HARTFORD FINANCIAL SERVICES GROUP INC/DE
Form 10-Q
August 04, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from __________ to __________

Commission File Number: 001-13958

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

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

One Hartford Plaza, Hartford, Connecticut 06155

(Address of principal executive offices) (Zip Code)

(860) 547-5000

(Registrant s telephone number, including area code)

Indicate by check mark 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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of July 30, there were outstanding 444,324,287 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 JUNE 30, 2010
TABLE OF CONTENTS

Item	Description	Page
	Part I. FINANCIAL INFORMATION	
1.	Financial Statements	
	Report of Independent Registered Public Accounting Firm	5
	Condensed Consolidated Statements of Operations For the Three and Six Months Ended June 30, 2010 and 2009	6
	Condensed Consolidated Balance Sheets As of June 30, 2010 and December 31, 2009	7
	Condensed Consolidated Statements of Changes in Equity For the Six Months Ended June 30, 2010 and 2009	8
	Condensed Consolidated Statements of Comprehensive Income For the Three and Six Months Ended June 30, 2010 and 2009	9
	Condensed Consolidated Statements of Cash Flows For the Six Months Ended June 30, 2010 and 2009	10
	Notes to Condensed Consolidated Financial Statements	11
2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	60
3.	Quantitative and Qualitative Disclosures About Market Risk	133
4.	Controls and Procedures	133
	Part II. OTHER INFORMATION	
1.	Legal Proceedings	134
1A.	Risk Factors	134
2.	Unregistered Sales of Equity Securities and Use of Proceeds	137
6.	Exhibits	137
	Signature	138

Exhibits Index 139

Exhibit 10.02
Exhibit 10.03
Exhibit 10.04
Exhibit 10.06
Exhibit 15.01
Exhibit 31.01
Exhibit 31.02
Exhibit 32.01
Exhibit 32.02
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

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 futu
Forward-looking statements are based on our current expectations and assumptions regarding economic, competitive and legislative developments. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, the Company). Future developments may not be in line with management s expectations or have unanticipated effects. Actual results could differ materially from expectations, depending on the evolution of various factors, including those set forth in Part I, Item 1A, Risk Factors in The Hartford s 2009 Form 10-K Annual Report, Part II, Item 1A, Risk Factors of The Hartford s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as well as in Part II, Item 1A, Risk Factors of this Form 10-Q. These important risks and uncertainties include:

- risks and uncertainties related to the Company s current operating environment, which reflects continued volatility in financial markets, constrained capital and credit markets and uncertainty about the strength of an economic recovery and the impact of U.S. and other governmental stimulus, budgetary and legislative initiatives, and whether management s efforts to identify and address these risks will be timely and effective;
- risks associated with our continued execution of steps to realign our business and reposition our investment portfolio, including the potential need to take other actions, such as divestitures;
- market risks associated with our business, including changes in interest rates, credit spreads, equity prices and foreign exchange rates, as well as challenging or deteriorating conditions in key sectors such as the commercial real estate market, that have pressured our results and have continued to do so in 2010;
- volatility in our earnings resulting from our adjustment of our risk management program to emphasize protection of statutory surplus;
- the impact on our statutory capital of various factors, including many that are outside the Company s control, which can in turn affect our credit and financial strength ratings, cost of capital, regulatory compliance and other aspects of our business and results;
- risks to our business, financial position, prospects and results associated with negative ratings actions or downgrades in the Company s financial strength and credit ratings or negative rating actions or downgrades relating to our investments;
- the potential for differing interpretations of the methodologies, estimations and assumptions that underlie the valuation of the Company s financial instruments that could result in changes to investment valuations;
- the subjective determinations that underlie the Company s evaluation of other-than-temporary impairments on available-for-sale securities;
- losses due to nonperformance or defaults by others;
- the potential for further acceleration of deferred policy acquisition cost amortization;
- the potential for further impairments of our goodwill or the potential for establishing valuation allowances against deferred tax assets;
- the possible occurrence of terrorist attacks and the Company s ability to contain its exposure, including the effect of the absence or insufficiency of applicable terrorism legislation on coverage;
- the difficulty in predicting the Company s potential exposure for asbestos and environmental claims;
- the possibility of a pandemic or man-made disaster that may adversely affect the financial condition of the Company s businesses and cost and availability of reinsurance;
- weather and other natural physical events, including the severity and frequency of storms, hail, snowfall and other winter conditions, natural disasters such as hurricanes and earthquakes, as well as climate change, including effects on weather patterns, greenhouse gases, sea, land and air temperatures, sea levels, rain and snow;
- the response of reinsurance companies under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses;

the possibility of unfavorable loss development;
actions by our competitors, many of which are larger or have greater financial resources than we do;

Table of Contents

the restrictions, oversight, costs and other consequences of being a savings and loan holding company, including from the supervision, regulation and examination by the Office of Thrift Supervision (the OTS), and in the future, as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), The Federal Reserve and the Office of the Controller of the Currency as regulator of Federal Trust Bank, and arising from our participation in the Capital Purchase Program (the CPP), under the Emergency Economic Stabilization Act of 2008, certain elements of which will continue to apply to us for so long as the Treasury holds the warrant or shares of our common stock received on exercise of the warrant that we issued as part of our participation in the CPP;

the potential effect of domestic and foreign regulatory developments, including those that could adversely impact the demand for the Company s products, operating costs and required capital levels, including changes to statutory reserves and/or risk-based capital requirements related to secondary guarantees under universal life and variable annuity products;

the cost and other effects of increased regulation as a result of the enactment of the Dodd-Frank Act, which will, among other effects, vest a newly created Financial Services Oversight Council with the power to designate systemically important institutions, require central clearing of, and/or impose new margin and capital requirements on, derivatives transactions, and may affect our ability as a savings and loan holding company to manage our general account by limiting or eliminating investments in certain private equity and hedge funds;

the Company s ability to distribute its products through distribution channels, both current and future;

the uncertain effects of emerging claim and coverage issues;

the ability of the Company to declare and pay dividends is subject to limitations;

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;

the Company s ability to maintain the availability of its systems and safeguard the security of its data in the event of a disaster or other unanticipated events;

the risk that our framework for managing business risks may not be effective in mitigating risk and loss to us that could adversely affect our business;

the potential for difficulties arising from outsourcing relationships;

the impact of potential changes in federal or state tax laws, including changes affecting the availability of the separate account dividend received deduction;

the impact of potential changes in accounting principles and related financial reporting requirements;

the Company s ability to protect its intellectual property and defend against claims of infringement;

unfavorable judicial or legislative developments; and

other factors described in such forward-looking statements.

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

Table of Contents

Part I. FINANCIAL INFORMATION

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

We have reviewed the accompanying Condensed Consolidated Balance Sheet of The Hartford Financial Services Group, Inc. and subsidiaries (the Company) as of June 30, 2010, and the related Condensed Consolidated Statements of Operations and Comprehensive Income for the three-month and six-month periods ended June 30, 2010 and 2009 and Statements of Changes in Equity and Cash Flows for the six-month periods ended June 30, 2010 and 2009. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Public Company Accounting Oversight Board (United States), 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.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them 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), the consolidated balance sheet of the Company as of December 31, 2009, and the related consolidated statements of operations, changes in equity, comprehensive income (loss), and cash flows for the year then ended (not presented herein); and in our report dated February 23, 2010 (which report includes an explanatory paragraph relating to the Company s change in its method of accounting and reporting for other-than-temporary impairments in 2009 and for the fair value measurement of financial instruments in 2008), 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, 2009 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Hartford, Connecticut
August 4, 2010

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Statements of Operations

(In millions, except for per share data)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Unaudited)		(Unaudited)	
Revenues				
Earned premiums	$ 3,506	$ 3,592	$ 7,033	$ 7,421
Fee income	1,195	1,062	2,384	2,229
Net investment income (loss):				
Securities available-for-sale and other	1,153	1,021	2,213	1,941
Equity securities, trading	(2,649)	2,523	(1,948)	1,799
Total net investment income (loss)	(1,496)	3,544	265	3,740
Net realized capital gains (losses):				
Total other-than-temporary impairment (OTTI) losses	(292)	(562)	(632)	(786)
OTTI losses recognized in other comprehensive income	184	248	372	248
Net OTTI losses recognized in earnings	(108)	(314)	(260)	(538)
Net realized capital gains (losses), excluding net OTTI losses recognized in earnings	119	(367)	(5)	(59)
Total net realized capital gains (losses)	11	(681)	(265)	(597)
Other revenues	120	120	238	238
Total revenues	**3,336**	**7,637**	**9,655**	**13,031**
Benefits, losses and expenses				
Benefits, losses and loss adjustment expenses	3,592	3,092	6,725	7,729
Benefits, losses and loss adjustment expenses returns credited on International variable annuities	(2,649)	2,523	(1,948)	1,799
Amortization of deferred policy acquisition costs and present value of future profits	938	674	1,589	2,933
Insurance operating costs and expenses	969	959	1,888	1,857
Interest expense	132	119	252	239
Goodwill impairment	153		153	32
Other expenses	208	252	468	441
Total benefits, losses and expenses	**3,343**	**7,619**	**9,127**	**15,030**
Income (loss) before income taxes	**(7)**	**18**	**528**	**(1,999)**
Income tax expense (benefit)	(83)	33	133	(775)

Net income (loss)	**$**	**76**	**$**	**(15)**	**$**	**395**	**$**	**(1,224)**
Preferred stock dividends and accretion of discount		11		3		494		3
Net income (loss) available to common shareholders	**$**	**65**	**$**	**(18)**	**$**	**(99)**	**$**	**(1,227)**
Earnings (Loss) per common share								
Basic	**$**	**0.15**	**$**	**(0.06)**	**$**	**(0.24)**	**$**	**(3.80)**
Diluted	**$**	**0.14**	**$**	**(0.06)**	**$**	**(0.24)**	**$**	**(3.80)**
Cash dividends declared per common share	$	0.05	$	0.05	$	0.10	$	0.10

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Balance Sheets

(In millions, except for share and per share data)	June 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Investments		
Fixed maturities, available-for-sale, at fair value (amortized cost of $78,529 and $76,015) (includes variable interest entity assets, at fair value, of $842 as of June 30, 2010)	$ 77,132	$ 71,153
Equity securities, trading, at fair value (cost of $32,755 and $33,070)	30,183	32,321
Equity securities, available-for-sale, at fair value (cost of $1,244 and $1,333)	1,103	1,221
Mortgage loans (net of allowances for loan losses of $340 and $366)	4,673	5,938
Policy loans, at outstanding balance	2,182	2,174
Limited partnerships and other alternative investments (includes variable interest entity assets of $22 as of June 30, 2010)	1,774	1,790
Other investments	2,293	602
Short-term investments	8,731	10,357
Total investments	128,071	125,556
Cash	2,998	2,142
Premiums receivable and agents balances	3,371	3,404
Reinsurance recoverables	5,485	5,384
Deferred policy acquisition costs and present value of future profits	9,689	10,686
Deferred income taxes, net	2,828	3,940
Goodwill	1,051	1,204
Property and equipment, net	1,150	1,026
Other assets	4,624	3,981
Separate account assets	154,883	150,394
Total assets	**$ 314,150**	**$ 307,717**
Liabilities		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses		
Property and casualty	$ 21,479	$ 21,651
Life	18,529	17,980
Other policyholder funds and benefits payable	46,394	45,852
Other policyholder funds and benefits payable International variable annuities	30,161	32,296
Unearned premiums	5,291	5,221
Short-term debt		343
Long-term debt	6,600	5,496
Consumer notes	452	1,136
Other liabilities (includes variable interest entity liabilities of $426 as of June 30, 2010)	11,470	9,454

Separate account liabilities	154,883	150,394
Total liabilities	**295,259**	**289,823**
Commitments and Contingencies (Note 9)		
Equity		
Preferred stock, $0.01 par value 50,000,000 shares authorized, 575,000 and 3,400,000 shares issued, liquidation preference $1,000 per share	556	2,960
Common stock, $0.01 par value 1,500,000,000 shares authorized, 469,765,004 and 410,184,182 shares issued	5	4
Additional paid-in capital	10,470	8,985
Retained earnings	11,049	11,164
Treasury stock, at cost 25,654,189 and 27,177,019 shares	(1,810)	(1,936)
Accumulated other comprehensive loss, net of tax	(1,379)	(3,312)
Total stockholders equity	**18,891**	**17,865**
Noncontrolling interest		29
Total equity	**18,891**	**17,894**
Total liabilities and equity	**$ 314,150**	**$ 307,717**

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Statements of Changes in Equity

(In millions, except for share data)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(Unaudited)	
Preferred Stock, at beginning of period	$ 2,960	$
Issuance of mandatory convertible preferred stock	556	
Accretion of preferred stock discount on issuance to U.S. Treasury		1
Accelerated accretion of discount from redemption of preferred stock issued to U.S. Treasury	440	
Issuance (redemption) of preferred stock to the U.S. Treasury	(3,400)	2,920
Preferred Stock, at end of period	**556**	**2,921**
Common Stock	**5**	**4**
Additional Paid-in Capital, at beginning of period	8,985	7,569
Issuance of warrants to U.S. Treasury		480
Issuance of shares under discretionary equity issuance plan		16
Issuance of shares under public offering	1,599	
Issuance of shares under incentive and stock compensation plans	(108)	(50)
Reclassification of warrants from other liabilities to equity and extension of warrants term		186
Tax expense on employee stock options and awards	(6)	(11)
Additional Paid-in Capital, at end of period	**10,470**	**8,190**
Retained Earnings, at beginning of period, before cumulative effect of accounting change, net of tax	11,164	11,336
Cumulative effect of accounting change, net of tax	26	
Retained Earnings, at beginning of period, as adjusted	11,190	11,336
Net income (loss)	395	(1,224)
Cumulative effect of accounting change, net of tax		912
Accretion of preferred stock discount on issuance to U.S. Treasury		(1)
Accelerated accretion of discount from redemption of preferred stock issued to U.S. Treasury	(440)	
Dividends on preferred stock	(54)	(2)
Dividends declared on common stock	(42)	(30)
Retained Earnings, at end of period	**11,049**	**10,991**
Treasury Stock, at Cost, at beginning of period	(1,936)	(2,120)
	129	69

Issuance of shares under incentive and stock compensation plans from treasury stock		
Return of shares under incentive and stock compensation plans to treasury stock	(3)	(3)
Treasury Stock, at Cost, at end of period	**(1,810)**	**(2,054)**
Accumulated Other Comprehensive Loss, Net of Tax, at beginning of period	(3,312)	(7,520)
Cumulative effect of accounting change, net of tax		(912)
Total other comprehensive income	1,933	1,822
Accumulated Other Comprehensive Loss, Net of Tax, at end of period	**(1,379)**	**(6,610)**
Total Stockholders Equity	**18,891**	**13,442**
Noncontrolling Interest, at beginning of period (Note 13)	29	92
Change in noncontrolling interest ownership		(65)
Noncontrolling loss		(7)
Recognition of noncontrolling interest in other liabilities	(29)	
Noncontrolling Interest, at end of period		**20**
Total Equity	**$ 18,891**	**$ 13,462**
Preferred Shares Outstanding, at beginning of period (in thousands)	3,400	6,048
Conversion of preferred to common shares		(6,048)
Issuance of shares to U.S. Treasury		3,400
Issuance of mandatory convertible preferred shares	575	
Redemption of preferred shares issued to the U.S. Treasury	(3,400)	
Preferred Shares Outstanding, at end of period	**575**	**3,400**
Common Shares Outstanding, at beginning of period (in thousands)	383,007	300,579
Treasury stock acquired		(15)
Conversion of preferred to common shares		24,194
Issuance of shares under discretionary equity issuance plan		1,301
Issuance of shares under public offering	59,590	
Issuance of shares under incentive and stock compensation plans	1,639	854
Return of shares under incentive and stock compensation plans to treasury stock	(125)	(184)
Common Shares Outstanding, at end of period	**444,111**	**326,729**

See Notes to Condensed Consolidated Financial Statements.

