commission (the “SEC”) an automatic shelf registration statement (Registration No. 333-231592) for the potential offering and sale of debt and equity securities. The registration statement allows for the following types of securities to be offered: debt securities, junior subordinated debt securities, guarantees, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, and stock purchase units. In that The Hartford is a well-known seasoned issuer, as defined in Rule 405 under the Securities Act of 1933, the registration statement went effective immediately upon filing and The Hartford may offer and sell an unlimited amount of securities under the registration statement during the three -year life of the registration statement.

Senior Notes

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

In the Navigators Group acquisition, the Company assumed $265 par value 5.75% Senior notes due on October 15, 2023 with a fair value of $284 as of the acquisition date.

On August 19, 2019, The Hartford issued $600 of 2.8% senior notes (“2.8% Notes”) due August 19, 2029 and $800 of 3.6% senior notes (“3.6% Notes”) due August 19, 2049 for net proceeds of approximately $1.38 billion, after deducting underwriting discounts and expenses. Under both senior note issuances interest is payable semi-annually in arrears on August 19 and February 19, commencing February 19, 2020. The Hartford, at its option, can redeem the 2.8% Notes and the 3.6% Notes at any time, in whole or part, at a redemption price equal to the greater of 100% of the principal amount being redeemed or a make-whole amount based on a comparable maturity US Treasury plus a basis point spread, plus any accrued and unpaid interest, except the make-whole amount is not applicable within the final three months of maturity for the 2.8% Notes and the final six months of maturity for the 3.6% Notes. The spread over the comparable maturity US Treasury for determining the make-whole amount is 20 and 25 basis points for the 2.8% Notes and 3.6% Notes, respectively.

After receiving proceeds from the issuance of the 2.8% Notes and 3.6% Notes, in third quarter 2019, The Hartford repaid $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition, and its $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc., and recognized a loss on extinguishment of debt of $90.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford assumed three existing letter of credit facility agreements: the Club Facility, the Bilateral Facility, and the Australian Dollar Facility. Letters of credit under the Club and Bilateral Facilities are used to provide a portion of the capital requirements at Lloyd's. As of September 30, 2019, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million were outstanding under the Club Facility and $8 was outstanding under the Bilateral Facility. The Bilateral Facility has unused capacity of $17 for issuance of additional letters of credit. Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding tangible net worth and Funds at Lloyd's ("FAL"). As of September 30, 2019, Navigators Group was in compliance with all financial covenants.

As of September 30, 2019, letters of credit in the amount of 24 million Australian Dollars were outstanding with 26 million Australian Dollars of unused capacity.

11. INCOME TAXES

Income Tax Expense

Income Tax Rate Reconciliation

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Tax provision at U.S. federal statutory rate	$ 138	$ 112	$ 396	$ 333
Tax-exempt interest	(14)	(16)	(43)	(50)
Dividends received deduction ("DRD")	(3)	—	(5)	—
Executive compensation	—	1	5	8
Stock-based compensation	(3)	(3)	(7)	(5)
Tax Reform	—	11	—	13
Other	—	(2)	1	(2)
Provision for income taxes	**$ 118**	**$ 103**	**$ 347**	**$ 297**

Uncertain Tax Positions

Rollforward of Unrecognized Tax Benefits

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Balance, beginning of period	**$ 14**	**$ 9**	**$ 14**	**$ 9**
Gross increases - tax positions in prior period	—	5	—	5
Gross decreases - tax positions in prior period	—	—	—	—
Balance, end of period	**$ 14**	**$ 14**	**$ 14**	**$ 14**

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

Other Tax Matters

In July 2019, the Company received a $421 refund of alternative minimum tax (AMT) credits. As of September 30, 2019 the Company had remaining AMT credit carryovers of $413 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 and nine months ended September 30, 2019, the Company offset $2 and $8 of regular tax liability with AMT credits.

The Company had net operating loss (NOL) carryforwards in the United States and the United Kingdom for which future tax benefits of $225 and $1 have been recognized and are included in the Condensed Consolidated Balance Sheet as a component of the net deferred tax asset. The Company also has NOLs in other foreign jurisdictions for which a full valuation allowance has been established. Although the Company projects there will be sufficient future taxable income to fully recover the remainder of the NOL carryover for which benefits have been recognized, the Company's estimate of the likely realization may change over time. The U.S. NOL carryovers, if unused, would expire between 2026 and 2036. The foreign NOLs do not expire.

The federal audits for the Company have been completed through 2013, and the Company is not currently under federal examination for any open years. Navigators Group is currently under federal audit for the 2016 year and has completed examinations through 2015. Management believes that adequate provision has been made in the Company's 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 or benefit in the condensed consolidated financial statements. The Company recognized net interest income of $1 for the three and nine months ended September 30, 2019 related to the AMT refund and $0 for the three and nine months ended September 30, 2018. The Company had no interest payable as of September 30, 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.

12. 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, including claims alleging bad faith in the handling of insurance claims or other allegedly unfair or improper claims practices. 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 “Run-off Asbestos and Environmental Claims,” management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.

The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. These actions include lawsuits seeking certification of a state or national class alleging improper business practices, including, for example, underpayment of claims or improper underwriting practices, as well as individual lawsuits in which punitive damages may be sought. 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.

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

Prior to 1986, the Company wrote several different categories of insurance contracts that may cover A&E claims. First, the Company wrote primary policies providing the first layer of coverage in an insured’s liability program. Second, the Company wrote excess and umbrella policies providing higher layers of coverage for losses that exhaust the limits of underlying coverage. Third, the Company acted as a reinsurer assuming a portion of those risks assumed by other insurers writing primary, excess, umbrella and reinsurance coverages.

Significant uncertainty limits the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid gross losses and expenses related to environmental and particularly asbestos claims. The degree of variability of gross reserve estimates for these exposures is significantly greater than for other more traditional exposures.

In the case of the reserves for asbestos exposures, factors contributing to the high degree of uncertainty include inadequate loss development patterns, plaintiffs’ expanding theories of liability, the risks inherent in major litigation, and inconsistent

emerging legal doctrines. Furthermore, over time, insurers, including the Company, have experienced significant changes in the rate at which asbestos claims are brought, the claims experience of particular insureds, and the value of claims, making predictions of future exposure from past experience uncertain. Plaintiffs and insureds also have sought to use bankruptcy proceedings, including “pre-packaged” bankruptcies, to accelerate and increase loss payments by insurers. In addition, some policyholders have asserted new classes of claims for coverages to which an aggregate limit of liability may not apply. Further uncertainties include insolvencies of other carriers and unanticipated developments pertaining to the Company’s ability to recover reinsurance for A&E claims. Management believes these issues are not likely to be resolved in the near future.

In the case of the reserves for environmental exposures, factors contributing to the high degree of uncertainty include expanding theories of liability and damages, the risks inherent in major litigation, inconsistent decisions concerning the existence and scope of coverage for environmental claims, and uncertainty as to the monetary amount being sought by the claimant from the insured.

The reporting pattern for assumed reinsurance claims, including those related to A&E claims, is much longer than for direct claims. In many instances, it takes months or years to determine that the policyholder’s own obligations have been met and how the reinsurance in question may apply to such claims. The delay in reporting reinsurance claims and exposures adds to the uncertainty of estimating the related reserves.

It is also not possible to predict changes in the legal and legislative environment and their effect on the future development of A&E claims.

Given the factors described above, the Company believes the actuarial tools and other techniques it employs to estimate the ultimate cost of claims for more traditional kinds of insurance exposure are less precise in estimating reserves for A&E exposures. For this reason, the Company principally relies on exposure-based analysis to estimate the ultimate costs of these claims, both gross and net of reinsurance, and regularly evaluates new account information in assessing its potential A&E exposures. The Company supplements this exposure-based analysis with evaluations of the Company’s historical direct net loss and expense paid and reported experience, and net loss and expense paid and reported experience by calendar and/or report year, to assess any emerging trends, fluctuations or characteristics suggested by the aggregate paid and reported activity.

While the Company believes that its current A&E reserves are appropriate, significant uncertainties limit the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not estimable now, could be material to The Hartford’s consolidated operating results and liquidity.

For its Run-off A&E, as of September 30, 2019, the Company reported $910 of net asbestos reserves and $133 of net environmental reserves. While the Company believes that its current Run-off A&E reserves are appropriate, significant uncertainties limit our ability to estimate the ultimate reserves necessary for unpaid losses and related expenses. The ultimate liabilities, thus, could exceed the currently recorded reserves, and any such additional liability, while not reasonably estimable now, could be material to The Hartford's consolidated operating results and liquidity.

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 gross 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 of September 30, 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 September 30, 2019 was $81. For this $81, the legal entities have posted collateral of $80 in the normal course of business. Based on derivative market values as of September 30, 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 September 30, 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 additional collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

13. EQUITY

Capital Purchase Program ("CPP") Warrants

CPP warrants were issued in 2009 as part of a program established by the U.S. Department of the Treasury under the Emergency Economic Stabilization Act of 2008. The CPP warrants expired on June 26, 2019.

CPP warrant exercises were 0.1 million for the three months ended September 30, 2018. CPP warrant exercises were 1.9 million and 0.2 million for the nine months ended September 30, 2019 and 2018, respectively. As of December 31, 2018, the Company had 1.9 million of CPP warrants outstanding and exercisable.

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 has begun share repurchases 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 period October 1, 2019 to November 1, 2019, the Company repurchased approximately 0.6 million common shares for $36.

Equity Repurchase Activity and Remaining Repurchase Capacity

Three months ended	Common Shares Repurchased	Cost of Shares Repurchased	Average Price Paid per Share	Remaining Capacity Under Share Repurchase Authorization
(In millions, except for per share data)				
June 30, 2019	0.5	$ 27	$ 53.84	$ 973
September 30, 2019	1.1	$ 63	$ 58.50	$ 910
Total	1.6	$ 90		

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

Changes in AOCI, Net of Tax for the Three Months Ended September 30, 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	**$ 1,367**	**$ (3)**	**$ 11**	**$ 34**	**$ (1,607)**	**$ (198)**
OCI before reclassifications	458	—	8	(4)	1	463
Amounts reclassified from AOCI	(57)	—	(2)	—	8	(51)
OCI, net of tax	401	—	6	(4)	9	412
Ending balance	**$ 1,768**	**$ (3)**	**$ 17**	**$ 30**	**$ (1,598)**	**$ 214**

Changes in AOCI, Net of Tax for the Nine Months Ended September 30, 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	1,857	1	27	—	1	1,886
Amounts reclassified from AOCI	(113)	—	(5)	—	25	(93)
OCI, net of tax	1,744	1	22	—	26	1,793
Ending balance	**$ 1,768**	**$ (3)**	**$ 17**	**$ 30**	**$ (1,598)**	**$ 214**

Reclassifications from AOCI

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Gain on Securities			
Available-for-sale securities	$ 72	$ 143	Net realized capital gains
	72	**143**	**Total before tax**
	15	30	Income tax expense
	$ 57	**$ 113**	**Net income**
Net Gains on Cash Flow Hedging Instruments			
Interest rate swaps	$ —	$ 2	Net realized capital gains
Interest rate swaps	1	1	Net investment income
Interest rate swaps	—	1	Interest expense
Foreign currency swaps	1	2	Net investment income
	2	**6**	**Total before tax**
	—	1	Income tax expense
	$ 2	**$ 5**	**Net income**
Pension and Other Postretirement Plan Adjustments			
Amortization of prior service credit	$ 2	$ 5	Insurance operating costs and other expenses
Amortization of actuarial loss	(12)	(37)	Insurance operating costs and other expenses
	(10)	**(32)**	**Total before tax**
	(2)	(7)	Income tax expense
	$ (8)	**$ (25)**	**Net income**
Total amounts reclassified from AOCI	**$ 51**	**$ 93**	**Net income**

Changes in AOCI, Net of Tax for the Three Months Ended September 30, 2018

	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	**$ 211**	**$ (3)**	**$ (12)**	**$ 33**	**$ (1,582)**	**$ (1,353)**
OCI before reclassifications	(183)	(1)	1	1	1	(181)
Amounts reclassified from AOCI	12	—	(6)	—	9	15
OCI, net of tax	(171)	(1)	(5)	1	10	(166)
Ending balance	**$ 40**	**$ (4)**	**$ (17)**	**$ 34**	**$ (1,572)**	**$ (1,519)**

Changes in AOCI, Net of Tax for the Nine Months Ended September 30, 2018

	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	**$ 1,931**	**$ (3)**	**$ 18**	**$ 34**	**$ (1,317)**	**$ 663**
Cumulative effect of accounting changes, net of tax [1]	273	—	2	4	(284)	(5)
Adjusted balance, beginning of period	**2,204**	**(3)**	**20**	**38**	**(1,601)**	**658**
OCI before reclassifications [2]	(2,213)	—	(12)	(4)	—	(2,229)
Amounts reclassified from AOCI	49	(1)	(25)	—	29	52
OCI, net of tax	(2,164)	(1)	(37)	(4)	29	(2,177)
Ending balance	**$ 40**	**$ (4)**	**$ (17)**	**$ 34**	**$ (1,572)**	**$ (1,519)**

[1] Includes reclassification to retained earnings of $88 of stranded tax effects and $93 of net unrealized gains, net of tax, related to equity securities. 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.

[2]The reduction in AOCI included the effect of removing $758 of Talcott Resolution AOCI from the balance sheet when the business was sold effective May 31, 2018.

Reclassifications from AOCI

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	Affected Line Item in the Condensed Consolidated Statement of Operations
Net Unrealized Loss on Securities			
Available-for-sale securities	$ (15)	$ (59)	Net realized capital gains
	(15)	**(59)**	**Total before tax**
	(3)	(12)	Income tax expense
	—	(2)	Income from discontinued operations, net of tax
	$ (12)	**$ (49)**	**Net income**
OTTI Losses in OCI			
Other than temporary impairments	$ —	$ —	Net realized capital gains
	—	**—**	**Income before taxes**
	—	—	Income tax expense (benefit)
	$ —	$ 1	Income from discontinued operations, net of tax
	$ —	**$ 1**	**Net Income (loss)**
Net Gains on Cash Flow Hedging Instruments			
Interest rate swaps	$ —	$ 1	Net realized capital gains
Interest rate swaps	7	24	Net investment income
	7	**25**	**Total before tax**
	1	5	Income tax expense (benefit)
	—	5	Income from discontinued operations, net of tax
	$ 6	**$ 25**	**Net income**
Pension and Other Postretirement Plan Adjustments			
Amortization of prior service credit	$ 2	$ 5	Insurance operating costs and other expenses
Amortization of actuarial loss	(14)	(42)	Insurance operating costs and other expenses
	(12)	**(37)**	**Total before tax**
	(3)	(8)	Income tax expense
	$ (9)	**$ (29)**	**Net income**
Total amounts reclassified from AOCI	**$ (15)**	**$ (52)**	**Net income**

15. EMPLOYEE BENEFIT PLANS

The Company's employee benefit plans are described in Note 18 - Employee Benefit Plans of Notes to Consolidated Financial Statements included in The Hartford's 2018 Annual Report on Form 10-K. The Company, at its discretion, made a contribution of $70 in September 2019 to the U.S. qualified defined benefit pension plan.

Net Periodic Cost (Benefit)

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended September 30,		Nine months ended September 30,		Three Months Ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
Service cost	$ 1	$ 1	$ 3	$ 3	$ —	$ —	$ —	$ —
Interest cost	40	36	119	107	2	1	6	4
Expected return on plan assets	(57)	(57)	(170)	(172)	(1)	(2)	(3)	(5)
Amortization of prior service credit	—	—	—	—	(2)	(2)	(5)	(5)
Amortization of actuarial loss	11	12	33	37	1	2	4	5
Net periodic cost (benefit)	**$ (5)**	**$ (8)**	**$ (15)**	**$ (25)**	**$ —**	**$ (1)**	**$ 2**	**$ (1)**

16. LEASES

The Hartford has operating leases for real estate and equipment. The right-of-use asset as of September 30, 2019 was $200 and is included in property and equipment, net, in the Condensed Consolidated Balance Sheet. The lease liability as of September 30, 2019 was $209 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 September 30,	Nine Months Ended September 30,
	2019	2019
Operating lease cost	$ 13	$ 36
Short-term lease cost	—	1
Variable lease cost	—	1
Sublease income	(1)	(4)
Total lease costs included in insurance operating costs and other expenses	**$ 12**	**$ 34**

Supplemental Operating Lease Information

	September 30, 2019
Operating cash flows for operating leases (for the nine months ended)	$ 36
Weighted-average remaining lease term in years for operating leases	6 years
Weighted-average discount rate for operating leases	3.6%

Maturities of Operating Lease Liabilities

	As of September 30, 2019
2019	$ 13
2020	51
2021	39
2022	33
2023	30
Thereafter	66
Total lease payments	**232**
Less: Discount on lease payments to present value	23
Total lease liability	**$ 209**

In July 2019, The Hartford entered into a 12 year operating lease for office space, which will result in an additional right-of-use asset and lease liability of approximately $34 upon lease commencement in July 2020.

17. 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 $14 and $45, before tax, of income for the three and nine months ended September 30, 2019, respectively. Cash inflows for dividends received from Hopmeadow Holdings LP were $67 for the three and nine months ended September 30, 2019. Other cash inflows and outflows from and to the life and annuity business after closing were immaterial to the overall inflows and outflows of the Company.

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 September 30,	Nine Months Ended September 30,
	2018	2018
Revenues		
Earned premiums	$ —	$ 39
Fee income and other	—	382
Net investment income	—	519
Net realized capital gains (losses)	4	(68)
Total revenues	**4**	**872**
Benefits, losses and expenses		
Benefits, losses and loss adjustment expenses	—	535
Amortization of DAC	—	58
Insurance operating costs and other expenses [1]	(5)	157
Total benefits, losses and expenses	**(5)**	**750**
Income before income taxes	**9**	**122**
Income tax expense (benefit)	(7)	2
Income from operations of discontinued operations, net of tax	**16**	**120**
Net realized capital gain (loss) on disposal, net of tax	(11)	202
Income from discontinued operations, net of tax	**$ 5**	**$ 322**

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

Cash Flows from Discontinued Operations

	Nine Months Ended September 30,
	2018
Net cash provided by operating activities from discontinued operations	$ 603
Net cash provided by investing activities from discontinued operations	$ 463
Net cash used in financing activities from discontinued operations [1]	$ (737)
Cash paid for interest	$ —

[1]Excludes return of capital to parent of $619 for the nine months ended September 30, 2018.

