

Notice of Changes in Financial Reporting Format

Effective with first quarter 2017, The Hartford's financial results will include two reclassifications that impact the calculation of the expense ratio, core earnings and net income for both the Personal Lines and Commercial Lines segments. While both of these changes are retrospective, they are relatively minor and do not require any material changes in your models, although you should be aware that some minor adjustments should be made for projections. These items are:

- 1) For both Commercial Lines and Personal Lines, fee income from installment fees has been reclassified from underwriting expenses to fee income. The reclassification does not impact underwriting results, core earnings or net income, but does increase total revenue and underwriting expenses. Please note the following adjustments you may need to make:

- The Hartford's expense ratio as presented in the investor financial supplement will continue to include the fee income as a reduction to underwriting expenses, and hence the historical ratio will not change. The calculation for the expense ratio will be:

$$\text{Expense ratio} = \frac{\text{Underwriting expense} + \text{Amortization of deferred policy acquisition (DAC) costs} - \text{Fee income}}{\text{Earned premiums}}$$

- In addition, if you are using the reported expense ratio to project total underwriting expenses (namely, underwriting expenses + amortization of DAC costs), you will need to adjust for fee income to avoid double-counting:

$$\text{Total underwriting expenses} = (\text{Earned premiums} \times \text{Expense ratio}) + \text{Fee income}$$

- 2) The flood servicing business, which had previously been included in net servicing income within Commercial Lines, has been moved to Personal Lines, effective first quarter 2017. This realignment is also retrospective and has the effect of increasing 2016 Personal Lines core earnings by \$13 million and reducing 2016 Commercial Lines core earnings by \$13 million, but has no impact on consolidated Property & Casualty loss ratio, expense ratio, combined ratio, net income or core earnings. Going forward, you may need to adjust your projection of net servicing income in both segments to reflect this change.

Please see the following investor financial supplement pages revised for the minor changes outlined above.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

COMMERCIAL LINES
INCOME STATEMENTS

New Reporting Format

	THREE MONTHS ENDED								YEAR ENDED	
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Dec 31
	2016	2016	2016	2016	2015	2015	2015	2015	2016	2015
Written premiums	\$ 1,664	\$ 1,673	\$ 1,669	\$ 1,726	\$ 1,609	\$ 1,639	\$ 1,655	\$ 1,722	\$ 6,732	\$ 6,625
Change in unearned premium reserve	(37)	(4)	19	103	(49)	(8)	32	139	81	114
Earned premiums	1,701	1,677	1,650	1,623	1,658	1,647	1,623	1,583	6,651	6,511
Fee income	10	10	9	10	10	10	10	10	39	40
Losses and loss adjustment expenses										
Current accident year before catastrophes	946	969	938	913	923	952	909	928	3,766	3,712
Current accident year catastrophes	33	43	80	44	13	8	42	58	200	121
Prior accident year development	20	22	6	(20)	(16)	50	21	(2)	28	53
Total losses and loss adjustment expenses	999	1,034	1,024	937	920	1,010	972	984	3,994	3,886
Amortization of DAC	246	243	242	242	241	239	237	234	973	951
Underwriting expenses	315	303	307	305	305	314	294	305	1,230	1,218
Dividends to policyholders	3	4	4	4	4	4	4	5	15	17
Underwriting gain	148	103	82	145	198	90	126	65	478	479
Net servicing income	-	2	-	-	-	1	-	1	2	2
Net investment income	243	239	226	209	206	208	239	257	917	910
Net realized capital gains (losses)	(18)	39	25	(33)	11	(18)	(7)	8	13	(6)
Other income (expenses)	1	(3)	-	1	(2)	1	2	1	(1)	2
Income (loss) from continuing operations before income taxes	374	380	333	322	413	282	360	332	1,409	1,387
Income tax expense (benefit)	110	112	96	97	124	81	104	94	415	403
Income from continuing operations, after-tax	264	268	237	225	289	201	256	238	994	984
Income (loss) from discontinued operations, after-tax	-	-	-	-	-	7	-	-	-	7
Net income (loss)	\$ 264	\$ 268	\$ 237	\$ 225	\$ 289	\$ 208	\$ 256	\$ 238	\$ 994	\$ 991
Less: Net realized capital gains (losses), after DAC, excluded from core earnings, before tax	(17)	39	25	(32)	6	(16)	(8)	9	15	(9)
Less: Tax benefit (expense)	7	(14)	(9)	11	(2)	4	3	(3)	(5)	2
Less: Income from discontinued operations, after-tax	-	-	-	-	-	7	-	-	-	7
Core earnings	274	243	221	246	285	213	261	232	984	991