8

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Statements of Comprehensive Income

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(Unaudited)		(Unaudited)	
Comprehensive Income				
Net income (loss)	$ 76	$ (15)	$ 395	$ (1,224)
Other comprehensive income (loss)				
Change in net unrealized loss on securities	719	2,373	1,578	2,340
Change in OTTI losses recognized in other comprehensive income	21	(125)	53	(125)
Change in net gain (loss) on cash-flow hedging instruments	163	(320)	229	(368)
Change in foreign currency translation adjustments	77	164	41	(45)
Amortization of prior service cost and actuarial net losses included in net periodic benefit costs	18	11	32	20
Total other comprehensive income	998	2,103	1,933	1,822
Total comprehensive income	**$ 1,074**	**$ 2,088**	**$ 2,328**	**$ 598**

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

(In millions)	Six Months Ended June 30, 2010	2009
	(Unaudited)	
Operating Activities		
Net income (loss)	$ 395	$ (1,224)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization of deferred policy acquisition costs and present value of future profits	1,589	2,933
Additions to deferred policy acquisition costs and present value of future profits	(1,338)	(1,450)
Change in reserve for future policy benefits and unpaid losses and loss adjustment expenses and unearned premiums	200	1,333
Change in reinsurance recoverables	162	(111)
Change in receivables and other assets	72	249
Change in payables and accruals	(342)	(389)
Change in accrued and deferred income taxes	(128)	(343)
Net realized capital losses	265	597
Net disbursements from investment contracts related to policyholder funds International variable annuities	(2,137)	(892)
Net decrease in equity securities, trading	2,138	885
Depreciation and amortization	315	259
Goodwill impairment	153	32
Other operating activities, net	(144)	107
Net cash provided by operating activities	**1,200**	**1,986**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	23,292	33,229
Equity securities, available-for-sale	158	482
Mortgage loans	1,297	297
Partnerships	249	239
Payments for the purchase of:		
Fixed maturities, available-for-sale	(23,796)	(35,015)
Equity securities, available-for-sale	(100)	(251)
Mortgage loans	(69)	(214)
Partnerships	(135)	(136)
Proceeds from business sold	130	7
Derivatives, net	584	262
Change in policy loans, net	(8)	4
Change in payables for collateral under securities lending, net	(46)	(2,262)
Other investing activities, net	44	(199)

Net cash provided by (used for) investing activities		**1,600**		**(3,557)**
Financing Activities				
Deposits and other additions to investment and universal life-type contracts		6,410		7,323
Withdrawals and other deductions from investment and universal life-type contracts		(11,183)		(11,516)
Net transfers from separate accounts related to investment and universal life-type contracts		4,120		3,646
Proceeds from issuance of long-term debt		1,090		
Repayments at maturity for long-term debt and payments on capital lease obligations		(343)		(24)
Change in commercial paper				(375)
Repayments at maturity or settlement of consumer notes		(684)		(11)
Net proceeds from issuance of mandatory convertible preferred stock		556		
Net proceeds from issuance of shares under public offering		1,600		
Redemption of preferred stock issued to the U.S. Treasury		(3,400)		
Proceeds from issuance of preferred stock and warrants to U.S. Treasury				3,400
Net proceeds from issuance of shares under discretionary equity issuance plan				14
Proceeds from net issuance of shares under incentive and stock compensation plans and excess tax benefit		14		4
Dividends paid on preferred stock		(64)		(8)
Dividends paid on common stock		(40)		(115)
Changes in bank deposits and payments on bank advances		(43)		
Net cash provided by (used for) financing activities		**(1,967)**		**2,338**
Foreign exchange rate effect on cash		23		(20)
Net increase in cash		856		747
Cash beginning of period		2,142		1,811
Cash end of period	**$**	**2,998**	**$**	**2,558**
Supplemental Disclosure of Cash Flow Information				
Net Cash Paid (Received) During the Period For:				
Income taxes	$	248	$	(468)
Interest	$	233	$	243

See Notes to Condensed Consolidated Financial Statements

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in millions, except for per share data, unless otherwise stated)
(Unaudited)

1. Basis of Presentation and Accounting Policies

Basis of Presentation

The Hartford Financial Services Group, Inc. is a financial holding company for a group of subsidiaries that provide investment products and life and property and casualty insurance to both individual and business customers in the United States (collectively, The Hartford or the Company). Also, The Hartford continues to administer business previously sold in Japan and the U.K.

The Condensed Consolidated Financial Statements have been prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP), which differ materially from the accounting practices prescribed by various insurance regulatory authorities.

The accompanying Condensed Consolidated Financial Statements and Notes as of June 30, 2010, and for the three and six months ended June 30, 2010 and 2009 are unaudited. These financial statements reflect all adjustments (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. These Condensed Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in The Hartford s 2009 Form 10-K Annual Report. The results of operations for the interim periods should not be considered indicative of the results to be expected for the full year.

Consolidation

The Condensed Consolidated Financial Statements include the accounts of The Hartford Financial Services Group, Inc., companies in which the Company directly or indirectly has a controlling financial interest and those variable interest entities in which the Company is required to consolidate. Entities in which the Company has significant influence over the operating and financing decisions but are not required to consolidate are reported using the equity method. Material intercompany transactions and balances between The Hartford and its subsidiaries and affiliates have been eliminated. For further discussions on variable interest entities see Note 5 and Note 13.

Reclassifications

Certain reclassifications have been made to prior period financial information to conform to the current period classifications.

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 reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on investments; living benefits required to be fair valued; goodwill impairment; valuation of investments and derivative instruments; pension and other postretirement benefit obligations; 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.

Significant Accounting Policies

For a description of significant accounting policies, see Note 1 of the Notes to Consolidated Financial Statements included in The Hartford s 2009 Form 10-K Annual Report, which should be read in conjunction with these accompanying Condensed Consolidated Financial Statements.

Table of Contents

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

1. Basis of Presentation and Accounting Policies (continued)

Adoption of New Accounting Standards

Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) updated the guidance which amends the consolidation requirements applicable to variable interest entities (VIE). Under this new guidance, an entity would consolidate a VIE when the entity has both (a) the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (b) the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. The FASB also issued an amendment to this guidance in February 2010 which defers application of this guidance to certain entities that apply specialized accounting guidance for investment companies. The Company adopted this guidance on January 1, 2010. As a result of adoption, in addition to those VIEs the Company consolidates under the previous guidance, the Company consolidated a Company sponsored Collateralized Debt Obligation (CDO), electing the fair value option, and a Company sponsored Collateralized Loan Obligation, at carrying values carried forward as if the Company had been the primary beneficiary from the date the Company entered into the VIE arrangement. The impact on the Company s Condensed Consolidated Balance Sheet as a result of adopting this new guidance was an increase in assets of $432, an increase in liabilities of $406, and an increase in January 1, 2010 retained earnings, net of tax, of $26. The Company has investments in mutual funds, limited partnerships and other alternative investments, including hedge funds, mortgage and real estate funds, mezzanine debt funds, and private equity and other funds which may be VIEs. The accounting for these investments will remain unchanged as they fall within the scope of the deferral of this new consolidation guidance. See Note 5 for further discussion.

Future Adoption of New Accounting Standards

Embedded Credit Derivatives

In March 2010, the FASB issued guidance clarifying the scope exception for credit derivatives embedded within structured securities which may result in bifurcation of these credit derivatives. Embedded credit derivatives resulting only from subordination of one financial instrument to another continue to qualify for the exemption. As a result, investments with an embedded credit derivative in a form other than the above mentioned subordination may need to be separately accounted for as an embedded credit derivative meaning that changes in the fair value of the embedded credit derivative are recorded in current period earnings. Upon adoption, an entity may elect the fair value option, with changes in fair value of the investment in its entirety recognized in earnings, rather than bifurcate the embedded credit derivative. The guidance is effective, on a prospective basis only, for fiscal years and interim periods within those fiscal years, beginning on or after June 15, 2010. The Company adopted this guidance on July 1, 2010, and reclassified approximately $200, after-tax, of unrealized capital losses recorded in Accumulated Other Comprehensive Income, to Retained Earnings.

Table of Contents

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

1. Basis of Presentation and Accounting Policies (continued)

Income Taxes

A reconciliation of the tax provision at the U.S. Federal statutory rate to the provision for income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Tax expense (benefit) at U.S. Federal statutory rate	$ (2)	$ 6	$ 185	$ (700)
Tax-exempt interest	(38)	(38)	(78)	(75)
Dividends received deduction	(40)	(39)	(81)	(79)
Investment valuation allowance			86	
Nondeductible costs associated with warrants		103		78
Other	(3)	1	21	1
Income tax expense (benefit)	**$ (83)**	**$ 33**	**$ 133**	**$ (775)**

The separate account dividends received deduction (DRD) is estimated for the current year using information from the prior year-end, adjusted for current year equity market performance and other appropriate factors, including estimated levels of corporate dividend payments. The actual current year DRD can vary from estimates based on, but not limited to, changes in eligible dividends received by the mutual funds, amounts of distribution from these mutual funds, amounts of short-term capital gains at the mutual fund level and the Company s taxable income before the DRD. Given recent financial markets volatility, the Company is reviewing its DRD computations on a quarterly basis.

The Company s unrecognized tax benefits were unchanged during the six months ended June 30, 2010, remaining at $48 as of June 30, 2010. This entire amount, if it were recognized, would affect the effective tax rate for the applicable periods.

The Company s federal income tax returns are routinely audited by the Internal Revenue Service (IRS). Audits have been concluded for all years through 2006. The audit of 2007 and 2008 commenced in the second quarter of 2010. In addition, the Company is working with the IRS on a possible settlement of a DRD issue related to prior periods which, if settled, may result in the booking of tax benefits. Such benefits are not expected to be material to the statement of operations.

The Company s net deferred tax asset as of June 30, 2010 and December 31, 2009 includes a net deferred tax liability of $1,161 and $849, respectively, for the Company s International subsidiary in Japan.

The Company has recorded a deferred tax asset valuation allowance that is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. The deferred tax asset valuation allowance as of June 30, 2010 was approximately $172, which has not materially changed from the first quarter of 2010. In assessing the need for a valuation allowance, management considered future reversals of existing taxable temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, and taxable income in prior carry back years, as well as tax planning strategies that include holding debt securities with market value losses until recovery, selling appreciated securities to offset capital losses, and sales of certain corporate assets, including subsidiaries. Such tax planning strategies are viewed by management as prudent and feasible and will be implemented if necessary to realize the deferred tax asset. An increase in interest rates can adversely impact the Company s tax planning strategies and in particular the Company s ability to utilize tax benefits to offset certain previously recognized realized capital losses.

Also, for the three months ended March 31, 2010, the Company incurred a charge of $19 related to a decrease in deferred tax assets as a result of recent federal legislation that will reduce the tax deduction available to the Company related to retiree health care costs beginning in 2013.

Table of Contents

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

2. Earnings (Loss) Per Share

The following table presents a reconciliation of net income (loss) and shares used in calculating basic earnings (loss) per common share to those used in calculating diluted earnings (loss) per common share.

(In millions, except for per share data)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Income (loss)				
Net income (loss)	$ 76	$ (15)	$ 395	$ (1,224)
Less: Preferred stock dividends and accretion of discount	11	3	494	3
Net income (loss) available to common shareholders	**$ 65**	**$ (18)**	**$ (99)**	**$ (1,227)**
Common shares				
Basic				
Weighted average common shares outstanding	**443.9**	**325.4**	**418.8**	**323.1**
Diluted				
Warrants	35.2			
Stock compensation plans	1.1			
Weighted average shares outstanding and dilutive potential common shares	**480.2**	**325.4**	**418.8**	**323.1**
Earnings (loss) per common share				
Basic	**$ 0.15**	**$ (0.06)**	**$ (0.24)**	**$ (3.80)**
Diluted	**$ 0.14**	**$ (0.06)**	**$ (0.24)**	**$ (3.80)**

On March 23, 2010, The Hartford issued 23 million depositary shares, each representing a 1/40th interest in The Hartford s 7.25% mandatory convertible preferred stock, Series F. These shares and the related dividend adjustment are included in diluted earnings per share, if dilutive, using the if converted method. For additional information on the mandatory convertible preferred stock see Note 13.

As a result of the net loss in the three months ended June 30, 2009, the Company is required to use basic weighted average common shares outstanding in the calculation of the three months ended June 30, 2009 diluted loss per share, since the inclusion of 0.7 million shares for stock compensation plans calculation and 0.5 million for warrants would have been antidilutive to the earnings per share calculation. In the absence of the net loss, weighted average common shares outstanding and dilutive potential common shares would have totaled 326.6 million.

For the three months ended June 30, 2010, 20.8 million shares for mandatory convertible preferred shares, along with the related dividend adjustment, would have been antidilutive to the earnings per share calculation. Assuming the impact of the mandatory convertible preferred shares was not antidilutive, weighted average common shares outstanding and dilutive potential common shares would have totaled 501.0 million.

As a result of the net loss in the six months ended June 30, 2009, the Company is required to use basic weighted average common shares outstanding in the calculation of the six months ended June 30, 2009 diluted loss per share,

since the inclusion of 0.2 million shares for warrants and 0.7 million shares for stock compensation plans would have been antidilutive to the earnings per share calculation. In the absence of the net loss, weighted average common shares outstanding and dilutive potential common shares would have totaled 324.0 million.

As a result of the net loss available to common shareholders for the six months ended June 30, 2010, the Company is required to use basic weighted average common shares outstanding in the calculation of the six months ended June 30, 2010 diluted loss per share, since the inclusion of 1.2 million shares for stock compensation plans, 34.4 million shares for warrants and 12.1 million shares for mandatory convertible preferred shares, along with the related dividend adjustment, would have been antidilutive to the earnings per share calculation. In the absence of the net loss available to common shareholders and assuming the impact of the mandatory convertible preferred shares was not antidilutive, weighted average common shares outstanding and dilutive potential common shares would have totaled 466.5 million.

Table of Contents

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

3. Segment Information

The Hartford is organized into two major operations: Life and Property & Casualty, each containing reporting segments. Within the Life and Property & Casualty operations, The Hartford conducts business principally in eleven reporting segments. Corporate primarily includes the Company s debt financing and related interest expense, as well as other capital raising activities, banking operations and certain purchase accounting adjustments.