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 4 and 5 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's 2018 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 May 23, 2019, the Company completed the previously announced acquisition of The Navigators Group, Inc. ("Navigators Group"), a global specialty underwriter, for $70 a share, or $2.137 billion in cash, including transaction expenses. Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased an aggregate excess of loss reinsurance agreement covering adverse development ("Navigators ADC") from National Indemnity Company ("NICO") on behalf of Navigators Insurance Company and certain of its affiliates (collectively, the "Navigators Insurers"). For further information regarding the Navigators ADC, refer to Insurance Risk in the Enterprise Risk Management section.

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 17 - 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, net of 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.

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, any deferred gain resulting from retroactive reinsurance and subsequent changes in the deferred gain, integration and transaction costs in connection with an acquired business, loss on extinguishment of debt, gains and losses on reinsurance transactions, change in loss reserves upon acquisition of a business, 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. Deferred gain resulting from retroactive reinsurance and subsequent changes in the deferred gain are excluded from core earnings given that these reinsurance agreements economically transfer risk to the reinsurers and including the benefit from retroactive reinsurance in core earnings provides greater insight into the economics of the business. 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	**$ 535**	**$ 432**	**$ 1,537**	**$ 1,611**
Preferred stock dividends	**11**	**—**	**16**	**—**
Net income available to common stockholders	**524**	**432**	**1,521**	**1,611**
Adjustments to reconcile net income available to common stockholders to core earnings:				
Net realized capital gains excluded from core earnings, before tax	(88)	(37)	(327)	(57)
Loss on extinguishment of debt, before tax	90	—	90	6
Loss on reinsurance transaction, before tax	—	—	91	—
Integration and transaction costs associated with acquired business, before tax	29	12	70	35
Change in loss reserves upon acquisition of a business, before tax	—	—	97	—
Income tax expense (benefit)	(7)	16	(2)	18
Income from discontinued operations, net of tax	—	(5)	—	(322)
Core earnings	**$ 548**	**$ 418**	**$ 1,540**	**$ 1,291**

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.

Current Accident Year Catastrophe Ratio- a component of the loss and loss adjustment expense ratio, represents the ratio of catastrophe losses incurred in the current accident year (net of reinsurance) to earned premiums. For U.S. events, a catastrophe is an event that causes $25 or more in industry insured property losses and affects a significant number of property and casualty policyholders and insurers, as defined by the Property Claim Service office of Verisk. For international events, the Company's approach is similar, informed, in part, by how Lloyd's of London defines catastrophes. Lloyd's of London is an insurance market-place operating worldwide ("Lloyd's"). Lloyd's does not underwrite risks. The Company accepts risks as the sole member of Lloyd's Syndicate 1221 ("Lloyd's Syndicate"). The current accident year catastrophe ratio includes the effect of catastrophe losses, but does not include the effect of reinstatement premiums.

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

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

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

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

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 Condensed 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 (small commercial and middle market lines within middle & large commercial) within Commercial Lines and is affected by both new business growth and policy count retention.

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

Return on Assets ("ROA"), Core Earnings- 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 that represents the combined ratio before catastrophes, prior accident year development and change in current accident year loss reserves recorded upon acquisition of a business. 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 and current accident year change in loss reserves upon acquisition of a business. 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 represents the amount of premiums charged for policies issued, net of reinsurance, during a fiscal period. Premiums are considered earned and are included in the financial results 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 and the Lloyd's Syndicate's ability to write business is subject to Lloyd's approval for its premium capacity each year.

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.

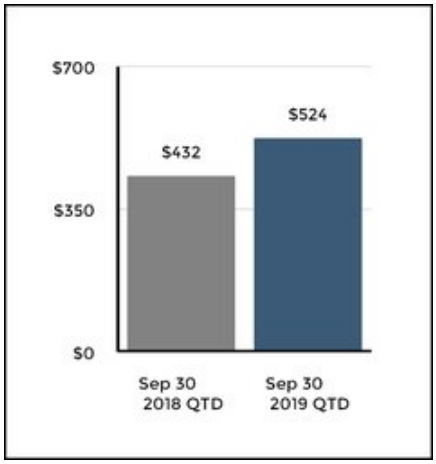
The investment return, or yield, on invested assets is an important element of the Company's earnings since insurance products are priced with the assumption that premiums received can be invested for a period of time before benefits, losses and loss adjustment expenses are paid. Due to the need to maintain 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 net of tax income to meet policyholder and corporate obligations. Investment strategies are developed based on a variety of factors including business needs, regulatory requirements and tax considerations.

For further information on the Company's reporting segments refer to Part I, Item 1, Business - Reporting Segments in The Hartford's 2018 Form 10-K Annual Report.

Financial Highlights

Net Income Available to Common Stockholders



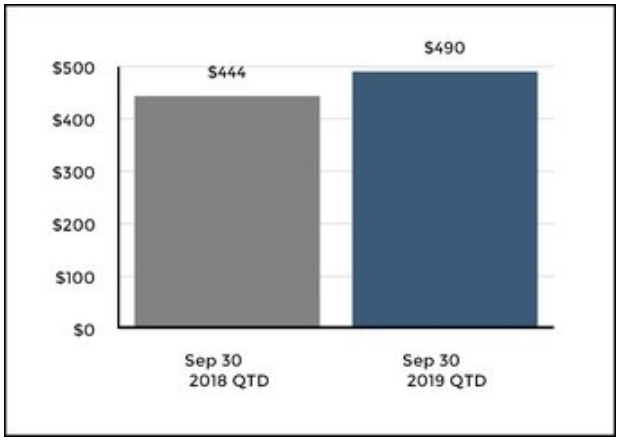
Net Income Available to Common Stockholders per Diluted Share

Book Value per Diluted Share

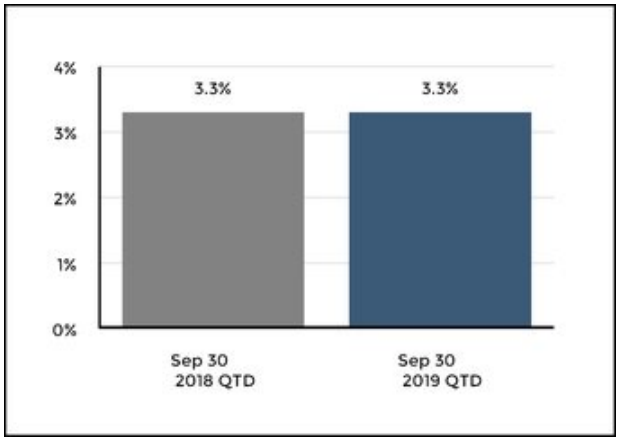
Net income available to common stockholders increased from third quarter 2018 primarily due to lower current accident year catastrophes, a lower group disability loss ratio, an increase in net realized capital gains, and higher net investment income, partially offset by a loss on extinguishment of debt in the 2019 period and higher integration costs.

Book value per diluted share increased from December 31, 2018, as a result of a 23% increase in common stockholders' equity resulting primarily from an increase in AOCI as well as net income in excess of dividends.

Net Investment Income



Annualized Investment Yield, Net of tax



Net investment income increased 10% compared with third quarter 2018 primarily due to higher asset levels, largely driven by the acquisition of Navigators Group, and higher returns on limited partnerships and other alternative investments, partially offset by the impact of lower reinvestment rates.

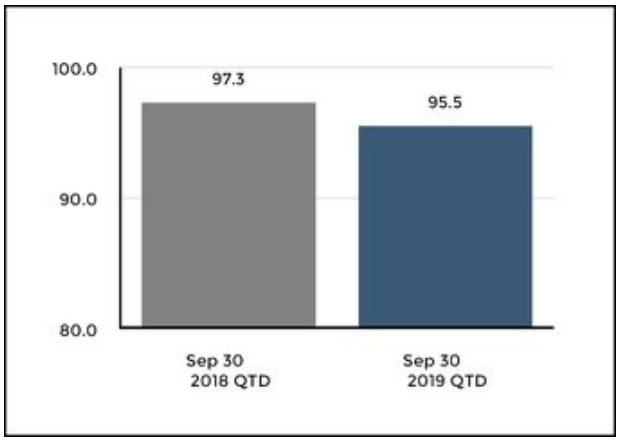
Net realized capital gains improved from the third quarter 2018, with gains in 2019 primarily driven by net gains on sales of fixed maturity securities driven by duration and credit management trades as well as appreciation in value of equity securities due to higher equity market levels.

Annualized investment yield, net of tax, was consistent with third quarter 2018 as a higher yield on limited partnerships and other alternative investments was offset by the impact of lower reinvestment rates.

Net unrealized gains, net of tax, for fixed maturities in the investment portfolio increased by $401 in third quarter 2019 primarily due to the effect of lower interest rates.

P&C Written Premiums

P&C Combined Ratio



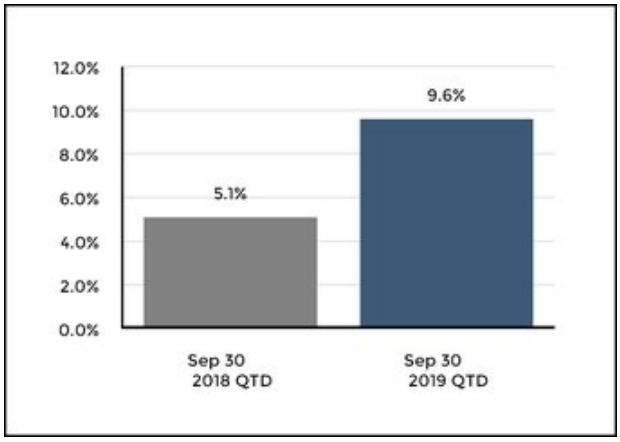
Written premiums for Property & Casualty increased 17% compared with third quarter 2018 reflecting an increase in Commercial Lines, including the effect of the Navigators Group acquisition, partially offset by a decrease in Personal Lines.

Combined ratio for Property & Casualty decreased 1.8 points compared with third quarter 2018, largely due to lower current accident year catastrophes and lower non-catastrophe property losses, partially offset by less favorable prior year reserve development and a higher expense ratio.

Catastrophe losses of $106, before tax, were lower compared with catastrophe losses of $169, before tax, in third quarter 2018, driven by lower losses from hurricanes and tropical storms in the 2019 period and losses from wildfires in the 2018 period.

Prior accident year development was favorable $47, before tax, in the third quarter 2019, primarily due to a decrease in reserves for workers' compensation, personal auto liability and package business, partially offset by an increase in reserves for commercial auto and general liability. Reserve development was a net favorable $60, before tax, in third quarter 2018, primarily due to a decrease in reserves for workers' compensation, professional liability, auto liability and 2017 catastrophes.

Net Income Margin - Group Benefits



Net income margin for Group Benefits increased compared with third quarter 2018 primarily due to a lower group disability ratio, a change to net realized capital gains, and additional tax expense in the 2018 period that was primarily driven by the effect of the lower rate on deferred tax assets due to the filing of the Company's 2017 Federal income tax return and finalization of the opening balance sheet for the Aetna Group Benefits acquisition. This was partially offset by a higher group life loss ratio, higher commission rates on voluntary products and investments in technology and claims operations. 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 7 as well as with the segment operating results sections of MD&A.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Earned premiums	$ 4,394	$ 3,987	10%	$ 12,500	$ 11,872	5%
Fee income	330	344	(4%)	970	994	(2%)
Net investment income	490	444	10%	1,448	1,323	9%
Net realized capital gains	89	38	134%	332	60	NM
Other revenues	44	29	52%	129	73	77%
Total revenues	**5,347**	**4,842**	**10%**	**15,379**	**14,322**	**7%**
Benefits, losses and loss adjustment expenses	2,914	2,786	5%	8,533	8,219	4%
Amortization of deferred policy acquisition costs	437	348	26%	1,184	1,034	15%
Insurance operating costs and other expenses	1,167	1,091	7%	3,356	3,195	5%
Loss on extinguishment of debt	90	—	NM	90	6	NM
Loss on reinsurance transaction	—	—	—%	91	—	NM
Interest expense	67	69	(3%)	194	228	(15%)
Amortization of other intangible assets	19	18	6%	47	54	(13%)
Total benefits, losses and expenses	**4,694**	**4,312**	**9%**	**13,495**	**12,736**	**6%**
Income from continuing operations, before tax	**653**	**530**	**23%**	**1,884**	**1,586**	**19%**
Income tax expense	118	103	15%	347	297	17%
Income from continuing operations, net of tax	**535**	**427**	**25%**	**1,537**	**1,289**	**19%**
Income from discontinued operations, net of tax	—	5	(100%)	—	322	(100%)
Net income	**535**	**432**	**24%**	**1,537**	**1,611**	**(5%)**
Preferred stock dividends	11	—	**NM**	16	—	**NM**
Net income available to common stockholders	**$ 524**	**$ 432**	**21%**	**$ 1,521**	**$ 1,611**	**(6%)**

Three months ended September 30, 2019 compared to the three months ended September 30, 2018

Net income available to common stockholders increased by $92 from third quarter 2018 primarily due to lower current accident year catastrophes, a lower group disability loss ratio, an increase in net realized capital gains, and higher net investment income, partially offset by a loss on extinguishment of debt in the 2019 period and higher integration costs. In addition, lower non-catastrophe property losses and an increase in earnings from the Company's retained equity interest in the former life and annuity operations were largely offset by the effect of lower Personal Lines earned premium and less favorable P&C prior accident year development.

Earned premiums increased by $407 before tax, reflecting a 26% increase in Commercial Lines, including the effect of the Navigators Group acquisition, partially offset by a 5% decrease in Personal Lines and a 1% decrease in Group Benefits. For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries.

Fee income was down 4% reflecting reduced fee income in Hartford Funds resulting primarily from fee reductions and a shift to lower fee funds.

Net investment income increased by 10%, primarily due to higher asset levels, largely driven by the acquisition of Navigators Group, and higher returns on limited partnerships and other alternative investments, partially offset by the impact of lower reinvestment rates. For further discussion of investment results, see MD&A - Investment Results, Net Investment Income.

Net realized capital gains of $89 in third quarter 2019 increased from third quarter 2018, with gains in 2019 primarily driven by net gains on sales of fixed maturity securities driven by duration and credit management trades and appreciation in value of equity securities due to higher equity market levels. For further discussion of investment results, see MD&A - Investment Results, Net Realized Capital Gains.

Other revenues for the three month period in 2019 included $14 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 increased primarily due to an increase in Commercial Lines, partially offset by a decrease in Personal Lines and Group Benefits. The increase in Commercial Lines was driven by the effect of losses on earned premium from the acquired Navigators Group business and less favorable prior accident reserve development, partially offset by lower current accident year catastrophes. The decrease in Personal Lines was primarily due to lower current accident year catastrophes and the effect of lower earned premium. Benefits, losses and loss adjustment expenses for Group Benefits decreased, primarily due to a lower group disability loss ratio from lower claim incidence and higher claim terminations.

Current accident year losses and loss adjustment expenses before catastrophes in Property & Casualty increased due to the effect of earned premium from the Navigators Group acquisition, partially offset by lower non-catastrophe property losses and the effect of lower earned premium in Personal Lines.

Current accident year catastrophe losses of $106, before tax, for the three months ended September 30, 2019, compared to $169, before tax, for the prior year period. Catastrophe losses in 2019 were primarily from tornado, wind and hail events in various areas of the Midwest and Mountain West as well as losses from hurricanes and tropical storms in the Southeast. Catastrophe losses in 2018 were primarily from hurricane Florence, wind and hail events in Colorado and wildfires in California and Colorado. 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 by $47, before tax, for the three months ended September 30, 2019, compared to favorable net reserve development of $60, before tax, for the prior year period. Prior accident year development in 2019 primarily included a decrease of reserves for workers' compensation, personal auto liability and package business, partially offset by an increase in reserves for commercial auto and general liability. Prior accident year development in 2018 primarily included reserve decreases in reserves for workers' compensation, professional liability, auto liability and catastrophe reserves. 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 due to an increase in Commercial Lines, which was driven by the impact of the Navigators Group acquisition.

Insurance operating costs and other expenses increased due to operating costs incurred related to the Navigators Group acquisition, higher information technology costs across Commercial Lines, Personal Lines and Group Benefits, and higher commissions in Commercial Lines and Group Benefits. These increases were partially offset by lower incentive compensation and a decrease in Hartford Funds due to lower variable costs.

Loss on extinguishment of debt in the 2019 period arose from repayment before maturity of the Company's $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition, and its $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc.

Income tax expense increased due to an increase in income from continuing operations before tax. 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 11 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Nine months ended September 30, 2019 compared to the nine months ended September 30, 2018

Net income available to common stockholders decreased by $90 due to a reduction in income from discontinued operations due to the sale in May 2018 of the life and annuity business, partially offset by an increase in income from continuing operations. Income from continuing operations, net of tax, increased by $248 primarily due to an increase in net realized capital gains, higher net investment income, lower current accident year catastrophe losses in P&C, a lower disability loss ratio in Group Benefits, lower interest expense, a decrease in personal auto liability loss costs and higher earnings from the Company's retained equity interest in the former life and annuity operations. These increases were partially offset by the effect of a loss on reinsurance and reserve increases totaling $188 before tax upon the acquisition of Navigators Group, a higher loss on extinguishment of debt in the 2019 period, an increase in integration and transaction costs, higher non-catastrophe property losses, the effect of lower Personal Lines earned premium, less favorable P&C prior accident year development and higher underwriting expenses.