Previous Reporting Format

	THREE MONTHS ENDED								YEAR ENDED	
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Dec 31
	2016	2016	2016	2016	2015	2015	2015	2015	2016	2015
Written premiums	\$ 1,664	\$ 1,673	\$ 1,669	\$ 1,726	\$ 1,609	\$ 1,639	\$ 1,655	\$ 1,722	\$ 6,732	\$ 6,625
Change in unearned premium reserve	(37)	(4)	19	103	(49)	(8)	32	139	81	114
Earned premiums	1,701	1,677	1,650	1,623	1,658	1,647	1,623	1,583	6,651	6,511
Losses and loss adjustment expenses										
Current accident year before catastrophes	946	969	938	913	923	952	909	928	3,766	3,712
Current accident year catastrophes	33	43	80	44	13	8	42	58	200	121
Prior accident year development	20	22	6	(20)	(16)	50	21	(2)	28	53
Total losses and loss adjustment expenses	999	1,034	1,024	937	920	1,010	972	984	3,994	3,886
Amortization of DAC	246	243	242	242	241	239	237	234	973	951
Underwriting expenses	305	293	298	295	295	304	284	295	1,191	1,178
Dividends to policyholders	3	4	4	4	4	4	4	5	15	17
Underwriting gain	148	103	82	145	198	90	126	65	478	479
Net servicing income	5	8	5	4	6	6	4	4	22	20
Net investment income	243	239	226	209	206	208	239	257	917	910
Net realized capital gains (losses)	(18)	39	25	(33)	11	(18)	(7)	8	13	(6)
Other income (expenses)	1	(3)	-	1	(2)	1	2	1	(1)	2
Income (loss) from continuing operations before income taxes	379	386	338	326	419	287	364	335	1,429	1,405
Income tax expense (benefit)	112	114	98	98	126	83	105	95	422	409
Income from continuing operations, after-tax	267	272	240	228	293	204	259	240	1,007	996
Income (loss) from discontinued operations, after-tax	-	-	-	-	-	7	-	-	-	7
Net income (loss)	\$ 267	\$ 272	\$ 240	\$ 228	\$ 293	\$ 211	\$ 259	\$ 240	\$ 1,007	\$ 1,003
Less: Net realized capital gains (losses), after DAC, excluded from core earnings, before tax	(17)	39	25	(32)	6	(16)	(8)	9	15	(9)
Less: Tax benefit (expense)	7	(14)	(9)	11	(2)	4	3	(3)	(5)	2
Less: Income from discontinued operations, after-tax	-	-	-	-	-	7	-	-	-	7
Core earnings	277	247	224	249	289	216	264	234	997	1,003

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

PERSONAL LINES
INCOME STATEMENTS

New Reporting Format

	THREE MONTHS ENDED								YEAR ENDED	
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Dec 31
	2016	2016	2016	2016	2015	2015	2015	2015	2016	2015
Written premiums	\$ 892	\$ 1,000	\$ 992	\$ 953	\$ 936	\$ 1,034	\$ 1,009	\$ 939	\$ 3,837	\$ 3,918
Change in unearned premium reserve	(75)	20	16	(22)	(42)	57	43	(13)	(61)	45
Earned premiums	967	980	976	975	978	977	966	952	3,898	3,873
Fee income	10	10	10	9	10	9	9	9	39	37
Losses and loss adjustment expenses										
Current accident year before catastrophes	768	719	689	632	662	682	616	618	2,808	2,578
Current accident year catastrophes	28	37	104	47	21	68	97	25	216	211
Prior accident years	20	3	76	52	(3)	(14)	-	(4)	151	(21)
Total losses and loss adjustment expenses	816	759	869	731	680	736	713	639	3,175	2,768
Amortization of deferred policy acquisition costs	84	86	89	89	89	90	90	90	348	359
Underwriting expenses	142	147	151	163	173	171	164	157	603	665
Underwriting gain (loss)	(65)	(2)	(123)	1	46	(11)	8	75	(189)	118
Net servicing income	5	6	5	4	7	5	6	4	20	22
Net investment income	36	35	33	31	30	29	34	35	135	128
Net realized capital gains (losses)	(2)	5	4	(5)	-	4	(1)	1	2	4
Other income (expense)	(2)	2	-	-	(1)	(1)	18	(1)	-	15
Income (loss) before income taxes	(28)	46	(81)	31	82	26	65	114	(32)	287
Income tax expense (benefit)	(13)	13	(31)	8	27	4	21	36	(23)	88
Net income (loss)	(15)	33	(50)	23	55	22	44	78	(9)	199
Less: Net realized capital gains (losses), after DAC, excluded from core earnings, before	(2)	5	4	(5)	1	3	(1)	1	2	4
Less: Tax benefit (expense)	1	(1)	(2)	2	(1)	(1)	-	-	-	(2)
Core earnings (losses)	(14)	29	(52)	26	55	20	45	77	(11)	197

Previous Reporting Format

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Change in unearned premium reserve	(75)	20	16	(22)	(42)	57	43	(13)	(61)	45
Earned premiums	967	980	976	975	978	977	966	952	3,898	3,873
Losses and loss adjustment expenses										
Current accident year before catastrophes	768	719	689	632	662	682	616	618	2,808	2,578
Current accident year catastrophes	28	37	104	47	21	68	97	25	216	211
Prior accident years	20	3	76	52	(3)	(14)	-	(4)	151	(21)
Total losses and loss adjustment expenses	816	759	869	731	680	736	713	639	3,175	2,768
Amortization of deferred policy acquisition costs	84	86	89	89	89	90	90	90	348	359
Underwriting expenses	132	137	141	154	163	162	155	148	564	628
Underwriting gain (loss)	(65)	(2)	(123)	1	46	(11)	8	75	(189)	118
Net servicing income	-	-	-	-	1	-	2	1	-	4
Net investment income	36	35	33	31	30	29	34	35	135	128
Net realized capital gains (losses)	(2)	5	4	(5)	-	4	(1)	1	2	4
Other income (expense)	(2)	2	-	-	(1)	(1)	18	(1)	-	15
Income (loss) before income taxes	(33)	40	(86)	27	76	21	61	111	(52)	269
Income tax expense (benefit)	(15)	11	(33)	7	25	2	20	35	(30)	82
Net income (loss)	(18)	29	(53)	20	51	19	41	76	(22)	187
Less: Net realized capital gains (losses), after DAC, excluded from core earnings, before	(2)	5	4	(5)	1	3	(1)	1	2	4
Less: Tax benefit (expense)	1	(1)	(2)	2	(1)	(1)	-	-	-	(2)
Core earnings (losses)	(17)	25	(55)	23	51	17	42	75	(24)	185