Life

Effective for first quarter 2010 reporting, Life made changes to its segments as described below. Life changed its reporting structure to realign mutual funds businesses into Retirement from Global Annuity U.S. (formerly the Retail Products Group or Retail). In addition, certain fee income and commission expenses associated with sales of non-proprietary products by broker-dealer subsidiaries have been moved from Global Annuity U.S. to Life Other, with no impact on net income in either Global Annuity U.S. or Life Other. The impact of these changes on the annual periods presented in The Hartford s 2009 Annual Report on Form 10-K, which annual periods are not contained in the accompanying interim financial statements, is disclosed in the following tables:

Revenues	As Reported in the 2009 Annual Report on Form 10-K	Realignment of Mutual Fund Businesses	Movement of Non-Proprietary Product Results	Segment Results, As Revised
For the year ended December 31, 2009				
Global Annuity U.S. (formerly Retail)	$ 2,132	$ (517)	$ (149)	$ 1,466
Retirement	324	517		841
Life Other	58		149	207
For the year ended December 31, 2008				
Global Annuity U.S. (formerly Retail)	$ 2,753	$ (666)	$ (150)	$ 1,937
Retirement	338	666		1,004
Life Other	60		150	210
For the year ended December 31, 2007				
Global Annuity U.S. (formerly Retail)	$ 3,055	$ (688)	$ (140)	$ 2,227
Retirement	242	688		930
Life Other	67		140	207

Net Income (Loss)	As Reported in the 2009 Annual Report on Form 10-K	Realignment of Mutual Fund Businesses	Segment Results, As Revised
For the year ended December 31, 2009			
Global Annuity U.S. (formerly Retail)	$ (410)	$ (34)	$ (444)
Retirement	(222)	34	(188)
For the year ended December 31, 2008			
Global Annuity U.S. (formerly Retail)	$ (1,399)	$ (37)	$ (1,436)

Retirement	(157)	37	(120)
For the year ended December 31, 2007			
Global Annuity U.S. (formerly Retail)	$ 812	$ (65)	$ 747
Retirement	61	65	126

Life is organized into six reporting segments, Global Annuity U.S., Global Annuity International, Retirement, Individual Life, Group Benefits and Institutional.

Global Annuity U.S. offers individual variable, fixed market value adjusted (MVA), and single premium immediate annuities.

Global Annuity International administers investments, retirement savings and other insurance and savings products to individuals and groups outside the United States. The Company s Japan operation is the largest component of the Global Annuity International segment.

Retirement provides products and services to corporations pursuant to Section 401(k) and products and services to municipalities and not-for-profit organizations under Section 457 and 403(b) of the IRS code, as well as Retail mutual funds, Insurance Product mutual funds, Investment-Only mutual funds and 529 college savings plans.

Individual Life sells a variety of life insurance products, including variable universal life, universal life, and term life.

Table of Contents

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

3. Segment Information (continued)

Group Benefits provides employers, associations, affinity groups and financial institutions with group life, accident and disability coverage, along with other products and services, including voluntary benefits, and group retiree health. Institutional, primarily offers institutional liability products, such as variable Private Placement Life Insurance (PPLI) owned by corporations and high net worth individuals and stable value products. Institutional continues to service existing customers of its suspended businesses, which includes Leveraged PPLI, structured settlements and institutional annuities (primarily terminal funding cases).

Life includes within its Other category corporate items not directly allocated to any of its reportable operating segments; inter-segment eliminations; the mark-to-mark adjustment for the Global Annuity International variable annuity assets that are classified as equity securities, trading, reported in net investment income and the related change in interest credited reported as a component of benefits, losses and loss adjustment expenses; and includes certain fee income and commission expenses associated with sales of non-proprietary products by broker-dealer subsidiaries.

Life charges direct operating expenses to the appropriate segment and allocates the majority of indirect expenses to the segments based on an intercompany expense arrangement. Inter-segment revenues primarily occur between Life s Other category and the reporting segments. These amounts primarily include interest income on allocated surplus and interest charges on excess separate account surplus.

Property & Casualty

Property & Casualty is organized into five reporting segments: the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial (collectively, Ongoing Operations); and the Other Operations segment. For the three months ended June 30, 2010 and 2009, AARP members accounted for earned premiums of $716 and $709, respectively, in Personal Lines. For both the six months ended June 30, 2010 and 2009, AARP members accounted for earned premiums of $1.4 billion in Personal Lines.

Through inter-segment arrangements, Specialty Commercial reimburses Personal Lines, Small Commercial and Middle Market for losses incurred from uncollectible reinsurance and losses incurred under certain liability claims. Earned premiums assumed (ceded) under the inter-segment arrangements were as follows:

Net assumed (ceded) earned premiums under inter-segment arrangements	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Personal Lines	$ (2)	$ (2)	$ (3)	$ (3)
Small Commercial	(4)	(6)	(10)	(12)
Middle Market	(2)	(5)	(7)	(11)
Specialty Commercial	8	13	20	26
Total	**$**	**$**	**$**	**$**

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

3. Segment Information (continued)

Financial Measures and Other Segment Information

One of the measures of profit or loss used by The Hartford s management in evaluating the performance of its Life segments is net income. Net income is also a measure of profit or loss used in evaluating the performance of Ongoing Operations and the Other Operations segment. Within Ongoing Operations, the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial are evaluated by The Hartford s management primarily based upon underwriting results. Underwriting results represent premiums earned less incurred losses, loss adjustment expenses and underwriting expenses. The sum of underwriting results, net servicing income, net investment income, net realized capital gains and losses, other expenses, and related income taxes is net income (loss).

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenues by Product Line	**2010**	**2009**	**2010**	**2009**
Life				
Earned premiums, fees, and other considerations				
Global Annuity U.S.				
Variable annuity	$ 437	$ 314	$ 839	$ 728
Fixed MVA annuity [1]	1	1	4	
Total Global Annuity U.S.	438	315	843	728
Global Annuity International				
Variable annuity	191	183	389	351
Fixed MVA annuity	9	7	17	13
Other	3	8	7	16
Total Global Annuity International	203	198	413	380
Retirement				
401(k)	80	71	156	134
403(b)/457	9	9	20	19
Retail mutual funds	142	120	284	226
Other [2]	32	5	63	7
Total Retirement	263	205	523	386
Individual Life				
Variable life	101	109	203	273
Universal life	104	97	209	194
Term / Other life	11	12	24	24
Total Individual Life	216	218	436	491
Group Benefits				
Group disability	502	484	1,033	1,014
Group life and accident	514	529	1,026	1,072
Other	58	61	117	126
Total Group Benefits	1,074	1,074	2,176	2,212
Institutional				
Institutional investment products	4	81	17	295

PPLI [3]		43		31		83		65
Total Institutional		47		112		100		360
Other		47		51		90		98
Total earned premiums, fees, and other considerations		2,288		2,173		4,581		4,655
Net investment income (loss)								
Securities available-for-sale and other		807		739		1,551		1,428
Equity securities, trading		(2,649)		2,523		(1,948)		1,799
Total net investment income (loss)		(1,842)		3,262		(397)		3,227
Net realized capital gains (losses)		(25)		(329)		(261)		36
Total Life	**$**	**421**	**$**	**5,106**	**$**	**3,923**	**$**	**7,918**

[1] Single premium immediate annuities were transferred from Institutional to Global Annuity U.S. effective January 1, 2010.

[2] Includes fee income earned on Insurance Product, Investment-Only and Canadian mutual funds and 529 college savings plan assets under management.

[3] Includes Leveraged PPLI transferred from Life Other effective January 1, 2010.

Table of Contents

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

Revenues by Product Line (continued)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Property & Casualty				
Earned premiums				
Ongoing Operations				
Personal Lines				
Automobile	$ 710	$ 711	$ 1,422	$ 1,415
Homeowners	284	274	567	549
Total Personal Lines	994	985	1,989	1,964
Small Commercial				
Workers compensation	300	292	592	588
Package business	282	281	561	564
Automobile	66	70	132	143
Total Small Commercial	648	643	1,285	1,295
Middle Market				
Workers compensation	202	218	414	431
Property	130	139	262	285
Automobile	64	74	129	151
Liability	91	107	183	219
Total Middle Market	487	538	988	1,086
Specialty Commercial				
Workers compensation	71	66	142	131
Property	7	7	15	23
Automobile	21	21	43	43
Liability	44	52	91	110
Fidelity and surety	57	64	113	131
Professional liability	80	101	163	205
Total Specialty Commercial	280	311	567	643
Total Ongoing Operations	2,409	2,477	4,829	4,988
Other Operations	1	1	1	1
Total earned premiums	2,410	2,478	4,830	4,989
Other revenues [1]	120	120	238	238
Net investment income	340	280	649	505
Net realized capital gains (losses)	36	(78)	(4)	(401)
Total Property & Casualty	**2,906**	**2,800**	**5,713**	**5,331**
Corporate	**9**	**(269)**	**19**	**(218)**

Total revenues	**$**	**3,336**	**$**	**7,637**	**$**	**9,655**	**$**	**13,031**

[1] Represents servicing revenue.

18

Table of Contents

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

3. Segment Information (continued)

The following table presents net income (loss) for each of Life s reporting segments, total Property & Casualty Ongoing Operations, Property & Casualty Other Operations and Corporate, while underwriting results are presented for the Personal Lines, Small Commercial, Middle Market and Specialty Commercial segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
Net Income (Loss)	**2010**	**2009**	**2010**	**2009**
Life				
Global Annuity U.S.	$ (107)	$ 188	$ 46	$ (558)
Global Annuity International	2	119	25	(174)
Retirement	37	(36)	57	(122)
Individual Life	95	16	111	(2)
Group Benefits	48	14	99	83
Institutional	(1)	(66)	(89)	(240)
Other	14	(59)	25	(69)
Total Life	**88**	**176**	**274**	**(1,082)**
Property & Casualty				
Ongoing Operations				
Underwriting results				
Personal Lines	(73)	(10)	(19)	65
Small Commercial	62	74	145	161
Middle Market	(22)	56	(10)	125
Specialty Commercial	111	36	163	59
Total Ongoing Operations underwriting results	78	156	279	410
Net servicing income [1]	10	7	17	15
Net investment income	298	239	566	424
Net realized capital gains (losses)	16	(80)	(20)	(369)
Other expenses	(53)	(48)	(107)	(98)
Income before income taxes	349	274	735	382
Income tax expense	88	52	236	49
Ongoing Operations	261	222	499	333
Other Operations	(73)	(49)	(54)	(48)
Total Property & Casualty	**188**	**173**	**445**	**285**
Corporate	**(200)**	**(364)**	**(324)**	**(427)**
Net income (loss)	**$ 76**	**$ (15)**	**$ 395**	**$ (1,224)**

[1] Net of expenses related to service

business.

Table of Contents

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

4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits

The following financial instruments are carried at fair value in the Company s Condensed Consolidated Financial Statements: fixed maturities and equity securities, available-for-sale (AFS), equity securities, trading, short-term investments, freestanding and embedded derivatives, separate account assets and certain other liabilities.

The following section and Note 4a apply the fair value hierarchy and disclosure requirements for the Company s financial instruments that are carried at fair value. The fair value hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad Levels (Level 1, 2 or 3).

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 1 securities include highly liquid U.S. Treasuries, money market funds and exchange traded equity securities, open-ended mutual funds reported in separate account assets and derivative securities, including futures and certain option contracts.

Level 2 Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most fixed maturities and preferred stocks, including those reported in separate account assets, are model priced by vendors using observable inputs and are classified within Level 2. Also included in the Level 2 category are derivative instruments that are priced using models with significant observable market inputs, including interest rate, foreign currency and certain credit default swap contracts and have no significant unobservable market inputs.

Level 3 Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly structured and/or lower quality asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), commercial real estate (CRE) collateralized debt obligations (CDOs), residentia mortgage-backed securities (RMBS) primarily backed by below- prime loans, and private placement securities. Also included in Level 3 are guaranteed product embedded and reinsurance derivatives and other complex derivative securities, including customized guaranteed minimum withdrawal benefit (GMWB) hedging derivatives (see Note 4a for further information on GMWB product related financial instruments), equity derivatives, long dated derivatives, swaps with optionality, certain complex credit derivatives and certain other liabilities. Because Level 3 fair values, by their nature, contain unobservable market inputs as there is little or no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent the Company s best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

In many situations, inputs used to measure the fair value of an asset or liability position may fall into different levels of the fair value hierarchy. In these situations, the Company will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. Transfers of securities among the levels occur at the beginning of the reporting period. Transfers between Level 1 and Level 2 were not material for the three and six months ended June 30, 2010. In most cases, both observable (e.g., changes in interest rates) and unobservable (e.g., changes in risk assumptions) inputs are used in the determination of fair values that the Company has classified within Level 3. Consequently, these values and the related gains and losses are based upon both observable and unobservable inputs. The Company s fixed maturities included in Level 3 are classified as such as they are primarily priced by independent brokers and/or within illiquid markets (i.e. below-prime RMBS).

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

These disclosures provide information as to the extent to which the Company uses fair value to measure financial instruments and information about the inputs used to value those financial instruments to allow users to assess the relative reliability of the measurements. The following tables present assets and (liabilities) carried at fair value by hierarchy level, excluding those related to the Company s living benefits and associated hedging programs, which are reported in Note 4a.

	June 30, 2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	$ 3,012	$	$ 2,464	$ 548
CDOs	2,824		46	2,778
CMBS	8,719		8,067	652
Corporate	38,834		30,018	8,816
Foreign government/government agencies	1,716		1,665	51
States, municipalities and political subdivisions (Municipal)	12,516		12,199	317
RMBS	4,772		3,306	1,466
U.S. Treasuries	4,739	1,410	3,329	
Total fixed maturities, AFS	77,132	1,410	61,094	14,628
Equity securities, trading	30,183	2,101	28,082	
Equity securities, AFS	1,103	301	722	80
Derivative assets				
Credit derivatives	(30)		2	(32)
Equity derivatives	(1)			(1)
Foreign exchange derivatives	463		463	
Interest rate derivatives	66		82	(16)
Other derivative contracts	35			35
Total derivative assets [1]	533		547	(14)
Short-term investments	8,731	1,853	6,878	
Separate account assets [2]	139,472	103,518	35,017	937
Total assets accounted for at fair value on a recurring basis	**$ 257,154**	**$ 109,183**	**$ 132,340**	**$ 15,631**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				

Institutional notes	$ 2	$	$	$ 2
Equity linked notes	(7)			(7)
Total other policyholder funds and benefits payable	(5)			(5)
Derivative liabilities				
Credit derivatives	(558)		(57)	(501)
Equity derivatives	1			1
Foreign exchange derivatives	(47)		(47)	
Interest rate derivatives	(160)		(127)	(33)
Total derivative liabilities [3]	(764)		(231)	(533)
Other liabilities	(16)			(16)
Consumer notes [4]	(4)			(4)
Total liabilities accounted for at fair value on a recurring basis	**$ (789)**	**$ --**	**$ (231)**	**$ (558)**

[1] *Includes over-the-counter derivative instruments in a net asset value position which may require the counterparty to pledge collateral to the Company. As of June 30, 2010, $1.5 billion of a cash collateral liability was netted against the derivative asset value in the Condensed Consolidated Balance Sheet and is excluded from the table above. See footnote 3 below for derivative liabilities.*

[2] *As of June 30, 2010, excludes approximately $15 billion of investment sales*

receivable that are not subject to fair value accounting.

[3] *Includes over-the-counter derivative instruments in a net negative market value position (derivative liability). In the Level 3 roll-forward table included below in this Note 4, the derivative asset and liability are referred to as freestanding derivatives and are presented on a net basis.*

[4] *Represents embedded derivatives associated with non-funding agreement-backed consumer equity linked notes.*

21

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

	December 31, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	$ 2,523	$	$ 1,943	$ 580
CDOs	2,892		57	2,835
CMBS	8,544		8,237	307
Corporate	35,243		27,216	8,027
Foreign government/government agencies	1,408		1,315	93
Municipal	12,065		11,803	262
RMBS	4,847		3,694	1,153
U.S. Treasuries	3,631	526	3,105	
Total fixed maturities, AFS	71,153	526	57,370	13,257
Equity securities, trading	32,321	2,443	29,878	
Equity securities, AFS	1,221	259	904	58
Derivative assets [1]	178		97	81
Short-term investments	10,357	6,846	3,511	
Separate account assets [2]	147,432	112,877	33,593	962
Total assets accounted for at fair value on a recurring basis	**$ 262,662**	**$ 122,951**	**$ 125,353**	**$ 14,358**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
Institutional notes	$ (2)	$	$	$ (2)
Equity linked notes	(10)			(10)
Total other policyholder funds and benefits payable	(12)			(12)
Derivative liabilities [3]	(214)		56	(270)
Consumer notes [4]	(5)			(5)
Total liabilities accounted for at fair value on a recurring basis	**$ (231)**	**$**	**$ 56**	**$ (287)**

[1] *Includes over-the-counter derivative instruments in a net asset value position which may require the counterparty to pledge collateral to the Company. As of December 31, 2009, $149 of a cash collateral liability was netted against the derivative asset value in the Condensed Consolidated Balance Sheet and is excluded from the table above. See footnote 3 below for derivative liabilities.*

[2] *As of December 31, 2009, excludes approximately $3 billion of investment sales receivable that are not subject to fair value accounting.*

[3] *Includes over-the-counter derivative instruments in a net negative market value position (derivative liability). In the Level 3 roll-forward table included below in this Note 4, the*

derivative asset and liability are referred to as freestanding derivatives and are presented on a net basis.