Earned premiums increased by $628 before tax, reflecting a 15% increase in Commercial Lines, including the effect of the Navigators Group acquisition, partially offset by a 6% decline in Personal Lines with earned premiums for Group Benefits relatively flat. For a discussion of the Company's operating results by segment, see MD&A - Segment Operating Summaries.

Fee income decreased by 2% reflecting lower fee income in Hartford Funds largely due to lower average daily assets under management and a shift to lower fee funds, 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 9% primarily due to higher asset levels, largely driven by the acquisition of Navigators Group, higher income from limited partnerships and other alternative investments, higher average short-term interest rates, and higher returns on equity investments. For further discussion of investment results, see MD&A - Investment Results, Net Investment Income.

Net realized capital gains of $332 for the nine months ended September 30, 2019, improved from the nine months ended September 30, 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 for the nine months ended September 30, 2019 included $45 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 increased in Property & Casualty, partially offset by a decrease in Group Benefits. The increase for Property & Casualty was driven by an increase in Commercial Lines, partially offset by a decrease in Personal Lines. The increase in Commercial Lines was principally due to the effect of losses on earned premium from the acquired Navigators Group business, an increase in Navigators Group reserves upon acquisition of the business, a higher current accident year loss and loss adjustment expense ratio before catastrophes and less favorable prior accident year reserve development. The decrease in Personal Lines was primarily due to lower current accident year catastrophes, the effect of lower earned premium and, to a lesser extent, a lower current accident year loss and loss adjustment expense ratio before catastrophes. The decrease in Group Benefits was largely due to a lower group disability loss ratio, including favorable prior incurral year development.

Current accident year losses and loss adjustment expenses before catastrophes in Property & Casualty increased due to the effect of higher earned premium in Commercial Lines, including the impact of the Navigators Group acquisition, and higher non-catastrophe property losses, partially offset by a lower personal auto liability and homeowners loss ratio and the effect of lower earned premium in Personal Lines.

Current accident year catastrophe losses of $348, before tax, for the nine months ended September 30, 2019, compared to $460, before tax, for the prior year period. Catastrophe losses in 2019 were primarily from tornado, wind and hail events in the South, Midwest and Mountain West and winter storms across the country as well as from hurricanes and tropical storms in the Southeast. Catastrophe losses in 2018 were primarily from multiple wind and hail events in Colorado, the Midwest, South and Mid-Atlantic, winter storms on the East Coast, hurricane Florence, and wildfires in California and Colorado. 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 a net favorable $23, before tax, for the nine months ended September 30, 2019, compared to favorable net reserve development of $139, before tax, for the prior year period. Prior accident year development in 2019 primarily included reserve decreases for workers' compensation, catastrophes, and package business, partially offset by increases in general liability and professional liability, including increases in Navigators Group reserves upon acquisition of the business. Prior accident year development in 2018 primarily included a decrease in reserves for workers' compensation and a decrease in catastrophe reserves for the 2017 hurricanes. 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 primarily due to an increase in Commercial Lines, including the impact from the Navigators Group acquisition, and to a lesser extent an increase in Group Benefits, partially offset by a decrease in Personal Lines.

Insurance operating costs and other expenses increased due to higher information technology and operations costs across Commercial Lines, Personal Lines and Group Benefits, an increase in direct marketing expenses in Personal Lines to generate new business growth and higher commissions in Commercial Lines and Group Benefits as well as transaction costs and operating costs incurred related to the Navigators Group acquisition. The increase in Property & Casualty and Group Benefits was partially offset by lower incentive compensation and by a decrease in Hartford Funds due to lower variable costs.

Loss on extinguishment of debt in the 2019 period arose from repayment before maturity of the Company's $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition, and its $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc.

Interest expense decreased due to a reduction in outstanding debt.

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.

Income tax expense increased primarily due to an increase in income from continuing operations before tax. 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 11 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

INVESTMENT RESULTS

Composition of Invested Assets

	September 30, 2019		December 31, 2018	
	Amount	Percent	Amount	Percent
Fixed maturities, available-for-sale ("AFS"), at fair value	$ 42,389	80.6%	$ 35,652	76.2%
Fixed maturities, at fair value using the fair value option ("FVO")	39	0.1%	22	—%
Equity securities, at fair value	1,414	2.7%	1,214	2.6%
Mortgage loans	3,736	7.1%	3,704	7.9%
Limited partnerships and other alternative investments	1,770	3.3%	1,723	3.7%
Other investments [1]	302	0.6%	192	0.4%
Short-term investments	2,927	5.6%	4,283	9.2%
Total investments	**$ 52,577**	**100.0%**	**$ 46,790**	**100.0%**

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

September 30, 2019 compared to December 31, 2018

Fixed maturities, AFS increased primarily due to the fixed maturities, AFS acquired as part of the acquisition of Navigators Group as well as an increase in valuations due to lower interest rates and tighter credit spreads.

Short-term investments decreased due to the funding of Navigators Group acquisition slightly offset by tax receipts related to the refund of AMT tax credits.

Net Investment Income

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
(Before tax)	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Fixed maturities [2]	$ 392	3.8%	$ 370	3.9%	$ 1,159	3.9%	$ 1,077	3.9%
Equity securities	12	3.4%	6	2.5%	31	3.0%	18	2.4%
Mortgage loans	37	4.2%	35	4.0%	118	4.3%	102	4.1%
Limited partnerships and other alternative investments	65	15.3%	45	10.6%	181	14.7%	157	13.3%
Other [3]	5		10		21		27	
Investment expense	(21)		(22)		(62)		(58)	
Total net investment income	**$ 490**	**4.0%**	**$ 444**	**4.0%**	**$ 1,448**	**4.1%**	**$ 1,323**	**4.0%**
Total net investment income excluding limited partnerships and other alternative investments	**$ 425**	**3.6%**	**$ 399**	**3.7%**	**$ 1,267**	**3.7%**	**$ 1,166**	**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 and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Total net investment income for the three month period in 2019 compared to 2018 increased primarily due to higher asset levels, largely driven by the acquisition of Navigators Group, and higher returns on limited partnerships and other alternative investments, partially offset by lower reinvestment rates. Total net investment income for the nine month period in 2019 compared to 2018 increased primarily due to higher asset levels, largely driven by the acquisition of Navigators Group, higher returns on limited partnerships and other alternative investments, higher average short-term interest rates and higher returns on equity investments.

Annualized net investment income yield, excluding limited partnerships and other alternative investments, was 3.6% for the three month period in 2019, down from 3.7% for the same period in 2018 due to lower reinvestment rates. Annualized net investment income yield, excluding limited

partnerships and other alternative investments, was 3.7% for the nine month period in 2019, consistent with the same period in 2018.

Average reinvestment rates on fixed maturities and mortgage loans, excluding certain U.S. Treasury securities and cash equivalent securities, for the 2019 three and nine month periods were 3.1% and 3.5%, respectively, which were below the average yield of sales and maturities of 4.1% and 4.0%, respectively, due to lower interest rates and maturities of higher yielding tax-exempt municipals. Average reinvestment rate for the 2018 three and nine month periods was 4.0% which was higher than the average yield of sales and maturities of 3.8% and 3.6%, respectively, due to higher interest rates.

Despite the decline in reinvestment rates in 2019, 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Before tax)	**2019**	**2018**	**2019**	**2018**
Gross gains on sales	$ 77	$ 26	$ 190	$ 91
Gross losses on sales	(4)	(41)	(44)	(129)
Equity securities [1]	19	46	181	88
Net other-than-temporary impairment ("OTTI") losses recognized in earnings [2]	(1)	(1)	(3)	(1)
Valuation allowances on mortgage loans [2]	—	—	1	—
Transactional foreign currency revaluation	—	—	—	1
Non-qualifying foreign currency derivatives	2	1	2	2
Other, net [3]	(4)	7	5	8
Net realized capital gains	**$ 89**	**$ 38**	**$ 332**	**$ 60**

[1]Includes all changes in fair value and trading gains and losses for equity securities. The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of September 30, 2019, were $17 and $100 for the three and nine months ended September 30, 2019, respectively. The net unrealized gain (loss) on equity securities included in net realized capital gains (losses) related to equity securities still held as of September 30, 2018, were $41 and $50 for the three and nine months ended September 30, 2018, respectively.

[2]See Other-Than-Temporary Impairments and Valuation Allowances on Mortgage Loans 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 and nine months ended September 30, 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 losses for the three month period were primarily due to losses on interest rate derivatives of $5 due to a decline in interest rates. Gains for the nine month period were primarily due to gains on credit derivatives of $26 driven by credit spread tightening, partially offset by losses on interest rate derivatives of $20 due to a decline in interest rates.

Three and nine months ended September 30, 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 as well as from the sale of a private real estate investment.

Equity securities net gains were driven by appreciation of equity securities due to higher equity market levels and, for the nine month period, gains on sales due to tactical repositioning.

Other, net gains for the three month period were primarily due to gains on credit derivatives of $6 driven by credit spread tightening. Gains for the nine month period were primarily driven by gains on interest rate derivatives of $7 due to an increase in interest rates.

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;

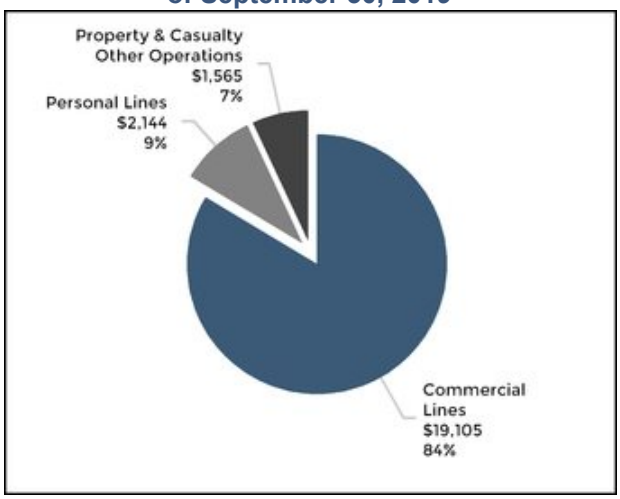
- group benefit long-term disability (LTD) reserves, net of reinsurance;
- evaluation of goodwill for impairment;
- valuation of investments and derivative instruments including evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on mortgage loans;
- 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 September 30, 2019.

Property & Casualty Insurance Product Reserves, Net of Reinsurance

P&C Loss and Loss Adjustment Expense ("LAE") Reserves of $22,814, Net of Reinsurance, by Segment as of September 30, 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 Nine Months Ended September 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,455**	**$ 2,456**	**$ 2,673**	**$ 24,584**
Reinsurance and other recoverables	3,137	108	987	4,232
Beginning liabilities for unpaid losses and loss adjustment expenses, net	**16,318**	**2,348**	**1,686**	**20,352**
Navigators Group acquisition	2,001			2,001
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	3,552	1,548	—	5,100
Current accident year ("CAY") catastrophes	234	114	—	348
Prior accident year development ("PYD")	(7)	(25)	9	(23)
Total provision for unpaid losses and loss adjustment expenses	**3,779**	**1,637**	**9**	**5,425**
Payments	(2,981)	(1,841)	(130)	(4,952)
Foreign currency adjustment	(12)	—	—	(12)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**19,105**	**2,144**	**1,565**	**22,814**
Reinsurance and other recoverables	4,006	109	968	5,083
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 23,111**	**$ 2,253**	**$ 2,533**	**$ 27,897**
Earned premiums and fee income	$ 6,040	$ 2,431		
Loss and loss expense paid ratio [1]	49.4	75.7		
Loss and loss expense incurred ratio	62.8	68.1		
Prior accident year development (pts) [2]	(0.1)	(1.0)		

[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 Nine Months Ended September 30, 2019, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 140	$ 87	$ 227
Winter storms	57	19	76
Tropical storms	6	4	10
Hurricanes	23	4	27
Earthquake	1	—	1
Typhoon	6	—	6
Other	1	—	1
Total catastrophe losses	**$ 234**	**$ 114**	**$ 348**

In September, 2019, PG&E Corporation and Pacific Gas and Electric Company (together, "PG&E") agreed in principle to an $11 billion settlement with insurers representing approximately 85 percent of insurance subrogation claims to resolve all such claims arising from the 2017 Northern California wildfires and 2018 Camp wildfire. The settlement is subject to approval of the bankruptcy court overseeing PG&E's Chapter 11 bankruptcy filing. The settlement is also subject to the confirmation by the bankruptcy court of a chapter 11 plan of reorganization (a "Plan") which implements the terms of the settlement. If a Plan is approved, certain of the Company's insurance subsidiaries would be entitled to settlement payments. Based on reserve estimates submitted with the subrogation request, the amount our subsidiaries could collect from PG&E, if any, would be approximately $325 but could be more or less than that amount depending on how the Company's ultimate paid claims subject to subrogation compare to other insurers' ultimate paid claims subject to subrogation. Approval of the Plan and amount of the Company's ultimate subrogation recoveries from PG&E are subject to uncertainty. This includes, among other things, uncertainty regarding liabilities for current or future wildfires caused or allegedly caused by PG&E, the value of recoveries by

other creditors and PG&E's ability to secure funds to pay its creditors.

Given the uncertainty, the Company has not recognized a benefit from potential subrogation from PG&E and will evaluate in future periods when more information becomes known. In connection with the 2018 Camp wildfire, the Company has recognized a $32 reinsurance recoverable for losses incurred in excess of a $350 per occurrence retention. Under its 2018 property aggregate catastrophe treaty, the Company has recognized a reinsurance recoverable for aggregate catastrophe losses in excess of an $825 retention, with the recoverable currently estimated at $84. As such, the first $116 of subrogation recoveries would be offset by a $116 reduction in these reinsurance recoverables resulting in no net benefit to income. No changes have been made in 2019 to estimated incurred losses from the 2017 or 2018 wildfires.

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended September 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (40)	$ —	$ —	$ (40)
Workers' compensation discount accretion	8	—	—	8
General liability	19	—	—	19
Marine	(2)	—	—	(2)
Package business	(23)	—	—	(23)
Commercial property	(1)	—	—	(1)
Professional liability	(1)	—	—	(1)
Bond	(2)	—	—	(2)
Assumed Reinsurance	—	—	—	—
Automobile liability	25	(23)	—	2
Homeowners	—	(1)	—	(1)
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(5)	—	—	(5)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	3	(4)	—	(1)
Total prior accident year development	**$ (19)**	**$ (28)**	**$ —**	**$ (47)**

Unfavorable (Favorable) Prior Accident Year Development for the Nine Months Ended September 30, 2019

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (90)	$ —	$ —	$ (90)
Workers' compensation discount accretion	25	—	—	25
General liability	62	—	—	62
Marine	8	—	—	8
Package business	(32)	—	—	(32)
Commercial property	(16)	—	—	(16)
Professional liability	32	—	—	32
Bond	(2)	—	—	(2)
Assumed Reinsurance	3	—	—	3
Automobile liability	27	(28)	—	(1)
Homeowners	—	—	—	—
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(33)	6	—	(27)
Uncollectible reinsurance	—	—	—	—
Other reserve re-estimates, net	9	(3)	9	15
Total prior accident year development	**$ (7)**	**$ (25)**	**$ 9**	**$ (23)**

Workers' compensation reserves were reduced, principally in small commercial driven by lower than previously estimated claim severity for the 2014 through 2017 accident years and, to a lesser extent, in national accounts due to lower estimated claim severity, primarily for accident years 2013 and prior.

General liability reserves were increased, primarily due to reserve increases in small commercial for accident years 2017 and 2018 due to higher frequency of high-severity bodily injury claims, reserve increases in middle and large commercial for accident years 2015 to 2018 due to higher estimated severity, as well as increased estimated severity on the acquired Navigators book of business related to U.S. construction, premises liability, products liability and excess casualty, mostly related to accident years 2014 to 2018. In addition, an increase in reserves for mass torts was offset by a decrease in reserves for extra contractual liability claims.

Marine reserves were increased, principally related to pollution exposure from the 1980s and 1990s related to the Navigators Group book of business.

Package business reserves were decreased, primarily due to favorable emergence on property claims related to accident years 2016 through 2018 and due to favorable development of allocated loss adjustment expenses on general liability claims for 2017 and prior accident years.

Commercial property reserves were decreased, principally due to favorable emergence of reported losses, including on the acquired Navigators Group book of business related to offshore energy in accident years 2017 to 2018 and construction engineering across accident years 2015 to 2018.

Professional liability reserves were increased, primarily due to large loss activity, including wrongful termination and discrimination claims, in accident years 2017 and 2018 and increased estimated frequency and severity of directors' and officers' reserves on the Navigators Group book of business, principally for the 2014 to 2018 accident years.