[4] *Represents embedded derivatives associated with non-funding agreement-backed consumer equity linked notes.*

Determination of fair values

The valuation methodologies used to determine the fair values of assets and liabilities under the exit price notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes relevant observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices where available and where prices represent a reasonable estimate of fair value. The Company also determines fair value based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company s default spreads, liquidity and, where appropriate, risk margins on unobservable parameters. The following is a discussion of the methodologies used to determine fair values for the financial instruments listed in the above tables.

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

4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

Available-for-Sale Securities, Equity Securities, Trading, and Short-term Investments

The fair value of AFS securities, equity securities, trading, and short-term investments in an active and orderly market (e.g. not distressed or forced liquidation) is determined by management after considering one of three primary sources of information: third-party pricing services, independent broker quotations or pricing matrices. Security pricing is applied using a waterfall approach whereby publicly available prices are first sought from third-party pricing services, the remaining unpriced securities are submitted to independent brokers for prices, or lastly, securities are priced using a pricing matrix. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third-party pricing services will normally derive the security prices from recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recently reported trades, the third-party pricing services and independent brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Included in the pricing of ABS and RMBS are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment speeds previously experienced at the interest rate levels projected for the underlying collateral. Actual prepayment experience may vary from these estimates.

Prices from third-party pricing services are often unavailable for securities that are rarely traded or are traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations which utilize inputs that may be difficult to corroborate with observable market based data. Additionally, the majority of these independent broker quotations are non-binding. A pricing matrix is used to price securities for which the Company is unable to obtain either a price from a third-party pricing service or an independent broker quotation, by discounting the expected future cash flows from the security by a developed market discount rate utilizing current credit spreads. Credit spreads are developed each month 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 Company performs a monthly analysis of the prices and credit spreads received from third parties to ensure that the prices represent a reasonable estimate of the fair value. As a part of this analysis, the Company considers trading volume and other factors to determine whether the decline in market activity is significant when compared to normal activity in an active market, and if so, whether transactions may not be orderly considering the weight of available evidence. If the available evidence indicates that pricing is based upon transactions that are stale or not orderly, the Company places little, if any, weight on the transaction price and will estimate fair value utilizing an internal pricing model. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include, but are not limited to, initial and on-going review of third-party pricing services methodologies, review of pricing statistics and trends, back testing recent trades, and monitoring of trading volumes, new issuance activity and other market activities. In addition, the Company ensures that prices received from independent brokers represent a reasonable estimate of fair value through the use of internal and external cash flow models developed based on spreads, and when available, market indices. As a result of this analysis, if the Company determines that there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. The Company s internal pricing model utilizes the Company s best estimate of expected future cash flows discounted at a rate of return that a market participant would require. The significant inputs to the model include, but are not limited to, current market inputs, such as credit loss assumptions, estimated prepayment speeds and market risk premiums.

The Company has analyzed the third-party pricing services valuation methodologies and related inputs, and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Most prices provided by third-party pricing services are classified into Level 2 because the inputs used in pricing the securities are market observable. Due to a

general lack of transparency in the process that brokers use to develop prices, most valuations that are based on brokers prices are classified as Level 3. Some valuations may be classified as Level 2 if the price can be corroborated. Internal matrix priced securities, primarily consisting of certain private placement securities, are also classified as Level 3 due to significant non-observable inputs.

Derivative Instruments, including embedded derivatives within investments

Derivative instruments are fair valued using pricing valuation models; that utilize independent market data inputs, quoted market prices for exchange-traded derivatives, or independent broker quotations. Excluding embedded and reinsurance related derivatives, as of June 30, 2010 and December 31, 2009, 98% and 97%, respectively, of derivatives, based upon notional values, were priced by valuation models or quoted market prices. The remaining derivatives were priced by broker quotations. The Company performs a monthly analysis on derivative valuations which includes both quantitative and qualitative analysis. Examples of procedures performed include, but are not limited to, review of pricing statistics and trends, back testing recent trades, analyzing the impacts of changes in the market environment, and review of changes in market value for each derivative including those derivatives priced by brokers.

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)
The Company utilizes 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 assets and liabilities. Therefore the realized and unrealized gains and losses on derivatives reported in Level 3 may not reflect the offsetting impact of the realized and unrealized gains and losses of the associated assets and liabilities.
Valuation techniques and inputs for investments
Generally, the Company determines the estimated fair value of its AFS securities and short-term investments using the market approach. The income approach is used for securities priced using a pricing matrix, as well as for derivative instruments. For Level 1 investments, which are comprised of U.S. Treasuries, equity securities, short-term investments, and exchange traded futures and option contracts, valuations are based on observable inputs that reflect quoted prices for identical assets in active markets that the Company has the ability to access at the measurement date. For most of the Company s debt securities, the following inputs are typically used in the Company s pricing methods: reported trades, benchmark yields, bids, offers and/or estimated cash flows. For securities except U.S. Treasuries, inputs also include issuer spreads, which may utilize credit default swaps. Derivative instruments are valued using mid-market inputs that are predominantly observable in the market.

A description of additional inputs used in the Company s Level 2 and Level 3 measurements is listed below:

Level 2 The fair values of most of the Company s Level 2 investments are determined by management after considering prices received from third party pricing services. These investments include most fixed maturities and preferred stocks, including those reported in separate account assets.

ABS, CDOs, CMBS and RMBS Primary inputs also include monthly payment information, collateral performance, which varies by vintage year and includes delinquency rates, collateral valuation loss severity rates, collateral refinancing assumptions, credit default swap indices and, for RMBS, estimated prepayment rates.

Corporates - Primary inputs also include observations of equity and credit default swap curves related to the issuer.

Foreign government/government agencies - Primary inputs also include observations of equity and credit default swap curves related to the issuer and political events in emerging markets.

Municipals - Primary inputs also include Municipal Securities Rulemaking Board reported trades and material event notices, and issuer financial statements.

Short-term investments Primary inputs also include material event notices and new issue money market rates.

Equity securities, trading Consist of investments in mutual funds. Primary inputs include net asset values obtained from third party pricing services.

Credit derivatives- Significant inputs primarily include the swap yield curve and credit curves.

Foreign exchange derivatives- Significant inputs primarily include the swap yield curve, currency spot and forward rates, and cross currency basis curves.

Interest rate derivatives- Significant input is primarily the swap yield curve.

Level 3 Most of the Company s securities classified as Level 3 are valued based on brokers prices. Certain long-dated securities are priced based on third party pricing services, including municipal securities and foreign government/government agencies, as well as bank loans. Primary inputs for these long-dated securities are consistent with the typical inputs used in Level 1 and Level 2 measurements noted above, but include benchmark interest rate or credit spread assumptions that are not observable in the marketplace. Also included in Level 3 are certain derivative instruments that either have significant unobservable inputs or are valued based on broker quotations. Significant inputs for these derivative contracts primarily include

the typical inputs used in the Level 1 and Level 2 measurements noted above, but also may include the following:

Credit derivatives- Significant unobservable inputs may include credit correlation and swap yield curve and credit curve extrapolation beyond observable limits.

Equity derivatives Significant unobservable inputs may include equity volatility.

Interest rate contracts Significant unobservable inputs may include swap yield curve extrapolation beyond observable limits and interest rate volatility.

Separate Account Assets

Separate account assets are primarily invested in mutual funds but also have investments in fixed maturity and equity securities. The separate account investments are valued in the same manner, and using the same pricing sources and inputs, as the fixed maturity, equity security, and short-term investments of the Company.

Table of Contents

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

4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The tables below provide fair value roll forwards for the three and six months ending June 30, 2010 and 2009, for the financial instruments classified as Level 3, excluding those related to the Company s living benefits and associated hedging programs, which are reported in Note 4a.

Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended June 30, 2010

Asset (Liability)	Fair value as of March 31, 2010	Total realized/unrealized gains (losses) included in: Net income [1]	OCI [2]	Purchases, issuances, and settlements	Transfers in to Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2010	Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]
Assets								
Fixed maturities, AFS								
ABS	$ 533	$ (3)	$ 15	$ (13)	$ 28	$ (12)	$ 548	$ (4)
CDO	2,749	(22)	105	(48)	11	(17)	2,778	(28)
CMBS	442	(42)	189	(17)	139	(59)	652	(39)
Corporate	8,612	6	103	61	174	(140)	8,816	2
Foreign govt./govt. agencies	59			(2)		(6)	51	
Municipal	322		16	(21)			317	
RMBS	1,174	(21)	75	238			1,466	(16)
Total fixed maturities, AFS	13,891	(82)	503	198	352	(234)	14,628	(85)
Equity securities, AFS	65	(1)	2	8	6		80	(4)
Freestanding derivatives								
Credit derivatives	(491)	(47)		5			(533)	(47)
Equity derivatives	(1)	1						1
Interest rate derivatives	(6)	1		(44)			(49)	(20)
Other derivative contracts	35						35	
Total freestanding derivatives [4]	(463)	(45)		(39)			(547)	(66)

Separate accounts [5]	955	(2)		5	(2)	(19)	937	9
Liabilities								
Other policyholder funds and benefits payable								
Institutional notes	$ (7)	$ 9	$	$	$	$	$ 2	$ 9
Equity linked notes	(9)	2					(7)	2
Total other policyholder funds and benefits payable	(16)	11					(5)	11
Other liabilities	(22)	6					(16)	
Consumer notes	(5)	1					(4)	1

[1] *All amounts in these columns are reported in net realized capital gains (losses) except for less than $1, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization of deferred policy acquisition costs and present value of future profits (DAC).*

[2] *OCI refers to Other comprehensive income in the Condensed Consolidated Statement of Comprehensive Income. All amounts are before income taxes and amortization of DAC.*

[3] Transfers in and/or (out) of Level 3 are primarily attributable to changes in the availability of market observable information and 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 Sheet in other investments and other liabilities.

[5] The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company.

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)
Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the six months ended June 30, 2010

Asset (Liability)	Fair value as of January 1, 2010	Total realized/unrealized gains (losses) included in: Net income [1]	OCI [2]	Purchases, issuances, and settlements	Transfers in to Level 3 [3]	Transfers out of Level 3 [3]	Fair value as of June 30, 2010	Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]
Assets								
Fixed maturities, AFS								
ABS	$ 580	$ (3)	$ 43	$ (23)	$ 28	$ (77)	$ 548	$ (4)
CDO	2,835	(85)	320	(67)	27	(252)	2,778	(91)
CMBS	307	(114)	275	(23)	266	(59)	652	(110)
Corporate	8,027	8	232	277	510	(238)	8,816	2
Foreign govt./govt. agencies	93		2	(8)	6	(42)	51	
Municipal	262		34	25		(4)	317	
RMBS	1,153	(34)	164	206		(23)	1,466	(29)
Total fixed maturities, AFS	13,257	(228)	1,070	387	837	(695)	14,628	(232)
Equity securities, AFS	58	(2)	9	9	6		80	(5)
Freestanding derivatives								
Credit derivatives	(228)	(20)		5	(290)		(533)	(20)
Equity derivatives	(2)	2						2
Interest rate derivatives	5	1		(44)		(11)	(49)	(20)
Other derivative contracts	36	(1)					35	(1)
Total freestanding derivatives [4]	(189)	(18)		(39)	(290)	(11)	(547)	(39)
Separate accounts [5]	962	16		82	4	(127)	937	13

Liabilities

Other policyholder funds and benefits payable								
Institutional notes	$ (2)	$ 4	$	$	$	$	$ 2	$ 4
Equity linked notes	(10)	3					(7)	3
Total other policyholder funds and benefits payable	(12)	7					(5)	7
Other liabilities		(5)			(11)		(16)	
Consumer notes	(5)	1					(4)	1

[1] *All amounts in these columns are reported in net realized capital gains (losses) except for less than $1, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization of DAC.*

[2] *All amounts are before income taxes and amortization of DAC.*

[3] *Transfers in and/or (out) of Level 3 are primarily attributable to changes in the availability of market observable information and re-evaluation of the observability of pricing inputs. Transfers in also include the consolidation of additional VIEs due to the adoption of new accounting*

guidance on January 1, 2010, as well as the election of fair value option for one of these VIEs.

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

[5] *The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company.*

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)
Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended June 30, 2009

Asset (Liability)	Fair value as of March 31, 2009	Total realized/unrealized gains (losses) included in: Net income [1]	OCI [2]	Purchases, issuances, and settlements	Transfers in and/or (out) of Level 3 [3]	Fair value as of June 30, 2009	Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2009 [1]
Assets							
Fixed maturities, AFS							
ABS	$ 544	$ (7)	$ 75	$ (29)	$ (81)	$ 502	$ (8)
CDO	2,422	(73)	246	(33)		2,562	(94)
CMBS	188	(35)	47	(4)	2	198	(26)
Corporate	6,597	6	427	(36)	(464)	6,530	(26)
Foreign govt./govt. agencies	65		4	(1)		68	
Municipal	180			(13)	47	214	
RMBS	1,278	(51)	(34)	157	3	1,353	(85)
Total fixed maturities, AFS	11,274	(160)	765	41	(493)	11,427	(239)
Equity securities, AFS	510		74	2	(358)	228	
Freestanding derivatives [4]	(380)	85	(5)	21	(3)	(282)	91
Separate accounts [5]	639			23	11	673	12
Liabilities							
Other policyholder funds and benefits payable							
Institutional notes	$ (25)	$ 27	$	$	$	$ 2	$ 27
Equity linked notes	(5)	(1)				(6)	(1)
Total other policyholder funds and benefits payable	(30)	26				(4)	26
Consumer notes	(4)					(4)	

[1] *All amounts in these columns are reported in net realized capital gains/losses except for $1 for the three months ended June 30, 2009, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization DAC.*

[2] *All amounts are before income taxes and amortization of DAC.*

[3] *Transfers in and/or (out) of Level 3 are attributable to a change in the availability of market observable information and 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 Sheet in other investments and other liabilities.*

[5] *The realized/unrealized gains (losses) included in net income for*

separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company.

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

4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the six months ended June 30, 2009

		Total realized/unrealized gains (losses) included in:					
Asset (Liability)	**Fair value as of January 1, 2009**	**Net income [1]**	**OCI [2]**	**Purchases, issuances, and settlements**	**Transfers in and/or (out) of Level 3 [3]**	**Fair value as of June 30, 2009**	**Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2009 [1]**
Assets							
Fixed maturities, AFS							
ABS	$ 536	$ (9)	$ 36	$ 1	$ (62)	$ 502	$ (8)
CDO	2,612	(95)	98	(53)		2,562	(94)
CMBS	341	(48)	28	(8)	(115)	198	(26)
Corporate	6,396	(60)	407	198	(411)	6,530	(26)
Foreign govt./govt. agencies	100		(2)	(10)	(20)	68	
Municipal	163		(7)	(13)	71	214	
RMBS	1,662	(169)	(244)	101	3	1,353	(85)
Total fixed maturities, AFS	11,810	(381)	316	216	(534)	11,427	(239)
Equity securities, AFS	541	(1)	(1)	(2)	(309)	228	
Freestanding derivatives [4]	(281)	(5)	(10)	20	(6)	(282)	9
Separate accounts [5]	786	(122)		110	(101)	673	(73)
Liabilities							
Other policyholder funds and benefits payable							
Institutional notes	$ (41)	$ 43	$	$	$	$ 2	$ 43
Equity linked notes	(8)	2				(6)	2
Total other policyholder funds and benefits payable	(49)	45				(4)	45
Other derivative liabilities [6]	(163)	70		93			

Consumer notes	(5)	1	(4)	1

[1] All amounts in these columns are reported in net realized capital gains (losses) except for $2 for the six months ended June 30, 2009, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization of DAC.

[2] All amounts are before income taxes and amortization of DAC.

[3] Transfers in and/or (out) of Level 3 are attributable to a change in the availability of market observable information and 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 Sheet in other investments and other liabilities.

[5]

The realized/unrealized gains (losses) included in net income for separate account assets are offset by an equal amount for separate account liabilities, which results in a net zero impact on net income for the Company.

[6] *On March 26, 2009, certain of the Allianz warrants were reclassified to equity, at their current fair value, as shareholder approval of the conversion of these warrants to common shares was received. See Note 21 of the Notes to Consolidated Financial Statements included in The Hartford s 2009 Form 10-K Annual Report for further discussion.*

Table of Contents

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

4. Fair Value Measurements Financial Instruments Excluding Guaranteed Living Benefits (continued)

Fair Value Option

The Company elected the fair value option for one of its consolidated VIEs in order to employ a consistent accounting model for the VIE s assets and liabilities. The fair value option requires the VIE s assets and liabilities to be reported in the Company s Condensed Consolidated Balance Sheets at fair value with the changes in fair value reported in net realized capital gains and losses in the Company s Condensed Consolidated Statements of Operations. The VIE is an investment vehicle that holds high quality investments, derivative instruments that references third-party corporate credit and issues notes to investors that reflect the credit characteristics of the high quality investments and derivative instruments. The risks and rewards associated with the assets of the VIE inure to the investors. The investors have no recourse against the Company. As a result, there has been no adjustment to the market value of the notes for the Company s own credit risk.

The following table presents the gains and losses recorded for those assets and liabilities accounted for using the fair value option:

	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Assets		
Fixed maturities		
ABS	$ 1	$ 2
Corporate	(4)	(4)
Other liabilities		
Credit-linked notes	6	(5)
Total realized capital gains (losses)	**$ 3**	**$ (7)**

Included in the Company s Condensed Consolidated Balance Sheet as of June 30, 2010, are high quality investments of $328 in fixed maturities, and other liabilities comprised of derivative instruments of $293 and notes at fair value of $16 with an outstanding principal balance of $243. Electing the fair value option resulted in lowering other liabilities with an offsetting impact to the cumulative effect adjustment to retained earnings of $232, representing the difference between the fair value and outstanding principal of the notes as of January 1, 2010.

Financial Instruments Not Carried at Fair Value

The following table presents carrying amounts and fair values of The Hartford s financial instruments not carried at fair value and not included in the above fair value discussion as of June 30, 2010 and December 31, 2009.

	June 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Policy loans	$ 2,182	$ 2,342	$ 2,174	$ 2,321
Mortgage loans	4,673	4,499	5,938	5,091
Liabilities				
Other policyholder funds and benefits payable [1]	$ 11,532	$ 11,771	$ 12,330	$ 12,513
Senior notes [2]	4,879	4,906	4,054	4,037
Junior subordinated debentures [2]	1,721	2,225	1,717	2,338

Consumer notes [3]	448	466	1,131	1,194

[1] Excludes guarantees on variable annuities, group accident and health and universal life insurance contracts, including corporate owned life insurance.

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

[3] Excludes amounts carried at fair value and included in disclosures above.

As of June 30, 2010 and December 31, 2009, included in other liabilities in the Condensed Consolidated Balance Sheets are carrying amounts of $248 and $273, respectively, for deposits and $60 and $78, respectively, for Federal Home Loan Bank advances related to Federal Trust Corporation. These carrying amounts approximate fair value.

The Company has not made any changes in its valuation methodologies for the following assets and liabilities since December 31, 2009.

- Fair value for policy loans and consumer notes were estimated using discounted cash flow calculations using current interest rates.
- Fair values for mortgage loans were estimated using discounted cash flow calculations based on current lending rates for similar type loans. Current lending rates reflect changes in credit spreads and the remaining terms of the loans.
- Fair values for other policyholder funds and benefits payable, not carried at fair value, are determined by estimating future cash flows, discounted at the current market rate.
- Fair values for senior notes and junior subordinated debentures are based primarily on market quotations from independent third-party pricing services.

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits

These disclosures provide information as to the extent to which the Company uses fair value to measure financial instruments related to variable annuity product guaranteed living benefits and the related variable annuity hedging program and information about the inputs used to value those financial instruments to allow users to assess the relative reliability of the measurements. The following tables present assets and (liabilities) related to the guaranteed living benefits program carried at fair value by hierarchy level.

	June 30, 2010			
	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				
Variable annuity hedging derivatives	$ 870	$	$ (48)	$ 918
Macro hedge program	833	4	187	642
Reinsurance recoverable for U.S. GMWB	550			550
Total assets accounted for at fair value on a recurring basis	**$ 2,253**	**$ 4**	**$ 139**	**$ 2,110**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
U.S. guaranteed withdrawal benefits	$ (3,148)	$	$	$ (3,148)
International guaranteed withdrawal benefits	(72)			(72)
International other guaranteed living benefits	(1)			(1)
Variable annuity hedging derivatives	(33)		(43)	10
Macro hedge program	20	(1)		21
Total liabilities accounted for at fair value on a recurring basis	**$ (3,234)**	**$ (1)**	**$ (43)**	**$ (3,190)**

	December 31, 2009			
	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				
Variable annuity hedging derivatives	$ 9	$	$	$ 9

Macro hedge program	203	8	16	179
Reinsurance recoverable for U.S. GMWB	347			347
Total assets accounted for at fair value on a recurring basis	**$ 559**	**$ 8**	**$ 16**	**$ 535**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
U.S. guaranteed withdrawal benefits	$ (1,957)	$	$	$ (1,957)
International guaranteed withdrawal benefits	(45)			(45)
International other guaranteed living benefits	2			2
Variable annuity hedging derivatives	43		(184)	227
Macro hedge program	115	(2)	6	111
Total liabilities accounted for at fair value on a recurring basis	**$ (1,842)**	**$ (2)**	**$ (178)**	**$ (1,662)**

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits (continued)

Product Derivatives

The Company currently offers certain variable annuity products with GMWB riders in the U.S., and formerly offered such products in the U.K. and Japan. The GMWB represents an embedded derivative in the variable annuity contract. When it is determined that (1) the embedded derivative possesses economic characteristics that are not clearly and closely related to the economic characteristics of the host contract, and (2) a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host for measurement purposes. The embedded derivative, is carried at fair value, with changes in fair value reported in net realized capital gains and losses. The Company s GMWB liability is reported in other policyholder funds and benefits payable in the Condensed Consolidated Balance Sheets.

In valuing the embedded derivative, the Company attributes to the derivative a portion of the expected fees to be collected over the expected life of the contract from the contract holder equal to the present value of future GMWB claims (the Attributed Fees). The excess of fees collected from the contract holder in the current period over the current period s Attributed Fees are associated with the host variable annuity contract and reported in fee income.

U.S. GMWB Reinsurance Derivative

The Company has reinsurance arrangements in place to transfer a portion of its risk of loss due to GMWB. These arrangements are recognized as derivatives and carried at fair value in reinsurance recoverables. Changes in the fair value of the reinsurance agreements are reported in net realized capital gains and losses.

The fair value of the U.S. GMWB reinsurance derivative is calculated as an aggregation of the components described in the Living Benefits Required to be Fair Valued discussion below and is modeled using significant unobservable policyholder behavior inputs, identical to those used in calculating the underlying liability, such as lapses, fund selection, resets and withdrawal utilization and risk margins.

Living Benefits Required to be Fair Valued (in Other Policyholder Funds and Benefits Payable)

Fair values for GMWB and guaranteed minimum accumulation benefit (GMAB) contracts are calculated using the income approach based upon internally developed models because active, observable markets do not exist for those items. The fair value of the Company s guaranteed benefit liabilities, classified as embedded derivatives, and the related reinsurance and customized freestanding derivatives is calculated as an aggregation of the following components: Best Estimate Claim Payments; Credit Standing Adjustment; and Margins. The resulting aggregation is reconciled or calibrated, if necessary, to market information that is, or may be, available to the Company, but may not be observable by other market participants, including reinsurance discussions and transactions. The Company believes the aggregation of these components, as necessary and as reconciled or calibrated to the market information available to the Company, results in an amount that the Company would be required to transfer or receive, for an asset, to or from market participants in an active liquid market, if one existed, for those market participants to assume the risks associated with the guaranteed minimum benefits and the related reinsurance and customized derivatives. The fair value is likely to materially diverge from the ultimate settlement of the liability as the Company believes settlement will be based on our best estimate assumptions rather than those best estimate assumptions plus risk margins. In the absence of any transfer of the guaranteed benefit liability to a third party, the release of risk margins is likely to be reflected as realized gains in future periods net income. Each component described below is unobservable in the marketplace and requires subjectivity by the Company in determining their value.

Best Estimate Claim Payments

The Best Estimate Claim Payments is calculated based on actuarial and capital market assumptions related to projected cash flows, including the present value of benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior such as lapses, fund selection, resets and withdrawal utilization. For the customized derivatives, policyholder behavior is prescribed in the derivative contract. Because of the dynamic and complex nature of these cash flows, best estimate assumptions and a Monte Carlo stochastic process is used in valuation. The Monte Carlo stochastic process involves the generation of thousands of scenarios that assume risk neutral returns consistent with swap rates and a blend of observable implied index volatility

levels. Estimating these cash flows involves numerous estimates and subjective judgments regarding a number of variables including expected market rates of return, market volatility, correlations of market index returns to funds, fund performance, discount rates and assumptions about policyholder behavior which emerge over time.

At each valuation date, the Company assumes expected returns based on:

- risk-free rates as represented by the Eurodollar futures, LIBOR deposits and swap rates to derive forward curve rates;
- market implied volatility assumptions for each underlying index based primarily on a blend of observed market implied volatility data;
- correlations of historical returns across underlying well known market indices based on actual observed returns over the ten years preceding the valuation date; and
- three years of history for fund indexes compared to separate account fund regression.

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits (continued)

As many guaranteed benefit obligations are relatively new in the marketplace, actual policyholder behavior experience is limited. As a result, estimates of future policyholder behavior are subjective and based on analogous internal and external data. As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions for this component of the fair value model.

On a daily basis, the Company updates capital market assumptions used in the GMWB liability model such as interest rates and equity indices. On a weekly basis, the blend of implied equity index volatilities is updated. The Company continually monitors various aspects of policyholder behavior and may modify certain of its assumptions, including living benefit lapses and withdrawal rates, if credible emerging data indicates that changes are warranted. At a minimum, all policyholder behavior assumptions are reviewed and updated, as appropriate, in conjunction with the completion of the Company s comprehensive study to refine its estimate of future gross profits during the third quarter of each year.

Credit Standing Adjustment

This assumption makes an adjustment that market participants would make, in determining fair value, to reflect the risk that guaranteed benefit obligations or the GMWB reinsurance recoverables will not be fulfilled (nonperformance risk). As a result of sustained volatility in the Company s credit default spreads, during 2009 the Company changed its estimate of the Credit Standing Adjustment to incorporate a blend of observable Company and reinsurer credit default spreads from capital markets, adjusted for market recoverability. Prior to the first quarter of 2009, the Company calculated the Credit Standing Adjustment by using default rates published by rating agencies, adjusted for market recoverability. The credit standing adjustment assumption, net of reinsurance, resulted in pre-tax realized gains of $22 and $11, for the three months ended June 30, 2010 and 2009, respectively, and $29 and $233 for the six months ended June 30, 2010 and 2009, respectively.

Margins

The behavior risk margin adds a margin that market participants would require, in determining fair value, for the risk that the Company s assumptions about policyholder behavior could differ from actual experience. The behavior risk margin is calculated by taking the difference between adverse policyholder behavior assumptions and best estimate assumptions.

Assumption updates, including policyholder behavior assumptions, affected best estimates and margins for a total pre-tax realized gain of $0 and $118 for the three months ended June 30, 2010 and 2009, respectively and $0 and $432 for the six months ended June 30, 2010 and 2009, respectively.

In addition to the non-market-based updates described above, the Company recognized non-market-based updates driven by the relative outperformance (underperformance) of the underlying actively managed funds as compared to their respective indices resulting in pre-tax realized gains of approximately $15 and $239, for the three months ended June 30, 2010 and 2009, respectively, and $42 and $391 for the six months ended June 30, 2010 and 2009, respectively.

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits (continued)

The tables below provide fair value roll forwards for the three and six months ended June 30, 2010 and 2009, for the financial instruments related to the Guaranteed Living Benefits Program classified as Levels 1, 2 and 3.

Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the three months ended June 30, 2010

Asset (liability)	Fair value as of March 31, 2010	Total realized/unrealized gains (losses) included in: Net income [1] [2] [6]	OCI [2]	Purchases, issuances, and settlements [3]	Transfers in to Level 3	Transfers out of Level 3	Fair value as of June 30, 2010	Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1] [2]
Variable annuity hedging derivatives [5]								
Levels 1 and 2	$ (166)	$ 208	$	$ (133)	$	$	$ (91)	[4]
Level 3	311	617					928	$ 617
Total variable annuity hedging derivatives	145	825		(133)			837	
Reinsurance recoverable for GMWB	295	246		9			550	246
U.S. guaranteed withdrawal benefits Level 3	(1,655)	(1,458)		(35)			(3,148)	(1,458)
International guaranteed withdrawal benefits Level 3	(31)	(39)	(1)	(1)			(72)	(39)
Total Guaranteed withdrawal benefits net of reinsurance and hedging derivatives	(1,246)	(426)	(1)	(160)			(1,833)	
Macro hedge program [5]								
Levels 1 and 2	54	117		19			190	[4]

Level 3	151	280	232	663	300
Total macro hedge program	205	397	251	853	
International other guaranteed living benefits Level 3	4	(5)		(1)	(5)

[1] The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] All amounts are before income taxes and amortization of DAC.

[3] The Purchases, issuances, and settlements primarily relates to the receipt of cash on futures and option contracts classified as Level 1 and interest rate, currency and credit default swaps classified as Level 2. For GMWB reinsurance and guaranteed withdrawal benefits,

purchases, issuances and settlements represent the reinsurance premium paid and the attributed fees collected, respectively.