Automobile liability reserves were decreased in Personal Lines due to the emergence of lower estimated severity in automobile liability for accident year 2017 and were increased in Commercial Lines due to higher estimated severity on national accounts, principally in accident years 2017 and 2018

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 Nine Months Ended September 30, 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	3,003	1,688	—	4,691
Current accident year catastrophes	238	222	—	460
Prior accident year development	(145)	(21)	27	(139)
Total provision for unpaid losses and loss adjustment expenses	**3,096**	**1,889**	**27**	**5,012**
Payments	(2,676)	(1,967)	(170)	(4,813)
Ending liabilities for unpaid losses and loss adjustment expenses, net	**16,166**	**2,145**	**1,706**	**20,017**
Reinsurance and other recoverables	3,089	21	670	3,780
Ending liabilities for unpaid losses and loss adjustment expenses, gross	**$ 19,255**	**$ 2,166**	**$ 2,376**	**$ 23,797**
Earned premiums and fee income	$ 5,267	$ 2,594		
Loss and loss expense paid ratio [1]	50.8	75.8		
Loss and loss expense incurred ratio	59.1	73.7		
Prior accident year development (pts) [2]	(2.8)	(0.8)		

[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 Nine Months Ended September 30, 2018, Net of Reinsurance

	Commercial Lines	Personal Lines	Total
Wind and hail	$ 118	$ 158	$ 276
Winter storms	57	22	79
Flooding	1	1	2
Volcanic eruption	—	2	2
Wildfire	2	32	34
Hurricane	59	6	65
Massachusetts gas explosion	1	1	2
Total catastrophe losses	**$ 238**	**$ 222**	**$ 460**

Unfavorable (Favorable) Prior Accident Year Development for the Three Months Ended September 30, 2018

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (24)	$ —	$ —	$ (24)
Workers' compensation discount accretion	10	—	—	10
General liability	4	—	—	4
Package business	(9)	—	—	(9)
Commercial property	2	—	—	2
Professional liability	(20)	—	—	(20)
Bond	—	—	—	—
Automobile liability	(5)	(10)	—	(15)
Homeowners	—	(7)	—	(7)
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(11)	(2)	—	(13)
Uncollectible reinsurance	—	—	11	11
Other reserve re-estimates, net	—	1	—	1
Total prior accident year development	**$ (53)**	**$ (18)**	**$ 11**	**$ (60)**

Unfavorable (Favorable) Prior Accident Year Development for the Nine Months Ended September 30, 2018

	Commercial Lines	Personal Lines	Property & Casualty Other Operations	Total Property & Casualty Insurance
Workers' compensation	$ (97)	$ —	$ —	$ (97)
Workers' compensation discount accretion	30	—	—	30
General liability	32	—	—	32
Package business	(16)	—	—	(16)
Commercial property	(10)	—	—	(10)
Professional liability	(12)	—	—	(12)
Bond	—	—	—	—
Automobile liability	(15)	(10)	—	(25)
Homeowners	—	(20)	—	(20)
Net asbestos reserves	—	—	—	—
Net environmental reserves	—	—	—	—
Catastrophes	(63)	16	—	(47)
Uncollectible reinsurance	—	—	22	22
Other reserve re-estimates, net	6	(7)	5	4
Total prior accident year development	**$ (145)**	**$ (21)**	**$ 27**	**$ (139)**

Workers' compensation reserves were reduced in small commercial and middle market, primarily for accident years 2012 to 2015, as both claim frequency and medical claim severity have emerged favorably compared to previous reserve estimates.

General liability reserves were increased, primarily due to an increase in reserves for higher hazard general liability exposures in middle market for accident years 2009 to 2017, partially offset by a decrease in reserves for other lines within middle market, including premises and operations, umbrella and products liability, principally for accident years 2015 and prior. Contributing to the increase in reserves for higher hazard general liability exposures was an increase in large losses and, in more recent accident years, an increase in claim frequency. Contributing to the reduction in reserves for other middle market lines were more favorable outcomes due to initiatives to reduce legal expenses. In addition, reserve increases for claims with lead paint exposure were offset by reserve decreases for other mass torts and extra-contractual liability claims.

Package business reserves were reduced, primarily due to lower reserve estimates for both liability and property for accident years 2010 and prior, including a recovery of loss adjustment expenses for the 2005 accident year.

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

Professional liability reserves were reduced, principally for accident years 2014 and prior, for directors and officers liability claims principally due to a number of older claims closing with limited or no payment.

Automobile liability reserves were reduced, primarily driven by reduced estimates of loss adjustment expenses in small commercial for recent accident years and favorable development in personal automobile liability for accident years 2014 to 2017, principally due to lower severity, including with uninsured and underinsured motorist claims.

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

Catastrophes reserves were reduced, primarily as a result of lower estimated net losses from 2017 catastrophes, principally related to hurricanes Harvey and Irma. Before reinsurance, estimated losses for 2017 catastrophe events decreased by $133 in the nine months ended September 30, 2018, resulting in a decrease in reinsurance recoverables of $90 as the Company no longer expects to recover under the 2017 Property Aggregate reinsurance treaty as aggregate ultimate losses for 2017 catastrophe events are now projected to be less than $850.

Uncollectible reinsurance reserves were increased due to lower anticipated recoveries related to older accident years.

SEGMENT OPERATING SUMMARIES

COMMERCIAL LINES

Results of Operations

Underwriting Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Written premiums	$ 2,235	$ 1,751	28%	$ 6,262	$ 5,336	17%
Change in unearned premium reserve	(15)	(34)	56%	248	95	161%
Earned premiums	2,250	1,785	26%	6,014	5,241	15%
Fee income	8	9	(11%)	26	26	—%
Losses and loss adjustment expenses						
Current accident year before catastrophes	1,336	1,055	27%	3,552	3,003	18%
Current accident year catastrophes [1]	74	95	(22%)	234	238	(2%)
Prior accident year development [1]	(19)	(53)	64%	(7)	(145)	95%
Total losses and loss adjustment expenses	1,391	1,097	27%	3,779	3,096	22%
Amortization of deferred policy acquisition costs	356	264	35%	940	780	21%
Underwriting expenses	410	353	16%	1,139	1,013	12%
Amortization of other intangible assets	7	2	NM	11	3	NM
Dividends to policyholders	12	8	50%	24	18	33%
Underwriting gain	**82**	**70**	**17%**	**147**	**357**	**(59%)**
Net servicing income	2	(1)	NM	3	—	NM
Net investment income [2]	291	250	16%	831	750	11%
Net realized capital gains [2]	60	29	107%	229	63	NM
Loss on reinsurance transaction	—	—	—%	(91)	—	NM
Other income (expenses)	(20)	2	NM	(27)	1	NM
Income before income taxes	**415**	**350**	**19%**	**1,092**	**1,171**	**(7%)**
Income tax expense [3]	79	61	30%	202	212	(5%)
Net income	**$ 336**	**$ 289**	**16%**	**$ 890**	**$ 959**	**(7%)**

[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 11 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Premium Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Small commercial new business premium	$ 150	$ 145	$ 508	$ 443
Middle market new business premium	146	131	463	404
Small commercial policy count retention	83%	83%	83%	82%
Middle market policy count retention [1]	83%	78%	82%	78%
Standard commercial lines renewal written price increases [1] [2]	2.8%	1.9%	2.3%	2.6%
Standard commercial lines renewal earned price increases [1] [2]	2.2%	3.0%	2.2%	3.2%
Small commercial policies in-force as of end of period (in thousands)	1,294	1,264		
Middle market policies in-force as of end of period (in thousands) [1]	64	64		

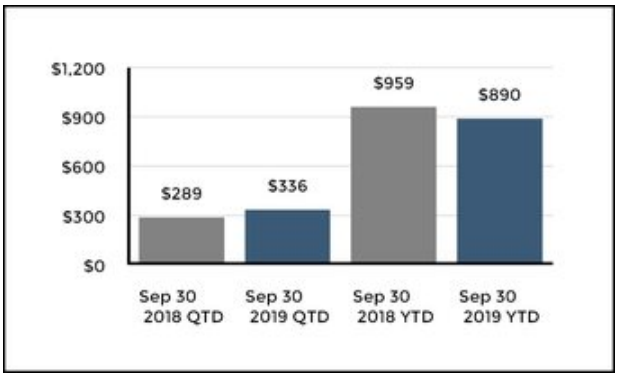
[1]Excludes certain risk classes of higher hazard general liability in middle market.
[2]Small commercial and middle market lines within middle & large commercial are generally referred to as standard commercial lines.

Underwriting Ratios

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	59.4	59.1	0.3	59.1	57.3	1.8
Current accident year catastrophes	3.3	5.3	(2.0)	3.9	4.5	(0.6)
Prior accident year development	(0.8)	(3.0)	2.2	(0.1)	(2.8)	2.7
Total loss and loss adjustment expense ratio	61.8	61.5	0.3	62.8	59.1	3.7
Expense ratio	34.0	34.2	(0.2)	34.3	33.8	0.5
Policyholder dividend ratio	0.5	0.4	0.1	0.4	0.3	0.1
Combined ratio	**96.4**	**96.1**	**0.3**	**97.6**	**93.2**	**4.4**
Current accident year catastrophes and prior year development	**2.5**	**2.3**	**0.2**	**3.8**	**1.7**	**2.1**
Current accident year change in loss reserves upon acquisition of a business [1]	**—**	**—**	**—**	**0.5**	**—**	**0.5**
Underlying combined ratio	**93.9**	**93.7**	**0.2**	**93.3**	**91.4**	**1.9**

[1]Upon acquisition of Navigators Group and a review of Navigators Insurers reserves, the nine months ended September 30, 2019 included $68 of prior accident year reserve increases and $29 of current accident year reserve increases which were excluded for the purposes of the underlying combined ratio calculation.

Net Income



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net income increased for the three months ended September 30, 2019 due to higher net investment income, higher net realized capital gains and a higher underwriting gain.

Net income decreased for the nine months ended September 30, 2019 due to$91 before tax of ADC ceded premium and a lower underwriting gain, primarily due to $97 before tax of reserve increases upon the acquisition of Navigators Group and a decrease in net favorable prior accident year development for other reserves, partially offset by higher net investment income and higher net realized capital gains.

Contributing to the increase in net investment income for both the three and nine month periods was income on invested assets acquired from Navigators Group and higher income from limited

partnerships and alternative investments. For further discussion of investment results, see MD&A - Investment Results.

Underwriting Gain

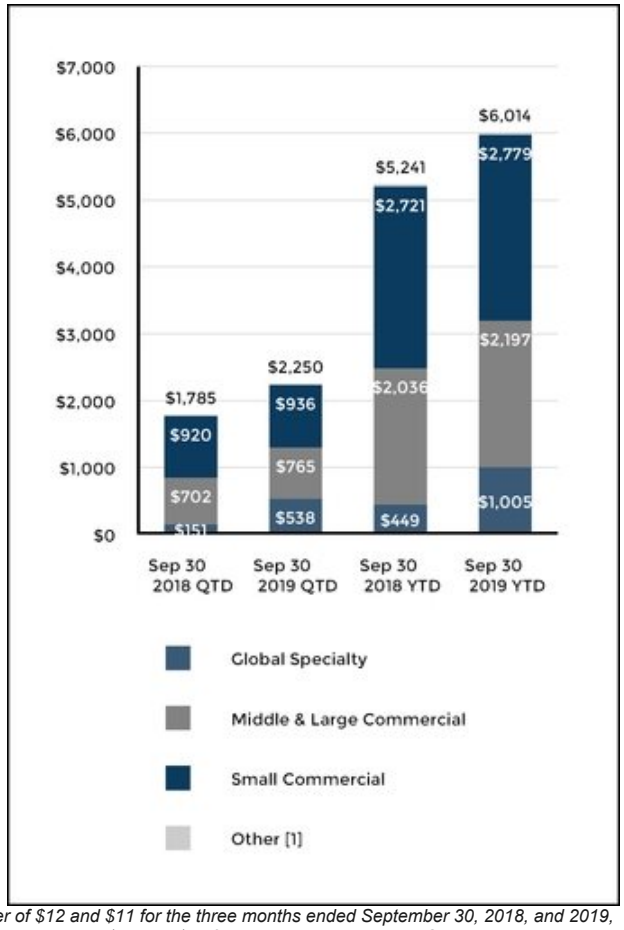
Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Underwriting gain increased in the three month period due to lower current accident year catastrophes, a lower current accident year loss and loss adjustment expense ratio before catastrophes, excluding Navigators Group, and the effect of higher earned premium, excluding Navigators Group, partially offset by less favorable prior accident year development.

Underwriting gain decreased in the nine month period, primarily due to $97 before tax of increases to Navigators reserves upon acquisition of the business, less favorable prior accident year reserve development unrelated to the Navigators Group acquisition, a higher current accident year loss and loss adjustment expense ratio before catastrophes, and higher expenses, partially offset by the effect of higher earned premium, excluding Navigators Group. Higher commissions contributed to the increase in amortization of DAC. Contributing to the increase in underwriting expenses was the effect of higher information technology and operations costs in middle market as well as higher operations and other costs in small commercial associated with the 2018 renewal rights agreement with Farmers Group to acquire its Foremost-branded small commercial business, partially offset by lower incentive compensation.

For both the three and nine month periods, the acquisition of Navigators Group contributed to the increase in earned premiums with a corresponding increase to losses and loss adjustment expenses, amortization of DAC and underwriting expenses. Apart from the effect of the Navigators Group acquisition, earned premiums increased in small commercial and in middle and large commercial.

Earned Premiums



[1]Other of $12 and $11 for the three months ended September 30, 2018, and 2019, respectively, and $35 and $33 for the nine months ended September 30, 2018 and 2019, respectively, is included in the total.

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Earned premiums increased for the three and nine months ended September 30, 2019 reflecting written premium growth over the preceding twelve months.

Written premiums increased for the three and nine months ended September 30, 2019 with growth in middle & large commercial, and global specialty, including growth from the acquisition of Navigators Group and, for the nine month period only, growth in small commercial. In standard commercial lines, renewal written price increases declined slightly for the nine month period in 2019, mostly attributable to larger rate decreases in small commercial workers' compensation, partially offset by higher written pricing in property and general liability, and improved for the three month period due to higher written pricing increases in property and general liability and lower written pricing decreases in workers' compensation. New business premium in small commercial and middle market

increased over the prior year in both the three and nine month periods, with increases in workers' comp and property.

- Small commercial written premium was flat for the three month period and increased for the nine month period. The increase for the nine month period was primarily driven by the business acquired under a 2018 renewal rights agreement with Farmers Group to acquire its Foremost-branded small commercial business.
- Middle & large commercial written premium growth for both the three and nine month periods was primarily due to new business growth and higher renewal premium in core middle market lines, as well as growth in certain industry verticals, including construction, energy, large property and specialty programs. The increase in renewal premium was due to renewal written price increases and higher audit premium.
- Global specialty written premium increased for both the three and nine month periods driven by the acquisition of Navigators as well as growth in financial products and bond.

Loss and LAE Ratio before Catastrophes and Prior Accident Year Development

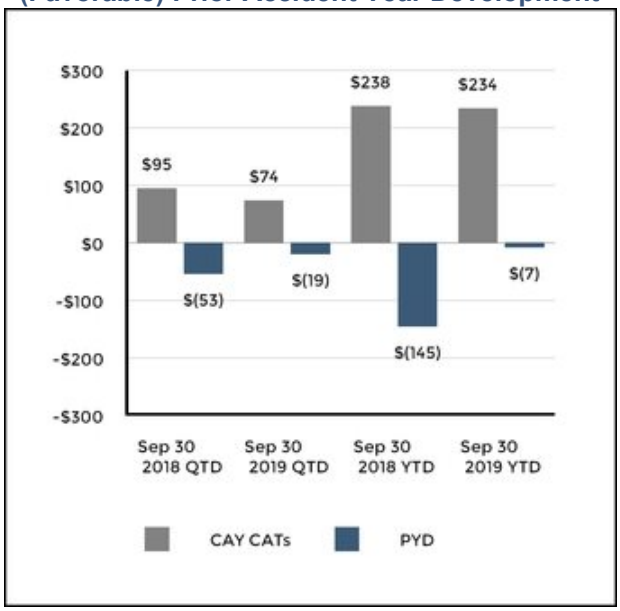
Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Loss and LAE ratio before catastrophes and prior accident year development increased for the three months ended September 30, 2019, primarily due to a higher loss and loss adjustment expense ratio on the acquired Navigators Group business, partially offset by lower non-catastrophe property losses.

Loss and LAE ratio before catastrophes and prior accident year development increased for the nine months ended September 30, 2019 primarily due to a higher loss and loss adjustment expense ratio on the acquired Navigators Group business and higher non-catastrophe property losses in middle market inland marine.

Included in current accident year loss and loss adjustment expenses before catastrophes for the nine month period was a $29 increase in current accident year Navigators reserves upon acquisition of the business in May 2019, which was driven primarily by increased loss estimates for general liability, international professional liability and assumed reinsurance accident and health business.

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



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Current accident year catastrophe losses totaled $74, before tax, for the three months ended September 30, 2019 compared to $95, before tax, for the three months ended September 30, 2018. Current accident year catastrophe losses for the three months ended September 30, 2019 were primarily related to wind and hail events in various areas of the Midwest and Mountain West as well as from hurricane Dorian and tropical storm Imelda. Current accident year catastrophe losses for the three months ended September 30, 2018 were primarily due to wind and hail events in Colorado and hurricane Florence.

Current accident year catastrophe losses totaled $234, before tax, for the nine months ended September 30, 2019 compared to $238 before tax, for the nine months ended September 30, 2018. Current accident year catastrophe losses for the nine months ended September 30, 2019 were primarily from winter storms in the northern plains, Midwest and Northeast as well as tornado, wind and hail events in various areas of the Midwest, Mountain West and South. Current accident year catastrophe losses for the nine months ended September 30, 2018 were primarily due to multiple wind and hail events in Colorado, the Midwest, South and Mid-Atlantic and hurricane Florence as well as winter storms on the east coast.

Prior accident year development was a net favorable $19 for the three month period in 2019, compared with $53 of net favorable prior accident year development for the three month period in 2018 and was a net favorable $7 for the

nine months ended September 30, 2019 compared to favorable prior accident year development of $145, before tax, for the nine months ended September 30, 2018. Net reserve decreases for the three month period in 2019 were primarily related to lower loss reserve estimates for workers' compensation claims and package business reserves, partially offset by increases in reserves for auto liability and general liability. Net reserve decreases for the nine months ended September 30, 2019 were primarily related to lower loss reserve estimates for workers' compensation claims, catastrophes and package business reserves, largely offset by a $68 before tax increase to Navigators reserves upon acquisition of the business and increases in reserves for auto liability and general liability. The increase in Navigators reserves upon acquisition of the business principally related to higher reserve estimates for general liability, professional liability and marine.

Net reserve decreases for the three months ended September 30, 2018 were primarily related to decreases in reserves for workers' compensation, professional liability and the 2017 hurricanes. Net reserve decreases for the nine month 2018 period were primarily related to decreases for workers' compensation and catastrophe reserves. Estimated losses for 2017 catastrophe events in Commercial Lines decreased by $93 in the nine month 2018 period resulting in a decrease in reinsurance recoverables of $43 as the Company no longer expects to recover under the 2017 Property Aggregate reinsurance treaty.