[4] *Disclosure of changes in unrealized gains (losses) is not required for Levels 1 and 2. Information presented is for Level 3 only.*

[5] *The variable annuity hedging derivatives and the macro hedge program derivatives are reported in this table on a net basis for asset/(liability) positions and reported in the Condensed Consolidated Balance Sheet in other investments and other liabilities.*

[6] *Includes both market and non-market impacts in deriving realized and unrealized gains (losses).*

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
4a. Fair Value Measurements Guaranteed Living Benefits Program (continued)
Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the six months ended June 30, 2010

Asset (liability)	Fair value as of January 1, 2010	Total realized/unrealized gains (losses) included in: Net income [1] [2] [6]	OCI [2]	Purchases, issuances, And Settlements [3]	Transfers in to Level 3	Transfers out of Level 3	Fair value as of June 30, 2010	Changes in unrealized gains (losses) included in net income related to to financial instruments still held at June 30, 2010 [1] [2]
Variable annuity hedging derivatives [5]								
Levels 1 and 2	$ (184)	$ 123	$	$ (30)	$	$	$ (91)	[4]
Level 3	236	539		153			928	$ 502
Total variable annuity hedging derivatives	52	662		123			837	
Reinsurance recoverable for GMWB	347	185		18			550	185
U.S. guaranteed withdrawal benefits Level 3	(1,957)	(1,120)		(71)			(3,148)	(1,120)
International guaranteed withdrawal benefits Level 3	(45)	(24)		(3)			(72)	(24)
Total Guaranteed withdrawal benefits net of reinsurance and hedging derivatives	(1,603)	(297)		67			(1,833)	
Macro hedge program [5]								
Levels 1 and 2	28	92		70			190	[4]
Level 3	290	141		232			663	161

Total macro hedge program	318	233	302	853	
International other guaranteed living benefits Level 3	2	(2)	(1)	(1)	(2)

[1] The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] All amounts are before income taxes and amortization of DAC.

[3] The Purchases, issuances, and settlements primarily relates to the receipt of cash on futures and option contracts classified as Level 1 and interest rate, currency and credit default swaps classified as Level 2. For GMWB reinsurance and guaranteed withdrawal benefits, purchases, issuances and settlements

represent the reinsurance premium paid and the attributed fees collected, respectively.

[4] *Disclosure of changes in unrealized gains (losses) is not required for Levels 1 and 2. Information presented is for Level 3 only.*

[5] *The variable annuity hedging derivatives and the macro hedge program derivatives are reported in this table on a net basis for asset/(liability) positions and reported in the Condensed Consolidated Balance Sheet in other investments and other liabilities.*

[6] *Includes both market and non-market impacts in deriving realized and unrealized gains (losses).*

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits Program (continued)

Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the three months ended June 30, 2009

Asset (Liability)	Fair value as of March 31, 2009	Total realized/unrealized gains (losses) included in: Net income [1] [2] [6]	OCI [2]	Purchases, issuances, and settlements [3]	Transfers in and/or (out) of Level 3	Fair value as of June 30, 2009	Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2009 [1] [2]
Variable annuity hedging derivatives [5]							
Levels 1 and 2	$ (57)	$ (503)	$	$ 393	$	$ (167)	[4]
Level 3	2,379	(1,015)		(342)		1,022	$ (947)
Total variable annuity hedging derivatives	2,322	(1,518)		51		855	
Reinsurance recoverable for GMWB	1,058	(433)		7		632	(433)
U.S. guaranteed withdrawal benefits Level 3	(5,829)	2,572		(32)		(3,289)	2,573
International guaranteed withdrawal benefits Level 3	(98)	50	(7)	(2)		(57)	52
Total Guaranteed withdrawal benefits net of reinsurance and hedging derivatives	(2,547)	671	(7)	24		(1,859)	
Macro hedge program [5]							
Levels 1 and 2	24	(382)		386		28	[4]
Level 3	173	(186)		126		113	(186)
Total macro hedge program	197	(568)		512		141	

International other guaranteed living benefits Level 3	(3)	6	(1)	2	3

[1] The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] All amounts are before income taxes and amortization of DAC.

[3] The Purchases, issuances, and settlements primarily relates to the receipt of cash on futures and option contracts classified as Level 1 and interest rate, currency and credit default swaps classified as Level 2. For GMWB reinsurance and guaranteed withdrawal benefits, purchases, issuances and settlements represent the reinsurance premium paid and the

attributed fees collected, respectively.

[4] *Disclosure of changes in unrealized gains (losses) is not required for Levels 1 and 2. Information presented is for Level 3 only.*

[5] *The variable annuity hedging derivatives and the macro hedge program derivatives are reported in this table on a net basis for asset/(liability) positions and reported in the Condensed Consolidated Balance Sheet in other investments and other liabilities.*

[6] *Includes both market and non-market impacts in deriving realized and unrealized gains (losses).*

Table of Contents

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

4a. Fair Value Measurements Guaranteed Living Benefits Program (continued)

Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the six months ended June 30, 2009

	Fair value as of January 1,	Total realized/unrealized gains (losses) included in:		Purchases, issuances, and	Transfers in and/or (out)	Fair value as of June 30,	Changes in unrealized gains (losses) included in net income related to financial instruments still held at
Asset (Liability)	**2009**	**Net income [1] [2] [6]**	**OCI [2]**	**settlements [3]**	**of Level 3**	**2009**	**June 30, 2009 [1] [2]**
Variable annuity hedging derivatives [5]							
Levels 1 and 2	$ 27	$ (514)	$	$ 320	$	$ (167)	[4]
Level 3	2,637	(886)		(729)		1,022	$ (835)
Total variable annuity hedging derivatives	2,664	(1,400)		(409)		855	
Reinsurance recoverable for GMWB	1,302	(685)		15		632	(685)
U.S. guaranteed withdrawal benefits Level 3	(6,526)	3,300		(63)		(3,289)	3,301
International guaranteed withdrawal benefits Level 3	(94)	45	(3)	(5)		(57)	47
Total Guaranteed withdrawal benefits net of reinsurance and hedging derivatives	(2,654)	1,260	(3)	(462)		(1,859)	
Macro hedge program [5]							
Levels 1 and 2		(157)		185		28	[4]
Level 3	137	(207)		183		113	(207)
Total macro hedge program	137	(364)		368		141	

International other guaranteed living benefits Level 3	4	(2)	2	1

[1] The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.

[2] All amounts are before income taxes and amortization of DAC.

[3] The Purchases, issuances, and settlements primarily relates to the receipt of cash on futures and option contracts classified as Level 1 and interest rate, currency and credit default swaps classified as Level 2. For GMWB reinsurance and guaranteed withdrawal benefits, purchases, issuances and settlements represent the reinsurance premium paid and the

attributed fees collected, respectively.

[4] *Disclosure of changes in unrealized gains (losses) is not required for Levels 1 and 2. Information presented is for Level 3 only.*

[5] *The variable annuity hedging derivatives and the macro hedge program derivatives are reported in this table on a net basis for asset/(liability) positions and reported in the Condensed Consolidated Balance Sheet in other investments and other liabilities.*

[6] *Includes both market and non-market impacts in deriving realized and unrealized gains (losses).*

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

5. Investments and Derivative Instruments

Significant Investment Accounting Policies

Recognition and Presentation of Other-Than-Temporary Impairments

The Company deems debt securities and certain equity securities with debt-like characteristics (collectively debt securities) to be other-than-temporarily impaired (impaired) if a security meets the following conditions: a) the Company intends to sell or it is more likely than not the Company will be required to sell the security before a recovery in value, or b) the Company does not expect to recover the entire amortized cost basis of the security. If the Company intends to sell or it is more likely than not the Company will be required to sell the security before a recovery in value, a charge is recorded in net realized capital losses equal to the difference between the fair value and amortized cost basis of the security. For those impaired debt securities which do not meet the first condition and for which the Company does not expect to recover the entire amortized cost basis, the difference between the security s amortized cost basis and the fair value is separated into the portion representing a credit other-than-temporary impairment (impairment), which is recorded in net realized capital losses, and the remaining impairment, which is recorded in OCI. Generally, the Company determines a security s credit impairment as the difference between its amortized cost basis and its best estimate of expected future cash flows discounted at the security s effective yield prior to impairment. The remaining non-credit impairment, which is recorded in OCI, is the difference between the security s fair value and the Company s best estimate of expected future cash flows discounted at the security s effective yield prior to the impairment, which typically represents current market liquidity and risk premiums. The previous amortized cost basis less the impairment recognized in net realized capital losses becomes the security s new cost basis. The Company accretes the new cost basis to the estimated future cash flows over the expected remaining life of the security by prospectively adjusting the security s yield, if necessary. The following table presents the change in non-credit impairments recognized in OCI as disclosed in the Company s Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2010 and 2009, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009 [1]	2010	2009 [1]
OTTI losses recognized in OCI	$ (184)	$ (248)	$ (372)	$ (248)
Changes in fair value and/or sales	223	99	477	99
Tax and deferred acquisition costs	(18)	24	(52)	24
Change in non-credit impairments recognized in OCI	**$ 21**	**$ (125)**	**$ 53**	**$ (125)**

[1] The Company adopted the other-than-temporary impairment guidance as of April 1, 2009.

The Company evaluates whether a credit impairment exists for debt securities by considering primarily the following factors: (a) changes in the financial condition of the security s underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) changes in the financial condition, credit rating and near-term prospects of the issuer, (d) the extent to which the fair value has been less than the amortized cost of the security and (e) the payment structure of the security. The Company s best estimate of expected future cash flows used to determine the credit loss amount is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions and judgments regarding the future performance of the security. The Company s best estimate of future cash flows involves assumptions including, but not limited to,

various performance indicators, such as historical and projected default and recovery rates, credit ratings, current delinquency rates, loan-to-value ratios and the possibility of obligor re-financing. In addition, for structured securities, the Company considers factors including, but not limited to, average cumulative collateral loss rates that vary by vintage year, commercial and residential property value declines that vary by property type and location and commercial real estate delinquency levels. 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. In addition, projections of expected future debt security cash flows may change based upon new information regarding the performance of the issuer and/or underlying collateral such as changes in the projections of the underlying property value estimates.

For equity securities where the decline in the fair value is deemed to be other-than-temporary, a charge is recorded in net realized capital losses equal to the difference between the fair value and cost basis of the security. The previous cost basis less the impairment becomes the security s new cost basis. The Company asserts its intent and ability to retain those equity securities deemed to be temporarily impaired until the price recovers. Once identified, these securities are systematically restricted from trading unless approved by a committee of investment and accounting professionals (Committee). The Committee will only authorize the sale of these securities based on predefined criteria that relate to events that could not have been reasonably foreseen. Examples of the criteria include, but are not limited to, the deterioration in the issuer s financial condition, security price declines, a change in regulatory requirements or a major business combination or major disposition.

The primary factors considered in evaluating whether an impairment exists for an equity security include, but are not limited to: (a) the length of time and extent to which the fair value has been less than the cost of the security, (b) changes in the financial condition, credit rating and near-term prospects of the issuer, (c) whether the issuer is current on contractually obligated payments and (d) the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery.

Table of Contents

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

5. Investments and Derivative Instruments (continued)

Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Before-tax)	**2010**	**2009**	**2010**	**2009**
Gross gains on sales	$ 343	$ 157	$ 475	$ 365
Gross losses on sales	(94)	(189)	(205)	(909)
Net OTTI losses recognized in earnings	(108)	(314)	(260)	(538)
Valuation allowances on mortgage loans	(40)	(78)	(152)	(153)
Japanese fixed annuity contract hedges, net [1]	27	(6)	11	35
Periodic net coupon settlements on credit derivatives/Japan	(4)	(13)	(11)	(32)
Results of variable annuity hedge program				
GMWB derivatives, net	(426)	671	(297)	1,260
Macro hedge program	397	(568)	233	(364)
Total results of variable annuity hedge program	(29)	103	(64)	896
Other, net [2]	(84)	(341)	(59)	(261)
Net realized capital gains (losses)	**$ 11**	**$ (681)**	**$ (265)**	**$ (597)**

[1] Relates to derivative hedging instruments, excluding periodic net coupon settlements, and is net of the Japanese fixed annuity product liability adjustment for changes in the dollar/yen exchange spot rate.

[2] Primarily consists of losses on Japan 3Win related foreign currency swaps, changes

in fair value on non-qualifying derivatives, and other investment gains and losses.

Net realized capital gains (losses) from investment sales, after deducting the life and pension policyholders share for certain products, are reported as a component of revenues and are determined on a specific identification basis. Net realized capital gains (losses) previously reported as unrealized gains (losses) in AOCI were $141 and $10 for the three and six months ended June 30, 2010, respectively, and ($346) and ($1.1) billion for the three and six months ended June 30, 2009, respectively. Proceeds from sales of AFS securities totaled $16.0 billion and $22.1 billion, respectively, for the three and six months ended June 30, 2010, and $8.4 billion and $28.1 billion, respectively, for the three and six months ended June 30, 2009.

Other-Than-Temporary Impairment Losses

The following table presents a roll-forward of the Company s cumulative credit impairments on debt securities held. The Company adopted the impairment guidance as of April 1, 2009.

	Three Months Ended June 30,		Six Months Ended June 30,
	2010	**2009**	**2010**
Balance as of beginning of period	$ (2,341)	$ (1,320)	$ (2,200)
Additions for credit impairments recognized on [1]:			
Securities not previously impaired	(52)	(212)	(164)
Securities previously impaired	(52)	(49)	(91)
Reductions for credit impairments previously recognized on:			
Securities that matured or were sold during the period	151		154
Securities that the Company intends to sell or more likely than not will be required to sell before recovery		3	
Securities due to an increase in expected cash flows	13		20
Balance as of end of period	**$ (2,281)**	**$ (1,578)**	**$ (2,281)**

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

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
5. Investments and Derivative Instruments (continued)
Available-for-Sale Securities

	June 30, 2010					December 31, 2009				
	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	$ 3,403	$ 58	$ (449)	$ 3,012	$ (35)	$ 3,040	$ 36	$ (553)	$ 2,523	$ (48)
CDOs	3,689	43	(908)	2,824	(144)	4,054	27	(1,189)	2,892	(174)
CMBS	9,786	222	(1,289)	8,719	(3)	10,736	114	(2,306)	8,544	(6)
Corporate	37,557	2,329	(1,052)	38,834	(15)	35,318	1,368	(1,443)	35,243	(23)
Foreign govt./govt. agencies	1,671	69	(24)	1,716		1,376	52	(20)	1,408	
Municipal	12,401	344	(229)	12,516	1	12,125	318	(378)	12,065	(3)
RMBS	5,201	157	(586)	4,772	(138)	5,512	104	(769)	4,847	(185)
U.S. Treasuries	4,821	27	(109)	4,739		3,854	14	(237)	3,631	
Total fixed maturities	**78,529**	**3,249**	**(4,646)**	**77,132**	**(334)**	**76,015**	**2,033**	**(6,895)**	**71,153**	**(439)**
Equity securities	1,244	63	(204)	1,103		1,333	80	(192)	1,221	
Total AFS securities	**$ 79,773**	**$ 3,312**	**$ (4,850)**	**$ 78,235**	**$ (334)**	**$ 77,348**	**$ 2,113**	**$ (7,087)**	**$ 72,374**	**$ (439)**

[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 June 30, 2010 and December 31, 2009.

Contractual Maturity	June 30, 2010 Amortized Cost	Fair Value
One year or less	$ 1,823	$ 1,852
Over one year through five years	16,475	17,061
Over five years through ten years	14,377	15,026
Over ten years	23,775	23,866
Subtotal	56,450	57,805
Mortgage-backed and asset-backed securities	22,079	19,327
Total	**$ 78,529**	**$ 77,132**

Estimated maturities may differ from contractual maturities due to security call or prepayment provisions. Due to the potential for variability in payment spreads (i.e. prepayments or extensions), mortgage-backed and asset-backed securities are not categorized by contractual maturity.

Security Unrealized Loss Aging

The following tables present the Company s unrealized loss aging for AFS securities by type and length of time the security was in a continuous unrealized loss position.

	June 30, 2010								
	Less Than 12 Months			12 Months or More			Total		
	Cost or Amortized Cost	Fair Value	Unrealized Losses	Cost or Amortized Cost	Fair Value	Unrealized Losses	Cost or Amortized Cost	Fair Value	Unrealized Losses
ABS	$ 391	$ 366	$ (25)	$ 1,515	$ 1,091	$ (424)	$ 1,906	$ 1,457	$ (449)
CDOs	434	390	(44)	3,216	2,352	(864)	3,650	2,742	(908)
CMBS	558	536	(22)	5,447	4,180	(1,267)	6,005	4,716	(1,289)
Corporate	2,693	2,541	(152)	5,882	4,982	(900)	8,575	7,523	(1,052)
Foreign govt./govt. agencies	260	244	(16)	52	44	(8)	312	288	(24)
Municipal	1,847	1,818	(29)	2,001	1,801	(200)	3,848	3,619	(229)
RMBS	112	90	(22)	1,854	1,290	(564)	1,966	1,380	(586)
U.S. Treasuries	1,437	1,436	(1)	596	488	(108)	2,033	1,924	(109)
Total fixed maturities	**7,732**	**7,421**	**(311)**	**20,563**	**16,228**	**(4,335)**	**28,295**	**23,649**	**(4,646)**
Equity securities	116	108	(8)	810	614	(196)	926	722	(204)
Total securities in an unrealized loss	**$ 7,848**	**$ 7,529**	**$ (319)**	**$ 21,373**	**$ 16,842**	**$ (4,531)**	**$ 29,221**	**$ 24,371**	**$ (4,850)**

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
5. Investments and Derivative Instruments (continued)

	December 31, 2009								
	Less Than 12 Months			12 Months or More			Total		
	Cost or Amortized Cost	Fair Value	Unrealized Losses	Cost or Amortized Cost	Fair Value	Unrealized Losses	Cost or Amortized Cost	Fair Value	Unrealized Losses
ABS	$ 445	$ 376	$ (69)	$ 1,574	$ 1,090	$ (484)	$ 2,019	$ 1,466	$ (553)
CDOs	1,649	1,418	(231)	2,388	1,430	(958)	4,037	2,848	(1,189)
CMBS	1,951	1,628	(323)	6,330	4,347	(1,983)	8,281	5,975	(2,306)
Corporate	5,715	5,314	(401)	6,675	5,633	(1,042)	12,390	10,947	(1,443)
Foreign govt./govt. agencies	543	530	(13)	43	36	(7)	586	566	(20)
Municipal	2,339	2,283	(56)	2,184	1,862	(322)	4,523	4,145	(378)
RMBS	855	787	(68)	1,927	1,226	(701)	2,782	2,013	(769)
U.S. Treasuries	2,592	2,538	(54)	648	465	(183)	3,240	3,003	(237)
Total fixed maturities	**16,089**	**14,874**	**(1,215)**	**21,769**	**16,089**	**(5,680)**	**37,858**	**30,963**	**(6,895)**
Equity securities	419	356	(63)	676	547	(129)	1,095	903	(192)
Total securities in an unrealized loss	**$ 16,508**	**$ 15,230**	**$ (1,278)**	**$ 22,445**	**$ 16,636**	**$ (5,809)**	**$ 38,953**	**$ 31,866**	**$ (7,087)**

As of June 30, 2010, AFS securities in an unrealized loss position, comprised of 3,155 securities, primarily related to CMBS, corporate securities primarily within the financial services sector and CDOs which have experienced significant price deterioration. As of June 30, 2010, 72% of these securities were depressed less than 20% of cost or amortized cost. The decline in unrealized losses during 2010 was primarily attributable to declining interest rates. The Company neither has an intention to sell nor does it expect to be required to sell the securities outlined above.

Mortgage Loans

	June 30, 2010			December 31, 2009		
	Amortized Cost [1]	Valuation Allowance	Carrying Value	Amortized Cost [1]	Valuation Allowance	Carrying Value
Agricultural	$ 375	$ (23)	$ 352	$ 604	$ (8)	$ 596
Commercial	4,449	(317)	4,132	5,492	(358)	5,134
Residential	189		189	208		208
Total mortgage loans	**$ 5,013**	**$ (340)**	**$ 4,673**	**$ 6,304**	**$ (366)**	**$ 5,938**

[1]

Amortized cost represents carrying value prior to valuation allowances, if any.

Included in the table above, are mortgage loans held for sale with a carrying value and valuation allowance of $226 and $42, respectively, as of June 30, 2010 and $209 and $98, respectively, as of December 31, 2009. The carrying value of these loans is included in mortgage loans in the Company s Condensed Consolidated Balance Sheet as of June 30, 2010. The following table presents the activity within the Company s valuation allowance for mortgage loans.

	2010	2009
Balance as of January 1	**$ (366)**	**$ (26)**
Additions	(152)	(153)
Deductions	178	16
Balance as of June 30	**$ (340)**	**$ (163)**

Mortgage Loans by Region

	June 30, 2010		December 31, 2009	
	Carrying Value	**Percent of Total**	**Carrying Value**	**Percent of Total**
East North Central	$ 112	2.4%	$ 125	2.1%
Middle Atlantic	393	8.4%	689	11.6%
Mountain	132	2.8%	138	2.3%
New England	414	8.9%	449	7.6%
Pacific	1,176	25.2%	1,377	23.2%
South Atlantic	1,178	25.2%	1,213	20.4%
West North Central	40	0.9%	51	0.9%
West South Central	243	5.2%	297	5.0%
Other [1]	985	21.0%	1,599	26.9%
Total mortgage loans	**$ 4,673**	**100.0%**	**$ 5,938**	**100.0%**

[1] Primarily represents multi-regional properties.

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
5. Investments and Derivative Instruments (continued)

Mortgage Loans by Property Type

	June 30, 2010		December 31, 2009	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Agricultural	$ 352	7.5%	$ 596	10.0%
Industrial	1,062	22.7%	1,068	18.0%
Lodging	207	4.4%	421	7.1%
Multifamily	811	17.4%	835	14.1%
Office	1,066	22.8%	1,727	29.1%
Residential	189	4.0%	208	3.5%
Retail	625	13.4%	712	12.0%
Other	361	7.8%	371	6.2%
Total mortgage loans	**$ 4,673**	**100.0%**	**$ 5,938**	**100.0%**

Variable Interest Entities

The Company is involved with various special purpose entities and other entities that are deemed to be VIEs primarily as a collateral manager and as an investor through normal investment activities, as well as a means of accessing capital. A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest 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

The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss relating to the VIEs for which the Company is the primary beneficiary. Creditors have no recourse against the Company in the event of default by these VIEs nor does the Company have any implied or unfunded commitments to these VIEs. The Company s financial or other support provided to these VIEs is limited to its investment management services. As a result of accounting guidance adopted on January 1, 2010, certain CDO VIEs were consolidated in 2010 and are included in the following table, while in prior periods they were reported in the Non-Consolidated VIEs table further below. See Note 1 for further information on the adoption.

	June 30, 2010			December 31, 2009		
	Total Assets	Total Liabilities [1]	Maximum Exposure to Loss [2]	Total Assets	Total Liabilities	Maximum Exposure to Loss [2]
CDOs [3]	$ 824	$ 421	$ 384	$ 226	$ 32	$ 196
Limited partnerships	22	1	21	31	1	30
Other investments [3]	18	4	11	111	20	87
Total	**$ 864**	**$ 426**	**$ 416**	**$ 368**	**$ 53**	**$ 313**

[1] Included in other liabilities in the Company s Condensed Consolidated Balance Sheets.

[2] The maximum exposure to loss represents the maximum loss amount that the Company could recognize as a reduction in net investment income or as a realized capital loss and is the cost basis of the Company s investment.

[3] Total assets included in fixed maturities in the Company s Condensed Consolidated Balance Sheets.

CDOs represent structured investment vehicles for which the Company has a controlling financial interest as it provides collateral management services, earns a fee for those services and also holds investments in the securities issued by these vehicles. Limited partnerships represent a hedge fund for which the Company holds a majority interest in the fund s securities as an investment. Other investments represent an investment trust for which the Company has a controlling financial interest as it provides investment management services, earns a fee for those services and also holds investments in the securities issued by the trusts. Since December 31, 2009, the Company has received a paydown from this investment trust.

Table of Contents

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

5. Investments and Derivative Instruments (continued)

Non-Consolidated VIEs

The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss relating to significant VIEs for which the Company is not the primary beneficiary. The Company has no implied or unfunded commitments to these VIEs.

	June 30, 2010			December 31, 2009		
	Assets	Liabilities	Maximum Exposure to Loss	Assets	Liabilities	Maximum Exposure to Loss
CDOs [1]	$	$	$	$ 262	$	$ 273
Other [2]	35	34	4	36	36	5
Total	**$ 35**	**$ 34**	**$ 4**	**$ 298**	**$ 36**	**$ 278**

[1] Maximum exposure to loss represents the Company s investment in securities issued by CDOs at cost.

[2] Maximum exposure to loss represents issuance costs that were incurred to establish a contingent capital facility.

Other represents the Company s variable interest in a contingent capital facility (facility), which has been held for less than four years. For further information on the facility, see Note 14 of the Notes to Consolidated Financial Statements included in The Hartford s 2009 Form 10-K Annual Report. The Company does not have a controlling financial interest as it does not manage the assets of the facility nor does it have the obligation to absorb losses or the right to receive benefits that could potentially be significant to the facility, as the asset manager has significant variable interest in the vehicle. The Company s financial or other support provided to the facility is limited to providing ongoing support to cover the facility s operating expenses.

In addition, the Company, through normal investment activities, makes passive investments in structured securities issued by VIEs for which the Company is not the manager which are included in ABS, CDOs, CMBS and RMBS in the Available-for-Sale Securities table. 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.

Table of Contents

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

5. Investments and Derivative Instruments (continued)

Derivative Instruments

The Company utilizes a variety of over-the-counter 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 would otherwise be permissible investments under the Company s investment policies. The Company also purchases and issues financial instruments and products that either are accounted for as free-standing derivatives, such as certain reinsurance contracts, or may contain features that are deemed to be embedded derivative instruments, such as the GMWB rider included with certain variable annuity products.

Cash flow hedges

Interest rate swaps

Interest rate swaps are primarily used to convert interest receipts on floating-rate fixed maturity securities or interest payments on floating-rate guaranteed investment contracts to fixed rates. These derivatives are predominantly used to better match cash receipts from assets with cash disbursements required to fund liabilities.

The Company also enters into forward starting swap agreements to hedge the interest rate exposure related to the purchase of fixed-rate securities or the anticipated future cash flows of floating-rate fixed maturity securities due to changes in interest rates. These derivatives are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.

Forward rate agreements

Forward rate agreements are used to convert interest receipts on floating-rate securities to fixed rates. These derivatives are used to lock in the forward interest rate curve and reduce income volatility that results from changes in interest rates. As of June 30, 2010, the Company does not have any forward rate agreements.

Foreign currency swaps

Foreign currency swaps are used to convert foreign currency-denominated cash flows related to certain investment receipts and liability payments to U.S. dollars in order to minimize cash flow fluctuations due to changes in currency rates.

Fair value hedges

Interest rate swaps

Interest rate swaps are used to hedge the changes in fair value of certain fixed rate liabilities and fixed maturity securities due to fluctuations in interest rates.

Foreign currency swaps

Foreign currency swaps are used to hedge the changes in fair value of certain foreign currency-denominated fixed rate liabilities due to changes in foreign currency rates by swapping the fixed foreign payments to floating rate U.S. dollar denominated payments.

Non-qualifying strategies

Interest rate swaps, caps, floors, and futures

The Company uses interest rate swaps, caps, floors, and futures to manage duration between assets and liabilities in certain investment portfolios. In addition, the Company enters into interest rate swaps to terminate existing swaps, thereby offsetting the changes in value of the original swap. As of June 30, 2010 and December 31, 2009, the notional amount of interest rate swaps in offsetting relationships was $7.1 billion and $7.3 billion, respectively.

Foreign currency swaps, forwards and options

The Company enters into foreign currency swaps and forwards to convert the foreign currency exposures to U.S. dollars in certain of its foreign currency-denominated fixed maturity investments. The Company also enters into foreign currency forward contracts and options that convert U.S. dollars and Euros to Yen in order to economically hedge portions of the foreign currency risk associated with certain Japanese variable annuity products.

43

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

5. Investments and Derivative Instruments (continued)

Japan 3Win related foreign currency swaps

The Company entered into foreign currency swaps to hedge the foreign currency exposure related to the Japan 3Win product guaranteed minimum income benefit (GMIB) fixed liability payments.

Japanese fixed annuity hedging instruments

The Company enters into currency rate swaps and forwards to mitigate the foreign currency exchange rate and Yen interest rate exposures associated with the Yen denominated individual fixed annuity product.

Credit derivatives that purchase credit protection

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 value on fixed maturity securities. These contracts require the Company to pay a periodic fee in exchange for compensation from the counterparty should the referenced security issuers experience a credit event, as defined in the contract.

Credit derivatives that assume credit risk

Credit default swaps are used to assume credit risk related to an individual entity, referenced index, or asset pool, as a part of replication transactions. These contracts entitle the Company to receive a periodic fee in exchange for an obligation to compensate the derivative counterparty should the referenced security issuers experience a credit event, as defined in the contract. The Company is also exposed to credit risk due to embedded derivatives associated with credit linked notes.

Credit derivatives in offsetting positions

The Company enters into credit default swaps to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.

Equity index swaps, options, and futures

The Company offers certain equity indexed products, which may contain an embedded derivative that requires bifurcation. The Company enters into S&P index swaps, futures and options to economically hedge the equity volatility risk associated with these embedded derivatives. In addition, the Company is exposed to bifurcated options embedded in certain fixed maturity investments.

Warrants

During the fourth quarter of 2008, the Company issued warrants to purchase the Company s Series C Non-Voting Contingent Convertible Preferred Stock, which were required to be accounted for as a derivative liability at December 31, 2008. As of March 31, 2009, the warrants were no longer required to be accounted for as derivatives and were reclassified to equity.

GMWB product derivatives

The Company offers certain variable annuity products with a GMWB rider in the U.S. and formerly in the U.K. and Japan. The GMWB is a bifurcated embedded derivative that provides the policyholder with a guaranteed remaining balance (GRB) if the account value is reduced to zero through a combination of market declines and withdrawals. The GRB is generally equal to premiums less withdrawals. Certain contract provisions can increase the GRB at contractholder election or after the passage of time. The notional value of the embedded derivative is the GRB.

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

5. Investments and Derivative Instruments (continued)

GMWB reinsurance contracts

The Company has entered into reinsurance arrangements to offset a portion of its risk exposure to the GMWB for the remaining lives of covered variable annuity contracts. Reinsurance contracts covering GMWB are accounted for as free-standing derivatives. The notional amount of the reinsurance contracts is the GRB amount.

GMWB hedging instruments

The Company enters into derivative contracts to partially hedge exposure associated with the portion of the GMWB liabilities that are not reinsured. These derivative contracts include customized swaps, interest rate swaps and futures, and equity swaps, options, and futures, on certain indices including the S&P 500 index, EAFE index, and NASDAQ index.

The following table represents notional and fair value for GMWB hedging instruments.

	Notional Amount		Fair Value	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Customized swaps	$ 9,448	$ 10,838	$ 483	$ 234
Equity swaps, options, and futures	3,701	2,994	445	9
Interest rate swaps and futures	2,621	1,735	(91)	(191)
Total	**$ 15,770**	**$ 15,567**	**$ 837**	**$ 52**

Macro hedge program

The Company utilizes equity options, currency options, and equity futures contracts to partially hedge against a decline in the equity markets or changes in foreign currency exchange rates and the resulting statutory surplus and capital impact primarily arising from guaranteed minimum death benefit (GMDB), GMIB and GMWB obligations. The following table represents notional and fair value for the macro hedge program.