PERSONAL LINES

Results of Operations

Underwriting Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Written premiums	$ 822	$ 854	(4%)	$ 2,417	$ 2,518	(4%)
Change in unearned premium reserve	19	5	NM	14	(46)	130%
Earned premiums	803	849	(5%)	2,403	2,564	(6%)
Fee income	9	10	(10%)	28	30	(7%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	531	565	(6%)	1,548	1,688	(8%)
Current accident year catastrophes [1]	32	74	(57%)	114	222	(49%)
Prior accident year development [1]	(28)	(18)	(56%)	(25)	(21)	(19%)
Total losses and loss adjustment expenses	535	621	(14%)	1,637	1,889	(13%)
Amortization of DAC	64	68	(6%)	194	209	(7%)
Underwriting expenses	154	155	(1%)	464	454	2%
Amortization of other intangible assets	1	1	—%	4	3	33%
Underwriting gain	**58**	**14**	**NM**	**132**	**39**	**NM**
Net servicing income [2]	4	5	(20%)	11	13	(15%)
Net investment income [3]	46	39	18%	134	116	16%
Net realized capital gains [3]	9	5	80%	36	10	NM
Other income (expenses)	—	1	(100%)	(1)	1	NM
Income before income taxes	**117**	**64**	**83%**	**312**	**179**	**74%**
Income tax expense [4]	23	13	77%	60	33	82%
Net income	**$ 94**	**$ 51**	**84%**	**$ 252**	**$ 146**	**73 %**

[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 $23 and $24 for the three months ended September 30, 2019 and 2018 and $65 and $66 for the nine months ended September 30, 2019 and 2018. Includes servicing expenses of $19 for both the three months ended September 30, 2019 and 2018, and $54 and $53 for the nine months ended September 30, 2019 and 2018.

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

[4]For discussion of income taxes, see Note 11 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Written and Earned Premiums

	Three Months Ended September 30,			Nine Months Ended September 30,		
Written Premiums	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Product Line						
Automobile	$ 562	$ 583	(4%)	$ 1,681	$ 1,750	(4%)
Homeowners	260	271	(4%)	736	768	(4%)
Total	**$ 822**	**$ 854**	**(4%)**	**$ 2,417**	**$ 2,518**	(4%)
Earned Premiums						
Product Line						
Automobile	$ 558	$ 591	(6%)	$ 1,670	$ 1,787	(7%)
Homeowners	245	258	(5%)	733	777	(6%)
Total	**$ 803**	**$ 849**	**(5%)**	**$ 2,403**	**$ 2,564**	(6%)

Premium Measures

	Three Months Ended September 30,		Nine Months Ended September 30,	
Premium Measures	**2019**	**2018**	**2019**	**2018**
Policies in-force end of period (in thousands)				
Automobile			1,445	1,547
Homeowners			893	948
New business written premium				
Automobile	$ 58	$ 47	$ 173	$ 126
Homeowners	$ 21	$ 12	$ 57	$ 32
Policy count retention				
Automobile	85%	83%	85%	82%
Homeowners	86%	83%	85%	83%
Renewal written price increase				
Automobile	4.1%	6.0%	4.8%	7.9%
Homeowners	5.9%	9.9%	6.9%	9.9%
Renewal earned price increase				
Automobile	5.1%	9.2%	5.8%	10.1%
Homeowners	8.0%	9.6%	8.8%	9.2%

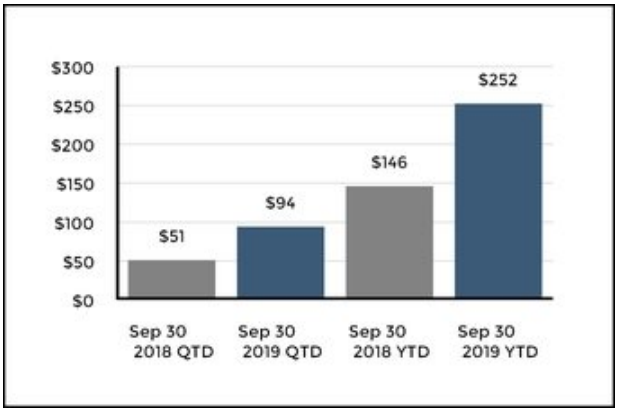
Underwriting Ratios

Underwriting Ratios	Three Months Ended September 30, 2019	2018	Change	Nine Months Ended September 30, 2019	2018	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	66.1	66.5	(0.4)	64.4	65.8	(1.4)
Current accident year catastrophes	4.0	8.7	(4.7)	4.7	8.7	(4.0)
Prior year development	(3.5)	(2.1)	(1.4)	(1.0)	(0.8)	(0.2)
Total loss and loss adjustment expense ratio	66.6	73.1	(6.5)	68.1	73.7	(5.6)
Expense ratio	26.2	25.2	1.0	26.4	24.8	1.6
Combined ratio	**92.8**	**98.4**	**(5.6)**	**94.5**	**98.5**	**(4.0)**
Current accident year catastrophes and prior year development	**0.5**	**6.6**	**(6.1)**	**3.7**	**7.9**	**(4.2)**
Underlying combined ratio	**92.3**	**91.8**	**0.5**	**90.8**	**90.6**	**0.2**

Product Combined Ratios

	Three Months Ended September 30, 2019	2018	Change	Nine Months Ended September 30, 2019	2018	Change
Automobile						
Combined ratio	95.7	98.9	(3.2)	95.3	97.2	(1.9)
Underlying combined ratio	98.8	98.5	0.3	96.4	96.4	—
Homeowners						
Combined ratio	86.5	96.9	(10.4)	93.0	101.5	(8.5)
Underlying combined ratio	76.6	76.3	0.3	78.1	77.2	0.9

Net Income



Underwriting Gain

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

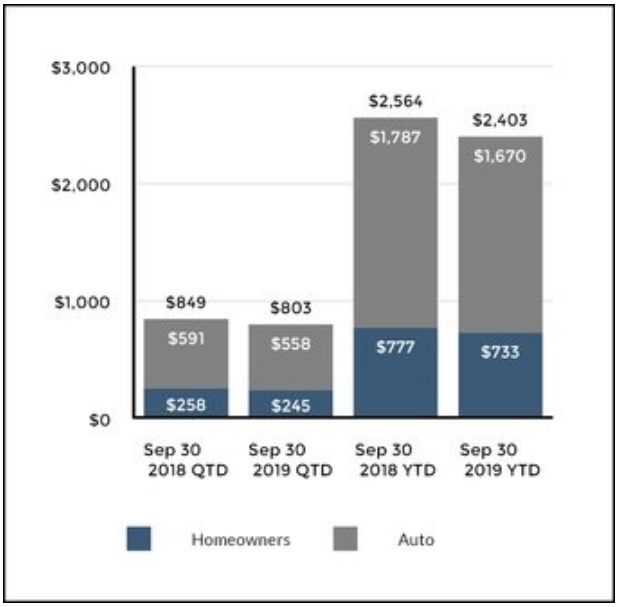
Net income increased for the three month period primarily due to a higher underwriting gain and higher net investment income. Net income for the nine month period increased, primarily due to a higher underwriting gain, an increase in net realized capital gains and higher net investment income.

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Underwriting gain increased for the three month period in 2019 primarily due to lower current accident year catastrophes and more favorable prior accident year reserve development partially offset by the effect of lower earned premium. Underwriting gain increased for the nine month period

in 2019 primarily due to lower current accident year catastrophes and lower current accident year loss ratios before catastrophes in both auto and homeowners partially offset by the effect of lower earned premium and an increase in underwriting expenses. For the nine month period, the increase in underwriting expenses was largely driven by investments in information technology, and 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 and lower incentive compensation. The decrease in amortization of DAC for both the three and nine month periods was commensurate with the reduction in earned premium.

Earned Premiums



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

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

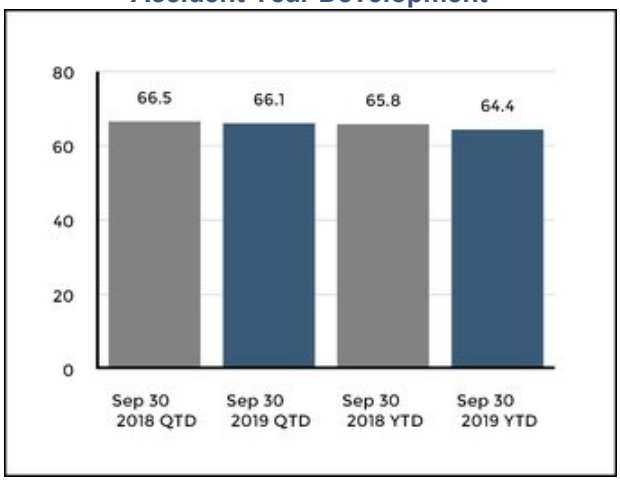
Written premiums decreased in 2019 in AARP Direct and both Agency channels. Despite an increase in new business and higher policy count retention in both auto and homeowners, written premium declined, primarily due to not generating enough new business to offset the loss of non-renewed premium.

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.

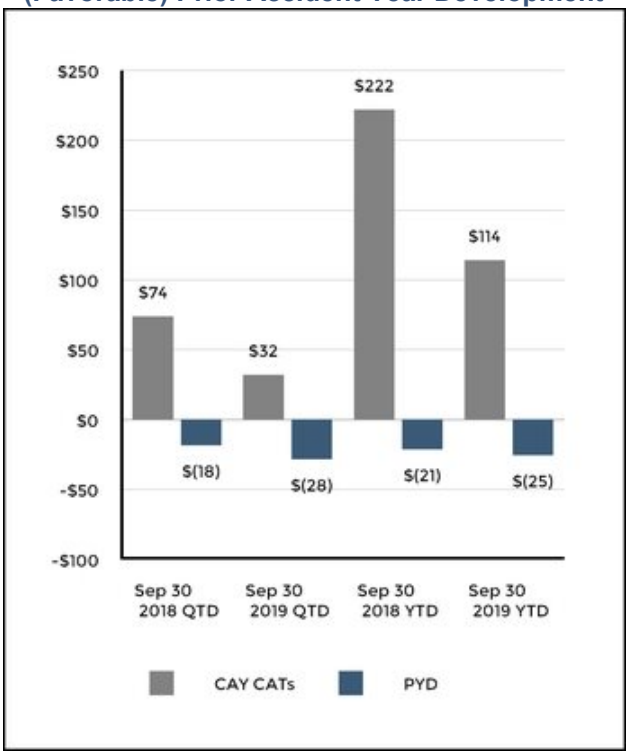
Loss and LAE Ratio before Catastrophes and Prior Accident Year Development



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Loss and LAE ratio before catastrophes and prior accident year development decreased in both the three and nine month periods. For auto in the three month period, a modest increase in loss costs was offset by the effect of earned pricing increases. For auto in the nine month period, a decrease in the loss and loss adjustment expense ratio was due to the effect of earned pricing increases and a slight decrease in average claim frequency, partially offset by a modest increase in average claim severity. For home in both the three and nine month periods, the primary drivers were the effect of earned pricing increases as well as lower non-catastrophe loss costs.

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



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Current accident year catastrophe losses for the three months ended September 30, 2019 were primarily from wind and hail events in the Midwest and Mountain West and losses from hurricane Dorian and tropical storm Imelda. Catastrophe losses for three months ended September 30, 2018 were from catastrophe events across the country, principally wildfires in California and Colorado, wind and hail storms in Colorado and wind storms in the Midwest, Mid-Atlantic and Northeast. Catastrophe losses for the nine months ended September 30, 2019 primarily included winter storms across the country and tornado, wind and hail events in the South, Midwest, and Mountain West. Catastrophe losses for the nine month 2018 period included multiple wind and hail events across the Mountain West, Midwest, South, and Northeast and wildfires in California and Colorado as well as from east coast winter storms.

Prior accident year development was favorable in both the three and nine months ended September 30, 2019 primarily due to a decrease in auto liability reserves for the 2017 accident year. Prior accident year development was favorable in the 2018 three month period primarily due to decreases in reserves for both auto liability and homeowners related to recent accident years. Prior accident year development for the 2018 nine month period included decreases in reserves for auto liability and for homeowners partially offset by increases in reserves for prior accident year catastrophes. Estimated losses for 2017 catastrophe events in Personal Lines decreased by $30 in the 2018 nine month period, resulting in a decrease in reinsurance recoverables of $47, as the Company no longer expects to recover under the 2017 Property Aggregate reinsurance treaty.

PROPERTY & CASUALTY OTHER OPERATIONS

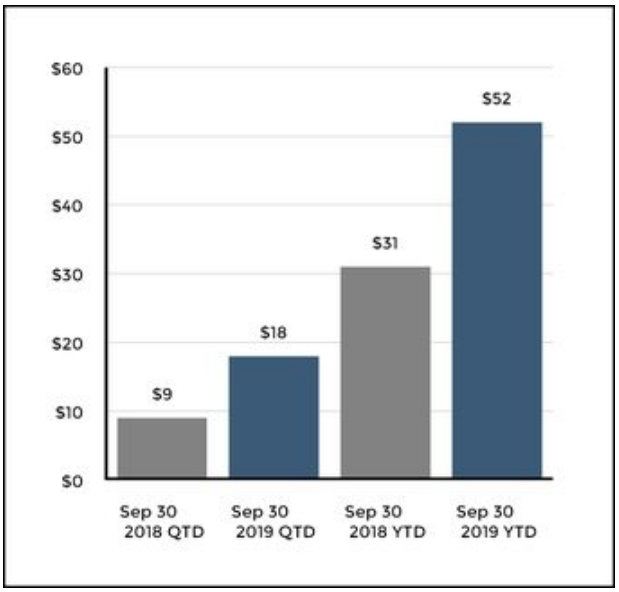
Results of Operations

Underwriting Summary

	Three Months Ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Losses and loss adjustment expenses						
Prior accident year development [1]	$ —	$ 11	(100%)	$ 9	$ 27	(67%)
Total losses and loss adjustment expenses	—	11	(100%)	9	27	(67%)
Underwriting expenses	3	3	—%	9	9	—%
Underwriting loss	**(3)**	**(14)**	**79%**	**(18)**	**(36)**	**50%**
Net investment income [2]	21	22	(5%)	64	68	(6%)
Net realized capital gains [2]	4	3	33%	17	5	NM
Income before income taxes	**22**	**11**	**100%**	**63**	**37**	**70%**
Income tax expense [3]	4	2	100%	11	6	83%
Net income	**$ 18**	**$ 9**	**100%**	**$ 52**	**$ 31**	**68%**

[1]For discussion of prior accident year development, see MD&A - Critical Accounting Estimates, Property and Casualty Insurance Product Reserves, Net of Reinsurance.
[2]For discussion of consolidated investment results, see MD&A - Investment Results.
[3]For discussion of income taxes, see Note 11 - Income Taxes of Notes to Condensed Consolidated Financial Statements.

Net Income



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net Income increased for the three and nine months ended September 30, 2019 primarily due to a decrease in net unfavorable prior accident year development and, for the nine month period, an increase in net realized capital gains.

Underwriting loss decreased for the three and nine months ended September 30, 2019 primarily due to a decrease in unfavorable prior accident year development. Net unfavorable prior accident year reserve development in the 2019 nine month period included reserve increases for product liability and construction defects claims. Net unfavorable prior accident year reserve development in the 2018 nine month period included reserve increases for certain mass torts and the allowance for uncollectible reinsurance.

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

GROUP BENEFITS

Results of Operations

Operating Summary

	Three Months Ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Premiums and other considerations	$ 1,382	$ 1,396	(1%)	$ 4,213	$ 4,198	—%
Net investment income [1]	121	117	3%	363	353	3%
Net realized capital gains (losses) [1]	14	(3)	NM	26	(26)	NM
Total revenues	**1,517**	**1,510**	**—%**	**4,602**	**4,525**	**2%**
Benefits, losses and loss adjustment expenses	983	1,054	(7%)	3,098	3,198	(3%)
Amortization of DAC	14	12	17%	41	33	24%
Insurance operating costs and other expenses	329	319	3%	968	957	1%
Amortization of other intangible assets	10	15	(33%)	31	48	(35%)
Total benefits, losses and expenses	**1,336**	**1,400**	**(5%)**	**4,138**	**4,236**	**(2%)**
Income before income taxes	**181**	**110**	**65%**	**464**	**289**	**61%**
Income tax expense [2]	35	33	6%	87	62	40%
Net income	**$ 146**	**$ 77**	**90%**	**$ 377**	**$ 227**	**66%**

[1]For discussion of consolidated investment results, see MD&A - Investment Results.
[2]For discussion of income taxes, see Note 11 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Premiums and Other Considerations

	Three Months Ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Fully insured – ongoing premiums	$ 1,337	$ 1,353	(1%)	$ 4,072	$ 4,062	—%
Buyout premiums	—	—	—%	6	5	20%
Fee income	45	43	5%	135	131	3%
Total premiums and other considerations	**$ 1,382**	**$ 1,396**	**(1%)**	**$ 4,213**	**$ 4,198**	**—%**
Fully insured ongoing sales, excluding buyouts	**$ 74**	**$ 104**	**(29%)**	**$ 580**	**$ 643**	**(10%)**

Ratios, Excluding Buyouts

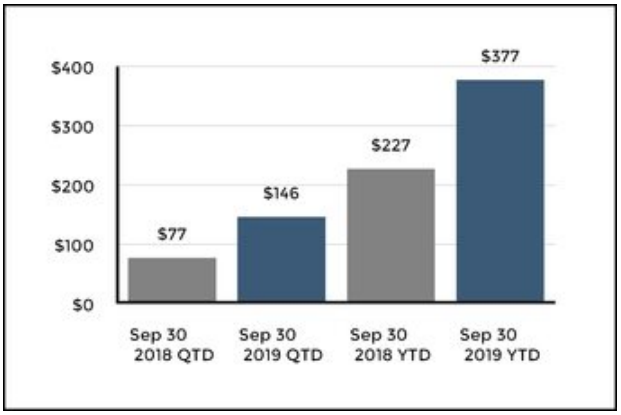
	Three Months Ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Group disability loss ratio	64.4%	75.9%	(11.5)	69.0%	75.0%	(6.0)
Group life loss ratio	80.8%	76.6%	4.2	80.0%	78.3%	1.7
Total loss ratio	**71.1%**	**75.5%**	**(4.4)**	**73.5%**	**76.2%**	**(2.7)**
Expense ratio [1]	**24.9%**	**23.9%**	**1.0**	**24.1%**	**23.9%**	**0.2**

[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 September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Net income margin	**9.6%**	**5.1%**	**4.5**	**8.2%**	**5.0%**	**3.2**
Adjustments to reconcile net income margin to core earnings margin:						
Net realized capital losses (gains) excluded from core earnings, before tax	(0.9%)	0.2%	(1.1)	(0.5%)	0.6%	(1.1)
Integration and transaction costs associated with acquired business, before tax	0.6%	0.8%	(0.2)	0.6%	0.8%	(0.2)
Income tax benefit	0.1%	0.6%	(0.5)	—%	—%	—
Core earnings margin	**9.4%**	**6.7%**	**2.7**	**8.3%**	**6.4%**	**1.9**

Net Income

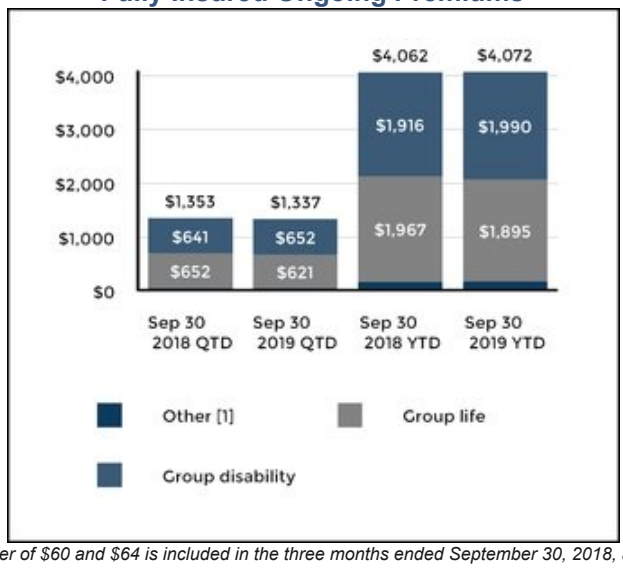


Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net income increased for the three and nine-month periods primarily due to a lower loss ratio, a change from net realized capital losses to net realized capital gains and $14 of additional tax expense in the 2018 period that was primarily driven by the effect of the lower rate on deferred tax assets due to the filing of the Company's 2017 Federal income tax return and finalization of the opening balance sheet for the Aetna Group Benefits acquisition. Also contributing to the increase for the nine month period was lower amortization of other intangible assets. Partially offsetting the increase in both the three and nine-month periods was higher insurance operating costs and expenses.

Insurance operating costs and other expenses for the three month and nine month period increased due to higher commissions on our voluntary product offerings and investments in technology and claims operations, partially offset by achievements of expense synergies, and, for the nine month period, lower state taxes and assessments.

Fully Insured Ongoing Premiums



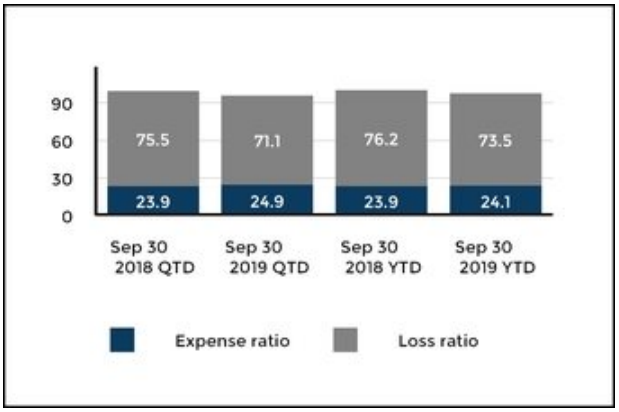
[1] Other of $60 and $64 is included in the three months ended September 30, 2018, and 2019, respectively, and $179 and $187 for the nine months ended September 30, 2018, and 2019, respectively is included in the total.

Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Fully insured ongoing premiums decreased slightly for the three month period reflecting a decrease in group life partially offset by an increase in group disability. For the nine month period, premium was relatively flat as the increase in group disability and the higher premium from Voluntary products was largely offset by a decrease in group life.

Fully insured ongoing sales, excluding buyouts for the three month period decreased 29% driven primarily by a decrease in both group disability and group life sales. For the nine month period, sales decreased 10% as the prior year included first year sales from the new New York Paid Family Leave product and group life sales decreased.

Ratios



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Total loss ratio decreased 4.4 points for the three month period and 2.7 points for the nine month period reflecting a lower disability loss ratio partially offset by a higher group life loss ratio.

The group disability loss ratio decreased 11.5 points and 6.0 points for the three and nine month period, respectively, due to continued favorable incidence trends and strong claim recoveries on prior incurral year reserves. In addition, included in the disability loss ratio for the three and nine month periods were favorable changes in long term disability reserve assumptions of 2.7 points and 0.9 points, respectively, largely driven from updating our claim recovery probabilities due to more recent experience, and an experience refund from prior year related to the New York Paid Family Leave product of 1.1 points and 0.4 points, respectively.

The group life loss ratio increased 4.2 points and 1.7 points in the three and nine month periods, respectively, due to increased life losses largely due to higher severity.

Expense ratio increased 1.0 point for the three month period and 0.2 points in the nine month period due to higher commissions on our voluntary product offerings, and investments in technology and claims, and higher amortization of DAC in both periods, partially offset by achievements of expense synergies, lower variable incentive compensation, and in the nine month period, lower state taxes and assessments.

HARTFORD FUNDS

Results of Operations

Operating Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Fee income and other revenue	$ 254	$ 267	(5%)	$ 743	$ 786	(5%)
Net investment income	1	1	—%	5	3	67%
Net realized capital gains	1	—	NM	3	(1)	NM
Total revenues	**256**	**268**	**(4%)**	**751**	**788**	**(5%)**
Amortization of DAC	3	4	(25%)	9	12	(25%)
Operating costs and other expenses	202	212	(5%)	607	635	(4%)
Total benefits, losses and expenses	**205**	**216**	**(5%)**	**616**	**647**	**(5%)**
Income before income taxes	**51**	**52**	**(2%)**	**135**	**141**	**(4%)**
Income tax expense	11	11	—%	27	29	(7%)
Net income	**$ 40**	**$ 41**	**(2%)**	**$ 108**	**$ 112**	**(4%)**
Daily average Hartford Funds AUM	**$ 119,738**	**$ 119,897**	**—%**	**$ 116,635**	**$ 118,098**	**(1%)**
ROA [1]	**13.3**	**13.6**	**(2%)**	**12.4**	**12.7**	**(2%)**
Adjustment to reconcile ROA to ROA, core earnings:						
Effect of net realized capital losses (gains) excluded from core earnings, before tax	(0.4)	—	NM	(0.3)	0.1	NM
ROA, core earnings [1]	**12.9**	**13.6**	**(5%)**	**12.1**	**12.8**	**(5%)**

[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 September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Mutual Fund and ETP AUM - beginning of period	**$ 106,889**	**$ 101,665**	**5%**	**$ 91,557**	**$ 99,090**	**(8%)**
Sales - mutual fund	5,199	5,176	—%	17,218	16,605	4%
Redemptions - mutual fund	(6,126)	(5,192)	(18%)	(18,123)	(15,892)	(14%)
Net flows - ETP	127	261	(51%)	874	683	28%
Net flows - mutual fund and ETP	(800)	245	NM	(31)	1,396	(102%)
Change in market value and other	(129)	3,623	(104%)	14,434	5,047	186%
Mutual fund and ETP AUM - end of period	**105,960**	**105,533**	**—%**	**105,960**	**105,533**	**—%**
Talcott Resolution life and annuity separate account AUM [1]	**14,021**	**15,543**	**(10%)**	**14,021**	**15,543**	**(10%)**
Hartford Funds AUM	**$ 119,981**	**$ 121,076**	**(1%)**	**$ 119,981**	**$ 121,076**	**(1%)**

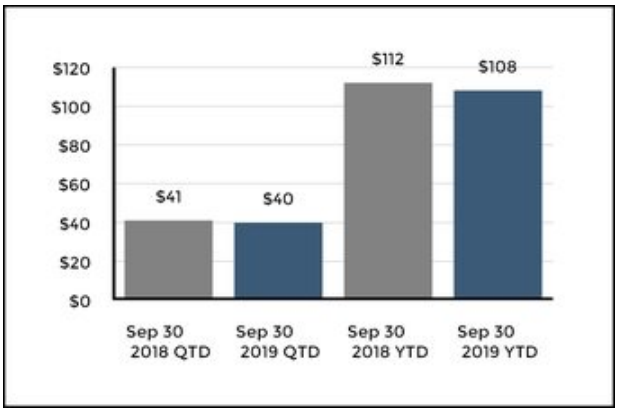
[1]Represents AUM of the life and annuity business sold in May 2018 that is still managed by the Company's Hartford Funds segment.

Mutual Fund and ETP AUM by Asset Class

	September 30,		
	2019	2018	Change
Equity	$ 66,999	$ 69,463	(4%)
Fixed Income	15,685	14,831	6%
Multi-Strategy Investments [1]	20,429	20,062	2%
Exchange-traded Products	2,847	1,177	142%
Mutual Fund and ETP AUM	**$ 105,960**	**$ 105,533**	**—%**

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

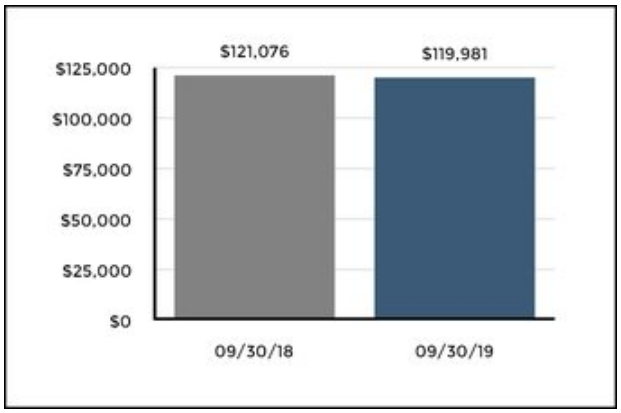
Net Income



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net income for the three month period decreased compared to the prior year period due to lower investment management fee revenue driven by fee reductions and a shift to lower fee funds. Net income for the nine month period decreased compared to the prior year period due to lower investment management fee revenue driven by lower average daily AUM and a shift to lower fee funds as well as due to an increase in contingent consideration payable associated with the acquisition of Lattice. See note 5 - Fair Value Measurements for additional information.

Hartford Funds AUM



September 30, 2019 compared to September 30, 2018

Hartford Funds AUM decreased compared to the prior year primarily due to the continued runoff of AUM related to the Talcott Resolution life and annuity separate account AUM. Net appreciation over the 12 month period ended September 30, 2019 was largely offset by net outflows from equity funds due to redemptions in excess of sales.

CORPORATE

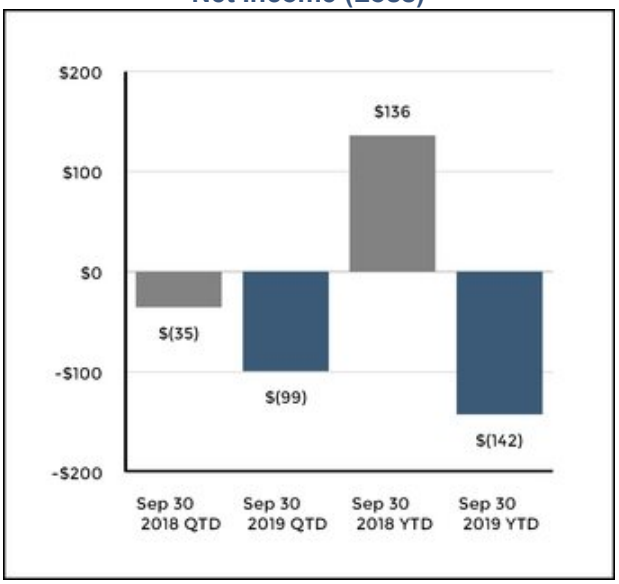
Results of Operations

Operating Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	Change	2019	2018	Change
Fee income	$ 14	$ 15	(7%)	$ 38	$ 21	81%
Other revenue	24	6	NM	68	8	NM
Net investment income	10	15	(33%)	51	33	55%
Net realized capital gains	1	4	(75%)	21	9	133%
Total revenues	**49**	**40**	**23%**	**178**	**71**	**151%**
Benefits, losses and loss adjustment expenses [1]	5	3	67%	10	9	11%
Insurance operating costs and other expenses	20	25	(20%)	66	59	12%
Loss on extinguishment of debt [2]	90	—	NM	90	6	NM
Interest expense [2]	67	69	(3%)	194	228	(15%)
Total benefits, losses and expenses	**182**	**97**	**88%**	**360**	**302**	**19%**
Loss before income taxes	**(133)**	**(57)**	**(133%)**	**(182)**	**(231)**	**21%**
Income tax benefit [3]	(34)	(17)	(100%)	(40)	(45)	11%
Loss from continuing operations, net of tax	**(99)**	**(40)**	**(148%)**	**(142)**	**(186)**	**24%**
Income from discontinued operations, net of tax	—	5	(100%)	—	322	(100%)
Net income (loss)	**(99)**	**(35)**	**(183%)**	**(142)**	**136**	**NM**
Preferred stock dividends	11	—	**NM**	16	—	**NM**
Net income (loss) available to common stockholders	**$ (110)**	**$ (35)**	**NM**	**$ (158)**	**$ 136**	**NM**

[1]Represents benefits expense on life and annuity business previously underwritten by the Company.
[2]For discussion of debt, see Note 10 - 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 11 - Income Taxes of Notes to the Condensed Consolidated Financial Statements.

Net Income (Loss)



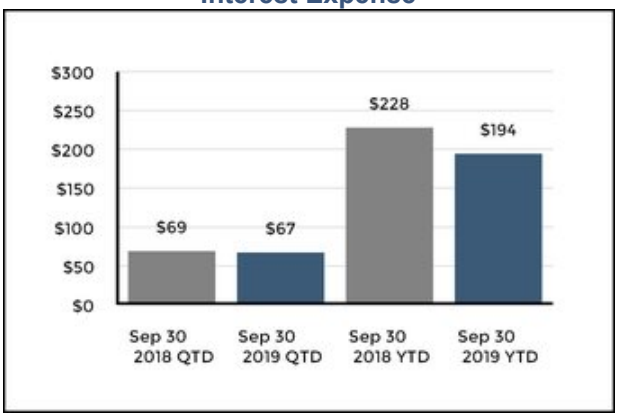
Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Net Loss for the three month period increased primarily due to a $90 loss on extinguishment of debt related to the third quarter 2019 repayment of senior notes before their maturity date. Net loss for the nine months ended September 30, 2019 compared to net income for the nine months ended September 30, 2018 as the 2018 nine month period included income from discontinued operations related to the life and annuity business sold in May 2018 and the 2019 nine month period included the $90 loss on extinguishment of debt.

Excluding the loss on extinguishment of debt, the loss from continuing operations, net of tax, decreased for both the three month and nine month periods. The three month period improved largely due to other revenues of $14 from earnings on the Company's retained equity interest in the former life and annuity operations, partially offset by a decrease in net investment income driven by lower average invested assets due to the acquisition of the Navigators Group in May 2019. The nine month period improved due, in part, to other revenues of $45 from earnings on the Company's retained equity interest, lower interest expense and higher net realized capital gains, partially

offset by transaction costs related to the Navigators Group acquisition. Net investment income increased for the nine month period due to an increase in short term interest rates as well as the reinvestment of the proceeds from the sale of the life and annuity business sold in May 2018 until the acquisition of the Navigators Group in May 2019.

Interest Expense



Three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018

Interest expense for both the three and nine month periods decreased, primarily due to the maturity of senior notes payable in January 2019, partially offset by the issuance of senior notes in August in excess of the amount of proceeds used to redeem other outstanding senior notes. On January 15, 2019, the Company repaid at maturity the $413 principal amount of its 6.0% senior notes. After receiving net proceeds of $1.38 billion from the issuance of the 2.8% Notes and 3.6% Notes, in third quarter 2019, The Hartford repaid $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition, and its $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc., and recognized a loss on extinguishment of debt of $90. On 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. On June 15, 2018, The Hartford redeemed $500 aggregate principal amount of its 8.125% Fixed-to-Floating Rate Junior Subordinated Debentures due 2068.

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's 2018 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, workers' compensation, casualty, group life, and group disability lines of business. 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 utilizes various reinsurance programs to mitigate catastrophe losses including excess of loss occurrence-based treaties covering property and workers' compensation, aggregate property catastrophe treaty providing protection for the aggregate of all catastrophe events designated by Property Claims Services and individual risk (including facultative reinsurance) that reinsure losses from specific classes or lines of business. In addition, as a result of the acquisition of Navigators Group, catastrophe treaties in-force at the time of the acquisition related to Navigators exposures remain in-force.

Primary Catastrophe Treaty Reinsurance Coverages as of September 30, 2019 [1]

	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 [2]		
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 [3]	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 [2] [6]		
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 [4]		
$0 to $775 of aggregate losses	None	100% retained
$775 to $1.0 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 [5]	80% of $350 in excess of $100	20% co-participation

[1]Navigators Group catastrophe exposures are not covered by these treaties. For 2019, Navigators Group treaties in-force at the time of the acquisition remain in-force. For additional information on business acquisitions see Note 2 - Business Acquisition in Notes to Condensed Consolidated Financial Statements.

[2]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 6/1/2019 to 5/30/2020. Retention and coverage varies by writing company. The writing company with the largest coverage under FHCF is Hartford Insurance Company of the Midwest, with coverage for approximately $84 of per event losses in excess of a $29 retention.

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

[4]The aggregate treaty is not limited to a single event; rather, it is designed to provide reinsurance protection for the aggregate of all 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.

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

[6]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 billion in 2019, with the threshold increasing to $200 billion 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, including reserves for A&E exposure for accident years prior to 1986 that are reported in Property & Casualty Other Operations ("Run-off A&E") and reserves for A&E exposure for accident years 1986 and subsequent from policies underwritten prior to 2016 that are reported in ongoing Commercial Lines and Personal Lines. 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 September 30, 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 for Navigators Reserve Development- Immediately after closing on the acquisition of Navigators Group, effective May 23, 2019, the Company purchased an aggregate excess of loss reinsurance agreement covering adverse reserve development ("Navigators ADC") from NICO on behalf of Navigators Insurance Company and certain of its affiliates (collectively, the "Navigators Insurers"). Under the Navigators ADC, the Navigators Insurers paid NICO a reinsurance premium of $91 in exchange for reinsurance coverage of $300 of adverse net loss reserve development that attaches $100 above the Navigators Insurers' existing net loss and allocated loss adjustment reserves as of December 31, 2018 subject to the treaty of $1.816 billion for accidents and losses prior to December 31, 2018. In addition to recognizing a $91 before tax charge to earnings in the second quarter of 2019 for the Navigators ADC reinsurance premium, the Company recognized a charge against earnings of $97 before tax in the second quarter of 2019 as a result of a review of Navigators Insurers' net acquired reserves upon acquisition of the business. Navigators Insurers had previously recognized $52 before tax of adverse reserve development in the first quarter of 2019, including $32 of adverse development subject to the Navigators ADC. As such, reserve development of $97 before tax in the second quarter of 2019 included $68 remaining of the $100 Navigators ADC retention for 2018 and prior accident years and $29 of adverse reserve development related to the 2019 accident year which is not covered by the ADC. The $68 of reserve development for the 2018 and prior accident years recorded in the second quarter of 2019 was net of a $91 reinsurance recoverable recognized under the Navigators ADC with the Company having ceded $91 of the $300 available limit, leaving $209 of remaining limit. There was no additional net adverse development subject to the Navigators ADC in the third quarter. The Navigators ADC will be accounted for as retroactive reinsurance and future adverse reserve development, if any, would result in recognizing a deferred gain.

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 September 30, 2019	As of December 31, 2018
Paid loss and loss adjustment expenses	$ 236	$ 127
Unpaid loss and loss adjustment expenses	4,678	3,773
Gross reinsurance recoverables	**4,914**	**3,900**
Allowance for uncollectible reinsurance	(148)	(126)
Net reinsurance recoverables	**$ 4,766**	**$ 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 September 30, 2019	As of December 31, 2018
Paid loss and loss adjustment expenses	$ 13	$ 12
Unpaid loss and loss adjustment expenses	231	239
Gross reinsurance recoverables	**244**	**251**
Allowance for uncollectible reinsurance [1]	—	—
Net reinsurance recoverables	**$ 244**	**$ 251**

[1]No allowance for uncollectible reinsurance is required as of September 30, 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 from events that impact financial market conditions and the value of financial assets. Some events may

cause correlated movement in multiple risk factors. The primary sources of financial risks are the Company's invested assets.

Consistent with its risk appetite, the Company establishes financial risk limits to control potential loss on a U.S. GAAP, statutory, and economic basis. Exposures are actively monitored and managed, with risks mitigated where appropriate. The Company uses various risk management strategies, including limiting aggregation of risk, portfolio re-balancing and hedging with over-the-counter and exchange-traded derivatives with counterparties meeting the appropriate regulatory and due diligence requirements. Derivatives are utilized to achieve 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 liquidity. The Company also monitors internal and external conditions, and identifies material risk changes and emerging risks that may impact operating cash flows or liquid assets.

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. Credit risk is comprised of three major factors: the risk of change in credit quality, or credit migration risk; the risk of default; and the risk of a change in value due to changes in credit spreads.

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

Impact A decline in creditworthiness is typically reflected as an increase in an investment's credit spread and associated decline in value, potentially resulting in an increase in other-than-temporary impairment and an increased probability of a realized loss upon sale. In certain instances, counterparties may default on their obligations and the Company may realize a loss on default. Premiums receivable, reinsurance recoverable and deductible losses recoverable 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 in aggregate and to limit potential losses in accordance with the Company's credit risk management policy. The Company manages its credit risk by managing aggregations of risk, holding a diversified mix of issuers and counterparties across its investment, reinsurance and insurance portfolios and limiting exposure to any specific reinsurer or counterparty. Potential credit losses can be mitigated through diversification (e.g., geographic regions, asset types, industry sectors), hedging and the use of collateral to reduce net credit exposure.

The Company manages credit risk on an ongoing basis through the use of various analyses and governance processes. Both the investment and reinsurance areas have formal policies and procedures for counterparty approvals and authorizations, which establish minimum levels of creditworthiness and financial stability. Credits considered for investment are subject to underwriting reviews and 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 September 30, 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 6 - 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 additional 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 nine months ended September 30, 2019, the Company incurred no losses on derivative instruments due to counterparty default. For further discussion, see the Derivative Commitments section of Note 12 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 7 - 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 rate risk arising from its fixed maturity investments, commercial mortgage loans, capital securities issued by the Company and discount rate assumptions associated with the Company's claim reserves and pension and other post-retirement benefit obligations as well as from assets that support the Company's pension and other post-retirement benefit plans.

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

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

The Company utilizes a variety of derivative instruments to mitigate interest rate risk associated with its investment portfolio or to hedge liabilities. Interest rate caps, floors, swaps, swaptions, and futures may be used to manage portfolio duration.

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

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

The functional currency of The Company's principal insurance subsidiaries is the U.S. dollar. The Company has foreign currency exchange risk by holding non-U.S. dollar denominated investments, which primarily consist of fixed maturity and equity investments and foreign denominated cash.

Impact Changes in relative values between currencies can create variability in cash flows and realized or unrealized gains and losses on changes in the fair value of assets and liabilities.

Management 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 addition, as a global company, we transact business in multiple currencies. Many of our non-U.S. subsidiaries maintain assets and liabilities in local currencies that differ from their functional currency. We manage our foreign currency exchange rate risk primarily through asset-liability matching. In addition to holding non-U.S. dollar denominated assets to support non-U.S. dollar denominated liabilities, legal entity required capital is invested in non-U.S. dollar currencies in order to satisfy regulatory requirements and to support local insurance operations exposing the Company to the fluctuation of the U.S. dollar.

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.

Fixed Maturities by Credit Quality

	September 30, 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	$ 5,362	$ 5,588	13.2%	$ 4,446	$ 4,430	12.4%
AAA	6,124	6,360	15.0%	6,366	6,440	18.1%
AA	7,762	8,202	19.4%	6,861	6,985	19.6%
A	10,161	10,894	25.7%	8,314	8,370	23.5%
BBB	9,303	9,850	23.2%	8,335	8,163	22.9%
BB & below	1,462	1,495	3.5%	1,281	1,264	3.5%
Total fixed maturities, AFS	**$ 40,174**	**$ 42,389**	**100.0%**	**$ 35,603**	**$ 35,652**	**100.0%**

The fair value of fixed maturities, AFS increased as compared to December 31, 2018, primarily due to the transfer in of assets related to the acquisition of Navigators Group as well as an increase in valuations due to lower interest rates and tighter credit spreads. Fixed maturities, FVO, are not included in the preceding table. For further discussion on FVO securities, see Note 5 - Fair Value Measurements of Notes to Condensed Consolidated Financial Statements.

Securities by Type

	September 30, 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	$ 1,187	$ 20	$ (1)	$ 1,206	2.8%	$ 1,159	$ 5	$ (1)	$ 1,163	3.3%
Other	128	3	—	131	0.3%	113	—	—	113	0.3%
Collateralized loan obligations ("CLOs")	2,162	4	(8)	2,158	5.1%	1,455	2	(20)	1,437	4.0%
CMBS										
Agency [1]	1,828	63	(4)	1,887	4.5%	1,447	13	(33)	1,427	4.0%
Bonds	2,002	115	—	2,117	5.0%	1,845	13	(29)	1,829	5.1%
Interest only	237	15	(2)	250	0.6%	289	9	(2)	296	0.8%
Corporate										
Basic industry	666	35	(1)	700	1.7%	604	8	(21)	591	1.7%
Capital goods	1,449	72	(3)	1,518	3.6%	1,132	8	(31)	1,109	3.1%
Consumer cyclical	1,108	57	(2)	1,163	2.7%	943	9	(29)	923	2.6%
Consumer non-cyclical	2,355	131	(3)	2,483	5.9%	1,936	11	(71)	1,876	5.3%
Energy	1,480	88	(4)	1,564	3.7%	1,156	14	(43)	1,127	3.1%
Financial services	4,045	178	(18)	4,205	9.9%	3,368	17	(99)	3,286	9.2%
Tech./comm.	2,523	203	(1)	2,725	6.4%	1,720	34	(54)	1,700	4.8%
Transportation	771	45	(1)	815	1.9%	548	4	(18)	534	1.5%
Utilities	2,105	146	(3)	2,248	5.3%	2,017	43	(69)	1,991	5.6%
Other	365	15	—	380	0.9%	272	—	(11)	261	0.7%
Foreign govt./govt. agencies	1,053	65	(1)	1,117	2.6%	866	7	(26)	847	2.4%
Municipal bonds										
Taxable	764	65	—	829	2.0%	629	14	(17)	626	1.8%
Tax-exempt	8,331	736	(1)	9,066	21.4%	9,343	407	(30)	9,720	27.3%
RMBS										
Agency	2,545	61	—	2,606	6.1%	1,508	7	(29)	1,486	4.2%
Non-agency	1,448	21	(1)	1,468	3.5%	933	5	(6)	932	2.6%
Alt-A	42	3	—	45	0.1%	43	4	—	47	0.1%
Sub-prime	591	22	—	613	1.4%	786	28	—	814	2.3%
U.S. Treasuries	989	106	—	1,095	2.6%	1,491	41	(15)	1,517	4.2%
Total fixed maturities, AFS	**$ 40,174**	**$ 2,269**	**$ (54)**	**$ 42,389**	**100.0%**	**$ 35,603**	**$ 703**	**$ (654)**	**$ 35,652**	**100.0%**
Fixed maturities, FVO				**$ 39**					**$ 22**	
Equity securities, at fair value				**$ 1,414**					**$ 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 the transfer in of assets related to the acquisition of Navigators Group as well as an increase in valuations due to lower interest rates and tighter credit spreads.

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.

Exposure to CMBS & RMBS Bonds as of September 30, 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]	$ 1,828	$ 1,887	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,828	$ 1,887
Bonds	1,031	1,085	475	500	402	432	94	100	—	—	2,002	2,117
Interest Only	159	168	70	75	1	1	5	5	2	1	237	250
Total CMBS	**3,018**	**3,140**	**545**	**575**	**403**	**433**	**99**	**105**	**2**	**1**	**4,067**	**4,254**
RMBS												
Agency	2,521	2,581	24	25	—	—	—	—	—	—	2,545	2,606
Non-Agency	982	996	264	269	172	173	29	29	1	1	1,448	1,468
Alt-A	—	—	9	9	4	4	9	9	20	23	42	45
Sub-Prime	13	13	50	50	189	195	177	185	162	170	591	613
Total RMBS	**3,516**	**3,590**	**347**	**353**	**365**	**372**	**215**	**223**	**183**	**194**	**4,626**	**4,732**
Total CMBS & RMBS	**$ 6,534**	**$ 6,730**	**$ 892**	**$ 928**	**$ 768**	**$ 805**	**$ 314**	**$ 328**	**$ 185**	**$ 195**	**$ 8,693**	**$ 8,986**

Exposure to CMBS & RMBS 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 September 30, 2019, commercial mortgage loans had an amortized cost of $3.7 billion and carrying value of $3.7 billion, with no valuation allowance. 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 $242 of commercial mortgage loans with a weighted average loan-to-value (“LTV”) ratio of 61% and a weighted average yield of 3.9% during the nine months ended September 30, 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 September 30, 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

	September 30, 2019			December 31, 2018		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$ 1,177	$ 1,297	AA	$ 1,222	$ 1,275	AA
Pre-Refunded [1]	901	945	AAA	1,845	1,904	AAA
Revenue						
Transportation	1,601	1,779	A+	1,449	1,537	A+
Health Care	1,395	1,508	AA-	1,270	1,304	AA-
Education	816	891	AA	941	953	AA
Leasing [2]	779	846	AA-	772	799	AA-
Water & Sewer	762	809	AA	816	847	AA
Sales Tax	483	547	AA	507	541	AA
Power	336	373	A	308	328	A+
Housing	83	85	AA+	33	35	A+
Other	762	815	AA-	809	823	AA-
Total Revenue	7,017	7,653	AA-	6,905	7,167	AA-
Total Municipal	**$ 9,095**	**$ 9,895**	**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 September 30, 2019 and December 31, 2018, the largest issuer concentrations were the New York Dormitory Authority, the New York City Transitional Finance Authority, and the Commonwealth of Massachusetts, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and revenue bonds. In total, municipal bonds make up 19% of the fair value of the Company's investment portfolio. In light of changes in corporate income tax rates that began in 2018, the Company has reduced its exposure to municipal bonds through maturities, asset sales and principal repayments.

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 September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Hedge funds	$ 2	8.0%	$ 3	20.0%	$ 4	8.4%	$ 3	9.3%
Real estate funds	21	19.0%	26	20.0%	55	16.8%	36	9.6%
Private equity funds	38	19.2%	18	9.7%	96	16.7%	119	24.5%
Other alternative investments [1]	4	4.6%	(2)	(1.1%)	26	9.2%	(1)	(0.2%)
Total	**$ 65**	**15.3%**	**$ 45**	**10.6 %**	**$ 181**	**14.7%**	**$ 157**	**13.3%**

Investments in Limited Partnerships and Other Alternative Investments

	September 30, 2019		December 31, 2018	
	Amount	Percent	Amount	Percent
Hedge funds	$ 76	4.3%	$ 51	3.0%
Real estate funds	450	25.4%	499	29.0%
Private equity and other funds	842	47.6%	788	45.7%
Other alternative investments [1]	402	22.7%	385	22.3%
Total	**$ 1,770**	**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 $54 as of September 30, 2019 and have decreased $600, from December 31, 2018, primarily due to lower interest rates and tighter credit spreads. As of September 30, 2019, $39 of the gross unrealized losses were associated with securities depressed less than 20% of cost or amortized cost. The remaining $15 of gross unrealized losses were associated with securities depressed greater than 20%. The securities depressed more than 20% are primarily related to one corporate security experiencing issuer specific difficulties, and, to a lesser extent, commercial real estate securities 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

	September 30, 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	248	$ 1,716	$ 1,704	$ (12)	468	$ 3,191	$ 3,153	$ (38)
Greater than three to six months	79	298	295	(3)	359	2,530	2,487	(43)
Greater than six to nine months	18	26	25	(1)	347	2,243	2,186	(57)
Greater than nine to eleven months	60	620	616	(4)	817	5,921	5,688	(233)
Twelve months or more	376	1,195	1,161	(34)	969	5,272	4,989	(283)
Total	**781**	**$ 3,855**	**$ 3,801**	**$ (54)**	**2,960**	**$ 19,157**	**$ 18,503**	**$ (654)**

Unrealized Loss Aging for AFS Securities Continuously Depressed Over 20%

	September 30, 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	8	$ 49	$ 38	$ (11)	13	$ 59	$ 43	$ (16)
Greater than three to six months	—	—	—	—	—	—	—	—
Greater than six to nine months	—	—	—	—	3	3	2	(1)
Greater than nine to eleven months	—	—	—	—	2	2	1	(1)
Twelve months or more	31	10	6	(4)	36	13	8	(5)
Total	**39**	**$ 59**	**$ 44**	**$ (15)**	**54**	**$ 77**	**$ 54**	**$ (23)**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Credit Impairments				
CMBS	$ —	$ 1	$ —	$ 1
Corporate	$ 1	$ —	$ 3	$ —
Total	**$ 1**	**$ 1**	**$ 3**	**$ 1**

Three and nine months ended September 30, 2019

Impairments recognized in earnings were comprised of credit impairments of $1 and $3 for the three and nine months ended September 30, 2019. The credit impairments were primarily related to two corporate securities 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 $0 and $2 for the three and nine months ended September 30, 2019, respectively.

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 and nine months ended September 30, 2018

For the three and nine months ended September 30, 2018, impairments recognized in earnings were comprised of credit impairments of $1 and $1, respectively. The credit impairments were primarily related to interest-only CMBS and were identified through security specific review of the expected future cash flows.

Non-credit impairments recognized in other comprehensive income were $3 and $5 for the three and nine months ended September 30, 2018, respectively.

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 September 30, 2019:

- $1.3 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 September 30, 2019.
- Borrowings available under a commercial paper program to a maximum of $750. As of September 30, 2019 there was no commercial paper outstanding.
- An intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes.

2019 expected dividends and other sources of capital:

- **P&C -** The Company has not and does not anticipate receiving net dividends from its property and casualty insurance subsidiaries in 2019.
- **Group Benefits -** The Company received $225 in dividends from Hartford Life and Accident Insurance Company ("HLA") through the first nine months of 2019, and anticipates receiving an additional $75 in dividends over the remainder of 2019.
- **Hartford Funds** - The Company received $84 in dividends from Hartford Funds through the first nine months of 2019 and expects to receive an additional $32 in dividends from Hartford Funds over the remainder of 2019.

In July 2019, the Company received a $421 refund of AMT credits of which HFSG Holding Company received $314. Through the first nine months of 2019, HFSG Holding Company has received cash tax receipts of $650, including the $314 of AMT credits and $336 from its subsidiaries as a result of utilizing net operating loss carryovers and other tax benefits. Over the remainder of 2019, HFSG Holding Company anticipates additional cash tax receipts of approximately $115, including realization of net operating losses.

In September 2019, the Company received a $67 dividend from its retained equity interest in the legal entity that acquired the life and annuity business sold in May 2018.

Expected liquidity requirements for the next twelve months as of September 30, 2019:

- $500 maturing debt payment in March of 2020.

- $240 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.
- Approximately $30 cash capital contribution to its Lloyd's corporate member in November 2019.

Equity repurchase program:

- Authorization for equity repurchases of up to $1.0 billion effective through December 31, 2020. Under the program the company repurchased 1.6 million shares during the period from January 1, 2019 to September 30, 2019 for $90 with $910 of authorization remaining as of September 30, 2019. During the period from October 1, 2019 to November 1, 2019, the Company repurchased approximately 0.6 million common shares for $36 with $874 of authorization remaining as of November 1, 2019.

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, principally from its subsidiaries; 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 September 30, 2019, HFSG Holding Company held fixed maturities, short-term investments, and cash of $1.3 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, interest payments on debt of approximately $240, preferred stock dividends of approximately $21 and common stockholder dividends of approximately $440, both subject to the discretion of the Board of Directors, and approximately $30 cash capital contribution to its Lloyds corporate member in November 2019.

In the third quarter 2019, $65 of capital was contributed by HFSG holding company to its Lloyds corporate member.

Debt

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

In the Navigators Group acquisition, the Company assumed $265 par value 5.75% senior notes due on October 15, 2023 with a fair value of $284 as of the acquisition date.

On August 19, 2019, The Hartford issued $600 of 2.8% senior notes ("2.8% Notes") due August 19, 2029 and $800 of 3.6% senior notes ("3.6% Notes") due August 19, 2049 for net proceeds of approximately $1.38 billion, after deducting underwriting discounts and expenses. Under both senior note issuances, interest is payable semi-annually in arrears on August 19 and February 19, commencing February 19, 2020.

After receiving proceeds from the issuance of the 2.8% Notes and 3.6% Notes, in third quarter 2019, The Hartford repaid $265 of 5.75% senior notes due 2023 that had been assumed in the Navigators Group acquisition, and its $800 of 5.125% senior notes due 2022 of the Hartford Financial Services Group, Inc., and recognized a loss on extinguishment of debt of $90. The balance of the proceeds will be used for general corporate purposes.

For additional information on Debt, see Note 10- Debt of Notes to Condensed Consolidated Financial Statements

Equity

Under a $1.0 billion share repurchase authorization by the Board of Directors in February, 2019, during the nine months ended September 30, 2019, the Company repurchased 1.6 million common shares for $90. During the period from October 1, 2019 to November 1, 2019, the Company repurchased approximately 0.6 million common shares for $36 under this authorization. The Company 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.

Dividends

The Hartford's Board of Directors declared the following quarterly dividends since July 1, 2019:

Common Stock Dividends

Declared	Record	Payable	Amount per share
July 18, 2019	September 3, 2019	October 1, 2019	$ 0.30
October 23, 2019	December 2, 2019	January 2, 2020	$ 0.30

Preferred Stock Dividends

Declared	Record	Payable	Amount per share
July 18, 2019	August 1, 2019	August 15, 2019	$ 375.00
September 12, 2019	November 1, 2019	November 15, 2019	$ 375.00
October 23, 2019	February 1, 2020	February 18, 2020	$ 375.00

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 ended December 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. The Company contributed $70 in September 2019 to its U.S. qualified defined benefit pension plan.

Dividends from Subsidiaries

Dividends to the HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. Upon the acquisition of Navigators Group, the Company's principal insurance subsidiaries are domiciled in the United States, the United Kingdom and Belgium.

The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's statutory policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner.

Property casualty insurers domiciled in New York, including Navigators Insurance Company ("NIC") and Navigators Specialty Insurance Company ("NSIC"), generally may not, without notice to and approval by the state insurance commissioner, pay dividends out of earned surplus in any twelve-month period that exceeds the lesser of (i) 10% of the insurer's statutory policyholders' surplus as of the most recent financial statement on file, or (ii) 100% of its adjusted net investment income, as defined, for the same twelve month period. As part of the New York state insurance commissioner's approval of the Navigators Group acquisition, and as is common practice, any dividend from NIC and NSIC before May 2021 will require prior approval from the state insurance commissioner.

The insurance holding company laws of the other jurisdictions in which The Hartford's insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances more restrictive) limitations on the payment of dividends. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to, expected earnings and capitalization of the subsidiaries, regulatory capital requirements and liquidity requirements of the individual operating company.

Corporate members of Lloyd's Syndicates may pay dividends to its parent to the extent of available profits that have been distributed from the syndicate in excess of the Funds at Lloyd's ("FAL") capital requirement. The FAL is determined based on the syndicate's solvency capital requirement of the syndicate under the E.U.'s Solvency II capital adequacy model, plus a Lloyd's specific economic capital assessment.

Insurers domiciled in the United Kingdom may pay dividends to its parent out of its statutory profits subject to restrictions imposed under U.K. Company law and European Insurance regulation (Solvency II). Belgium domiciled insurers may only pay dividends if, at the end of its previous fiscal year, the total amount of its assets, as reduced by its provisions and debts, are in excess of certain minimum capital thresholds calculated under Belgian law.

As of December 31, 2018, under the formulas described above, the Company's property and casualty insurance subsidiaries in the United States and overseas are permitted to pay up to a maximum of approximately $1.3 billion in dividends to HFSG Holding Company in 2019, though only approximately $250 of this dividend capacity could have been paid before the fourth quarter of 2019. Hartford Life and Accident Insurance Company ("HLA") has $380 of dividend capacity for 2019.

Through the first nine months of 2019, HFSG Holding Company received $312 of dividends, including $225 from HLA, $84 from Hartford Funds and $3 from a run-off HFSG subsidiary. There were no dividends received from P&C subsidiaries during the first nine months of 2019.

Over the remainder of 2019, the Company anticipates receiving approximately $75 of dividends from HLA and $32 of dividends from Hartford Funds, and does not anticipate receiving net dividends from its 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 May 17, 2019 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 of unsecured credit through March 29, 2023. As of September 30, 2019, no borrowings were outstanding and $4 in letters of credit were issued under the Credit Facility and the Company was in compliance with all financial covenants.

Commercial Paper

As of September 30, 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 $2.0 billion for liquidity and other general corporate purposes. The Connecticut Department of Insurance ("CTDOI") granted approval for certain affiliated insurance companies that are parties to the agreement to treat receivables from a parent, including the HFSG Holding Company, as admitted assets for statutory accounting purposes.

As of September 30, 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 September 30, 2019, there were no advances outstanding.

For further information regarding collateralized advances with Federal Home Loan Bank of Boston, see Note 13 - Debt of Notes to Consolidated Financial Statements included in the Company's 2018 Form 10-K Annual Report.

Lloyd's Letter of Credit Facilities

As a result of the acquisition of Navigators Group, The Hartford assumed three existing letter of credit facility agreements: the Club Facility, the Bilateral Facility, and the Australian Dollar Facility. Letters of credit under the Club and Bilateral Facilities are used to provide a portion of the capital requirements at Lloyd's. As of September 30, 2019, uncollateralized letters of credit with an aggregate face amount of $165 and £60 million were outstanding under the Club Facility and $8 was outstanding under the Bilateral Facility. As of September 30, 2019, the Bilateral Facility has unused capacity of $17 for issuance of additional letters of credit. Among other covenants, the Club Facility and Bilateral Facility contain financial covenants regarding tangible net worth and Funds at Lloyd's ("FAL"). As of September 30, 2019, Navigators Group was in compliance with all financial covenants. It is expected that in November of 2019, the Company will use $15 of the available $17 of capacity as of September 30, 2019 under the Bilateral Facility to issue letters of credit. It is expected that the amount of letters of credit permitted to support Lloyd's capital requirements will be reduced by the end of 2020, which may require the Company to seek alternative means of supporting its obligations at Lloyd's, including utilizing holding company resources.

As of September 30, 2019, letters of credit in the amount of 24 million Australian Dollars were outstanding with 26 million Australian Dollars of unused capacity. Effective November 7, 2019 we expect letters of credit in the amount of 50 million Australian Dollars will be outstanding.

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 September 30, 2019 was $81. For this $81, the legal entities have posted collateral of $80 in the normal course of business. Based on derivative market values as of September 30, 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 September 30, 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 additional collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

As of September 30, 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 primarily originate from maturities and sales of invested assets. The primary uses of funds are to pay claims, claim adjustment expenses, commissions and other underwriting and insurance operating costs, to pay taxes, to

purchase new investments and to make dividend payments to the HFSG Holding Company.

The Company's insurance operations consist of property and casualty insurance products (collectively referred to as "Property & Casualty Operations") and Group Benefits.

The Company's insurance operations hold fixed maturity securities including a significant short-term investment position (securities with maturities of one year or less at the time of purchase) to meet liquidity needs. Liquidity requirements that are unable to be funded by the Company's insurance operations' short-term investments would be satisfied with current operating funds, including premiums or investing cash flows, which includes proceeds received through the sale of invested assets. A sale of invested assets could result in significant realized capital losses.

The following tables represent the fixed maturity holdings, including the aforementioned cash and short-term investments available to meet liquidity needs, for each of the Company's insurance operations.

Property & Casualty

		As of September 30, 2019
Fixed maturities	$	31,305
Short-term investments		1,453
Cash		162
Less: Derivative collateral		66
Total	**$**	**32,854**

Group Benefits Operations

		As of September 30, 2019
Fixed maturities	$	10,499
Short-term investments		328
Cash		37
Less: Derivative collateral		30
Total	**$**	**10,834**

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's 2018 Form 10-K Annual Report.

Capitalization

Capital Structure

		September 30, 2019		December 31, 2018	Change
Short-term debt (includes current maturities of long-term debt)	$	500	$	413	21%
Long-term debt		4,346		4,265	2%
Total debt		**4,846**		**4,678**	**4%**
Common stockholders' equity excluding AOCI, net of tax		15,530		14,346	8%
Preferred stock		334		334	—%
AOCI, net of tax		214		(1,579)	114%
Total stockholders' equity		**16,078**		**13,101**	**23%**
Total capitalization	**$**	**20,924**	**$**	**17,779**	**18%**
Debt to stockholders' equity		30%		36%	
Debt to capitalization		23%		26%	

Total capitalization increased $3,145, or 18%, as of September 30, 2019 compared to December 31, 2018 primarily due to an increase in AOCI and net income in excess of stockholder dividends.

For additional information on AOCI, net of tax, including unrealized capital gains from securities, see Note 14 - Changes In and Reclassifications From Accumulated Other Comprehensive Income (Loss), Note 6 - Investments . For additional information on debt, see Note 10 - Debt.of Notes to Condensed Consolidated Financial Statements.

Cash Flow[1]

	Nine Months Ended September 30,	
	2019	2018
Net cash provided by operating activities	$ 2,446	$ 1,842
Net cash used for investing activities	$ (1,320)	$ (762)
Net cash used for financing activities	$ (943)	$ (1,691)
Cash and restricted cash– end of period	$ 290	$ 102

[1] Cash activities in 2018 include cash flows from Discontinued Operations; see Note 17 - 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 increased in 2019 as compared to the prior year period, despite the inclusion of operations from the life and annuity business sold in May 2018 in the prior year period, primarily due to an AMT refund of $421 in 2019 as well as an increase in premiums received in excess of losses and expenses paid.

Cash used for investing activities increased, primarily due to a change from net proceeds to net payments for fixed maturities in the 2019 period, as well as cash paid for the acquisition of Navigators Group of $1.9 billion (net of cash acquired), partially offset by net proceeds from short term investments in 2019 as opposed to net payments in the 2018 period.

Cash used for financing activities decreased from the 2018 period primarily due to a lower net decrease in cash used for net securities loaned or sold under agreements to repurchase, an increase in proceeds from issuance of debt, and the sale of the life and annuity business in May 2018 which contributed significant cash outflows in the 2018 period. These items were partially offset by an increase in repayments of debt in 2019.

Operating cash flow for the nine months ended September 30, 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.

On August 30, 2019, AM Best raised its financial strength rating on Navigators Insurance Company ("NIC") to A+ from A. The upgrade reflects the support provided by The Hartford, as well as the importance it will play within the overall Hartford organization, following its acquisition in May 2019.

Insurance Financial Strength Ratings as of November 1, 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
Navigators Insurance Company	A+	A	Not Rated

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

U.S. Statutory Capital Rollforward for the Company's Insurance Subsidiaries

	Property and Casualty Insurance Subsidiaries [1] [2]	Group Benefits Insurance Subsidiary	Total
U.S statutory capital at January 1, 2019	**$ 8,440**	**$ 2,407**	**$ 10,847**
Statutory income	1,046	359	1,405
Dividends to parent	(14)	(225)	(239)
Other items	284	25	309
Net change to U.S. statutory capital	1,316	159	1,475
U.S statutory capital at September 30, 2019	**$ 9,756**	**$ 2,566**	**$ 12,322**

[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.

[2]Excludes insurance operations in the U.K. and continental Europe. Though the business was not acquired until May 23, 2019, this table includes statutory capital and surplus of Navigators U.S. insurance subsidiaries as of both January 1, 2019 and September 30, 2019.

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 12 - 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 on 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's 2018 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 September 30, 2019.

On May 23, 2019 we acquired Navigators Group. SEC guidance permits management to omit an assessment of an acquired business from management's assessment of internal control over financial reporting for a period not to exceed one year from the date of the acquisition. Accordingly, we have not yet included Navigators Group in our assessment of the effectiveness of our disclosure controls and procedures and internal control over financial reporting as of September 30, 2019. For the three months ended September 30, 2019, Navigators Group accounted for 8.2% of our total net revenue, and as of September 30, 2019 represented 10.3% of total assets.

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.

As described above, our management excluded an assessment of the internal controls over financial reporting of Navigators Group from its assessment of the effectiveness of our internal control over financial reporting as of September 30, 2019. The Company has begun integrating Navigators Group into its existing control procedures, which may lead us to modify certain internal controls in future periods.

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, including claims alleging bad faith in the handling of insurance claims or other allegedly unfair or improper claims practices. 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 12 - 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. These actions include lawsuits seeking certification of a state or national class alleging improper business practices, including, for example, underpayment of claims or improper underwriting practices, as well as individual lawsuits in which punitive damages may be sought. 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, as updated by Item 1A of Part II of the Company's Form 10-Q for the period ended June 30, 2019, 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. While the Company has repurchased shares in 2019, it 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.

Repurchases of Common Stock by the Issuer for the Three Months Ended September 30, 2019

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
				(in millions)
July 1, 2019 - July 31, 2019	283,735	$ 57.07	283,735	$ 957
August 1, 2019 - August 31, 2019	434,829	$ 58.19	434,829	$ 931
September 1, 2019 - September 30, 2019	358,011	$ 60.01	358,011	$ 910
Total	**1,076,575**	**$ 58.50**	**1,076,575**	

Item 6. EXHIBITS

See Exhibits
Index on page 111.

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE QUARTER ENDED SEPTEMBER 30, 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
4.01	Second Supplemental Indenture, dated as of August 19, 2019, between The Hartford Financial Services Group, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee.	8-K	001-13958	4.3	8/19/2019
4.02	Form of global note for $600,000,000 aggregate principal amount of 2.800% Senior Notes due 2029.	8-K	001-13958	4.4	8/19/2019
4.03	Form of global note for $800,000,000 aggregate principal amount of 3.600% Senior Notes due 2049.	8-K	001-13958	4.5	8/19/2019
***10.01**	Amendment to The Hartford Excess Savings Plan IA.**				
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	Inline XBRL Taxonomy Extension Schema.**				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.**				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.**				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.**				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.**				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in Inline XBRL.				

* 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: November 4, 2019

/s/ Scott R. Lewis

Scott R. Lewis

Senior Vice President and Controller

(Chief accounting officer and duly authorized signatory)

Exhibit 10.01

Amendment to The Hartford Excess Savings Plan IA

The Hartford Excess Savings Plan IA (the "Plan") is hereby amended as follows, effective January 1, 2019:

1. Subsection (C)(i) of Section 3.1 of the Plan titled "Receipt of Hardship Withdrawal under the Qualified Plan" and which reads as follows is hereby deleted:

   If a Member receives a hardship withdrawal under the Qualified Plan, and such Member ceases certain savings for a period of not less than 6 months pursuant to the Qualified Plan, such Member shall be deemed an ineligible Member for such 6 month period. Such Member shall no longer be deemed an ineligible Member as of the first day of the Plan Year following the end of such 6 month period.

2. Subsection (C)(ii) of Section 3.1 of the Plan titled "Partial Ineligibility of Certain Members" shall be renumbered Subsection (C)(i).

HARTFORD FIRE INSURANCE COMPANY

Date: November 4, 2019

/s/ Martha Gervasi

Martha Gervasi

Executive Vice President & Chief Human Resources Officer

Exhibit 15.01

November 4, 2019

The Hartford Financial Services Group, Inc.
One Hartford Plaza
Hartford, Connecticut

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of The Hartford Financial Services Group, Inc. and subsidiaries (the "Company") for the periods ended September 30, 2019, and 2018, as indicated in our report dated November 4, 2019; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, is incorporated by reference in the following registration statements:

Form S-3 Registration No.	Form S-8 Registration Nos.
333-231592	333-105707
	333-49170
	333-105706
	333-34092
	033-80665
	333-12563
	333-125489
	333-157372
	333-160173
	333-168537
	333-197671

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut

Exhibit 31.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Swift, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hartford Financial Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher J. Swift

Date: November 4, 2019

Christopher J. Swift

Chief Executive Officer

Exhibit 31.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Beth A Costello, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hartford Financial Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

/s/ Beth A. Costello

Beth A. Costello

Executive Vice President and Chief Financial Officer

Exhibit 32.01

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2019 of The Hartford Financial Services Group, Inc. (the "Company"), filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ Christopher J. Swift

Christopher J. Swift

Chief Executive Officer

Exhibit 32.02

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2019 of The Hartford Financial Services Group, Inc. (the "Company"), filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. section 1350 as enacted by section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Beth A Costello

Date: November 4, 2019

Beth A Costello

Executive Vice President and Chief Financial Officer