	Notional Amount		Fair Value	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Equity options and futures	$ 11,358	$ 25,373	$ 666	$ 296
Long currency options	4,938	1,000	256	22
Short currency options	5,934	1,075	(69)	
Total	**$ 22,230**	**$ 27,448**	**$ 853**	**$ 318**

GMAB product derivatives

The GMAB rider associated with certain of the Company s Japanese variable annuity products is accounted for as a bifurcated embedded derivative. The GMAB provides the policyholder with their initial deposit in a lump sum after a specified waiting period. The notional amount of the embedded derivative is the Yen denominated GRB converted to U.S. dollars at the current foreign spot exchange rate as of the reporting period date.

Contingent capital facility put option

The Company entered into a put option agreement that provides the Company the right to require a third-party trust to purchase, at any time, The Hartford s junior subordinated notes in a maximum aggregate principal amount of $500. Under the put option agreement, The Hartford will pay premiums on a periodic basis and will reimburse the trust for

certain fees and ordinary expenses.

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

5. Investments and Derivative Instruments (continued)

Derivative Balance Sheet Classification

The table below summarizes the balance sheet classification of the Company s derivative related fair value amounts, as well as the gross asset and liability fair value amounts. The fair value amounts presented do not include income accruals or cash collateral held amounts, which are netted with derivative fair value amounts to determine balance sheet presentation. Derivatives in the Company s separate accounts are not included because the associated gains and losses accrue directly to policyholders. The Company s derivative instruments are held for risk management purposes, unless otherwise noted in the table below. 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.

	Notional Amount		Net Derivatives Fair Value		Asset Derivatives Fair Value		Liability Derivatives Fair Value	
Hedge Designation/ Derivative Type	**Jun. 30, 2010**	**Dec. 31, 2009**	**Jun. 30, 2010**	**Dec. 31, 2009**	**Jun. 30, 2010**	**Dec. 31, 2009**	**Jun. 30, 2010**	**Dec. 31, 2009**
Cash flow hedges								
Interest rate swaps	$ 10,407	$ 11,170	$ 327	$ 123	$ 333	$ 294	$ (6)	$ (171)
Forward rate agreements		6,355						
Foreign currency swaps	346	381	13	(3)	39	30	(26)	(33)
Total cash flow hedges	**10,753**	**17,906**	**340**	**120**	**372**	**324**	**(32)**	**(204)**
Fair value hedges								
Interest rate swaps	1,043	1,745	(66)	(21)	1	16	(67)	(37)
Foreign currency swaps	696	696	(49)	(9)	44	53	(93)	(62)
Total fair value hedges	**1,739**	**2,441**	**(115)**	**(30)**	**45**	**69**	**(160)**	**(99)**
Non-qualifying strategies								
Interest rate contracts								
Interest rate swaps, caps, floors, and futures	8,096	8,355	(355)	(84)	316	250	(671)	(334)
Foreign exchange contracts								
Foreign currency swaps and forwards	643	1,296	44	(21)	50	14	(6)	(35)
Japan 3Win related foreign currency swaps	2,514	2,514	(10)	(19)	21	35	(31)	(54)
Japanese fixed annuity hedging instruments	2,201	2,271	418	316	418	319		(3)
Credit contracts								
Credit derivatives that purchase credit protection	2,953	2,606	45	(50)	79	45	(34)	(95)
Credit derivatives that assume credit risk [1]	1,699	1,158	(552)	(240)	3	2	(555)	(242)
Credit derivatives in offsetting positions	6,506	6,176	(82)	(71)	162	185	(244)	(256)

Equity contracts								
Equity index swaps, options, and futures	195	220	(11)	(16)	3	3	(14)	(19)
Variable annuity hedge program								
GMWB product derivatives [2]	45,228	47,329	(3,220)	(2,002)			(3,220)	(2,002)
GMWB reinsurance contracts	9,517	10,301	550	347	550	347		
GMWB hedging instruments	15,770	15,567	837	52	969	264	(132)	(212)
Macro hedge program	22,230	27,448	853	318	923	558	(70)	(240)
Other								
GMAB product derivatives [2]	230	226	(1)	2		2	(1)	
Contingent capital facility put option	500	500	35	36	35	36		
Total non-qualifying strategies	**118,282**	**125,967**	**(1,449)**	**(1,432)**	**3,529**	**2,060**	**(4,978)**	**(3,492)**
Total cash flow hedges, fair value hedges, and non-qualifying strategies	**$ 130,774**	**$ 146,314**	**$ (1,224)**	**$ (1,342)**	**$ 3,946**	**$ 2,453**	**$ (5,170)**	**$ (3,795)**
Balance Sheet Location								
Fixed maturities, available-for-sale	$ 242	$ 269	$ (1)	$ (8)	$	$	$ (1)	$ (8)
Other investments	54,875	24,006	2,236	390	2,940	492	(704)	(102)
Other liabilities	20,584	64,061	(777)	(56)	456	1,612	(1,233)	(1,668)
Consumer notes	39	64	(4)	(5)			(4)	(5)
Reinsurance recoverables	9,517	10,301	550	347	550	347		
Other policyholder funds and benefits payable	45,517	47,613	(3,228)	(2,010)		2	(3,228)	(2,012)
Total derivatives	**$ 130,774**	**$ 146,314**	**$ (1,224)**	**$ (1,342)**	**$ 3,946**	**$ 2,453**	**$ (5,170)**	**$ (3,795)**

[1] The derivative instruments related to these strategies are held for other investment purposes.

[2] These derivatives are embedded within liabilities and are not held for risk management purposes.

Table of Contents

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

5. Investments and Derivative Instruments (continued)

Change in Notional Amount

The net decrease in notional amount of derivatives since December 31, 2009, was primarily due to the following:

The Company terminated $6.4 billion notional of forward rate agreements. The $6.4 billion notional was comprised of a series of one month forward contracts that were hedging the variability of cash flows related to coupon payments on $555 of variable rate securities for consecutive monthly periods during 2010.

The notional amount related to the macro hedge program declined $5.2 billion primarily due to the expiration of certain equity index options during January of 2010 offset by the extension of the macro hedge program to 2011.

The GMWB product derivative notional declined $2.1 billion primarily as a result of policyholder lapses and withdrawals.

Change in Fair Value

The change in the total fair value of derivative instruments since December 31, 2009, was primarily related to the following:

The increase in fair value of the macro hedge program is primarily due to lower equity market valuation, appreciation of the Japanese yen, and purchases made in the first half of the year.

The decrease in the net fair value of GMWB product, reinsurance, and hedging derivatives was primarily due to higher implied market volatility and the general decrease in long-term interest rates.

The fair value related to credit derivatives that assume credit risk primarily decreased as a result of the Company adopting new accounting guidance related to the consolidation of VIEs; see Adoption of New Accounting Standards in Note 1. As a result of this new guidance, the Company has consolidated a Company sponsored CDO that included credit default swaps with a notional amount of $353 and a fair value of $(293) as of June 30, 2010. These swaps reference a standard market basket of corporate issuers.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of 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. Gains and losses on the derivative representing hedge ineffectiveness are recognized in current earnings. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness.

The following table presents the components of the gain or loss on derivatives that qualify as cash flow hedges:

Derivatives in Cash Flow Hedging Relationships

		Gain (Loss) Recognized in OCI on Derivative (Effective Portion)				Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)			
		Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
		2010	2009	2010	2009	2010	2009	2010	2009
Interest rate swaps	Net realized capital gains (losses)	$ 260	$ (381)	$ 360	$ (466)	$ 4	$ (2)	$ 3	$ (3)
Foreign currency swaps	Net realized capital gains (losses)	6	(154)	15	(139)		25		39
Total		**$ 266**	**$ (535)**	**$ 375**	**$ (605)**	**$ 4**	**$ 23**	**$ 3**	**$ 36**

Derivatives in Cash Flow Hedging Relationships

		Gain (Loss) Reclassified from AOCI into Income (Effective Portion)			
		Three Months Ended June 30,		**Six Months Ended June 30,**	
		2010	**2009**	**2010**	**2009**
Interest rate swaps	Net realized capital gains (losses)	$ 4	$ 1	$ 4	$ 10
Interest rate swaps	Net investment income (loss)	22	11	34	20
Foreign currency swaps	Net realized capital gains (losses)	(11)	(53)	(16)	(71)
Foreign currency swaps	Net investment income (loss)		1		2
Total		**$ 15**	**$ (40)**	**$ 22**	**$ (39)**

Table of Contents

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

5. Investments and Derivative Instruments (continued)

For the six months ended June 30, 2010, the before-tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months are $58. 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 interest income over the term of the investment cash flows. The maximum term over which the Company is hedging its exposure to the variability of future cash flows (for forecasted transactions, excluding interest payments on existing variable-rate financial instruments) is three years.

During the three and six months ended June 30, 2010, the Company had less than $1 of 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. For the three and six months ended June 30, 2009, the Company had $1 of 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.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. The Company includes the gain or loss on the derivative in the same line item as the offsetting loss or gain on the hedged item. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness. The Company recognized in income gains (losses) representing the ineffective portion of fair value hedges as follows:

Derivatives in Fair Value Hedging Relationships

	Gain (Loss) Recognized in Income [1]							
	Three Months Ended June 30,				**Six Months Ended June 30,**			
	2010		**2009**		**2010**		**2009**	
	Derivative	**Hedge Item**	**Derivative**	**Hedge Item**	**Derivative**	**Hedge Item**	**Derivative**	**Hedge Item**
Interest rate swaps								
Net realized capital gains (losses)	$ (40)	$ 37	$ 49	$ (45)	$ (52)	$ 47	$ 66	$ (62)
Benefits, losses and loss adjustment expenses	(7)	8	(26)	27	(2)	3	(42)	44
Foreign currency swaps								
Net realized capital gains (losses)	(11)	11	63	(63)	(40)	40	47	(47)
Benefits, losses and loss adjustment expenses			(5)	5	(1)	1		
Total	**$ (58)**	**$ 56**	**$ 81**	**$ (76)**	**$ (95)**	**$ 91**	**$ 71**	**$ (65)**

[1] The amounts presented do not include the

periodic net coupon settlements of the derivative or the coupon income (expense) related to the hedged item. The net of the amounts presented represents the ineffective portion of the hedge.

48

Table of Contents

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

5. Investments and Derivative Instruments (continued)

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 or losses. The following table presents the gain or loss recognized in income on non-qualifying strategies:

Non-qualifying Strategies
Gain (Loss) Recognized within Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Interest rate contracts				
Interest rate swaps, caps, floors, and forwards	$ (5)	$ 5	$ (5)	$ 20
Foreign exchange contracts				
Foreign currency swaps, forwards, and swaptions	55	(40)	74	(41)
Japan 3Win hedging derivatives [1]	65	119	9	(110)
Japanese fixed annuity hedging instruments [2]	160	50	141	(118)
Credit contracts				
Credit derivatives that purchase credit protection	38	(279)	38	(390)
Credit derivatives that assume credit risk	(50)	157	(13)	77
Equity contracts				
Equity index swaps, options, and futures	4	(2)	5	(5)
Warrants				70
Variable annuity hedge program				
GMWB product derivatives	(1,497)	2,622	(1,144)	3,345
GMWB reinsurance contracts	246	(433)	185	(685)
GMWB hedging instruments	825	(1,518)	662	(1,400)
Macro hedge program	397	(568)	233	(364)
Other				
GMAB product derivatives	(5)	6	(2)	4
Contingent capital facility put option	(1)	(1)	(2)	(5)
Total	**$ 232**	**$ 118**	**$ 181**	**$ 398**

[1] The associated liability is adjusted for changes in spot rates through realized capital gains and losses and was $(103) and $(44) for the three months ended June 30,

2010 and 2009, respectively and $(96) and $140 for the six months ended June 30, 2010 and 2009, respectively.

[2] *The associated liability is adjusted for changes in spot rates through realized capital gains and losses and was $(126) and $(54) for the three months ended June 30, 2010 and 2009, respectively, and $(119) and $151 for the six months ended June 30, 2010 and 2009, respectively.*

For the three and six months ended June 30, 2010, the net realized capital gain (loss) related to derivatives used in non-qualifying strategies was primarily comprised of the following:

- The net gain associated with the macro hedge program is primarily due to lower equity market valuation and appreciation of the Japanese yen.
- The net gain on the Japanese fixed annuity hedging instruments is primarily due to the U.S. dollar weakening in comparison to the Japanese yen and the increased demand for the U.S. dollar.
- The net gain for the three months ended June 30, 2010, related to the Japan 3 Win hedging derivatives is primarily due to the strengthening of the Japanese yen in comparison to the U.S. dollar, partially offset by the decrease in long-term interest rates.
- The loss on the net GMWB product, reinsurance, and hedging derivatives is primarily driven by higher implied market volatility and the general decrease in long-term interest rates.

Table of Contents

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

5. Investments and Derivative Instruments (continued)

For the three and six months ended June 30, 2009, the net realized capital gain (loss) related to derivatives used in non-qualifying strategies was primarily comprised of the following:

The gain on the net GMWB product, reinsurance, and hedging derivatives was primarily due to market-based valuation changes, including a decrease in equity volatility levels and an increase in interest rates, as well as policyholder behavior and liability model assumption updates. For further discussion on liability model assumption updates, refer to Note 4a.

The net gain on the Japanese fixed annuity and Japan 3Win hedging instruments for the three months ended June 30, 2009 was primarily due to weakening of the U.S. dollar against the Japanese yen and an increase in U.S. interest rates. The net loss for the six months ended June 30, 2009 was primarily due to the Japanese yen weakening against the U.S. dollar.

The net loss on the macro hedge program was primarily the result of an increase in the equity markets and the impact of trading activity.

The loss on credit derivatives that purchase credit protection and the net gain on credit derivatives that assume credit risk as a part of replication transactions resulted from credit spreads tightening.

Refer to Note 9 for additional disclosures regarding contingent credit related features in derivative agreements.

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity, referenced index, or asset pool in order to synthetically replicate investment transactions. 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 trades ranging from baskets of up to five corporate issuers to standard and customized diversified portfolios of corporate issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and are typically divided into tranches that possess different credit ratings.

The following tables present the notional amount, fair value, weighted average years to maturity, underlying referenced credit obligation type and average credit ratings, and offsetting notional amounts and fair value for credit derivatives in which the Company is assuming credit risk as of June 30, 2010 and December 31, 2009.

As of June 30, 2010

Credit Derivative type by derivative risk exposure	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]
Single name credit default swaps							
Investment grade risk exposure	$ 1,486	$ (27)	4 years	Corporate Credit/ Foreign Gov.	A+	$ 1,415	$ (38)
Below investment grade risk exposure	161	(8)	3 years	Corporate Credit	BB-	120	(10)
Basket credit default swaps [4]							
Investment grade risk exposure	1,493	(3)	4 years	Corporate Credit	BBB+	1,168	1
Investment grade risk exposure	525	(118)	7 years	CMBS Credit	A-	525	118
Below investment grade risk exposure	1,227	(549)	4 years	Corporate Credit	BBB	25	1

Credit linked notes							
Investment grade risk exposure	60	59	2 years	Corporate Credit	BBB		
Total	**$ 4,952**	**$ (646)**				**$ 3,253**	**$ 72**

50

Table of Contents

THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
5. Investments and Derivative Instruments (continued)

As of December 31, 2009

Credit Derivative type by derivative risk exposure	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]
Single name credit default swaps							
Investment grade risk exposure	$ 1,226	$ 4	4 years	Corporate Credit/ Foreign Gov.	AA-	$ 1,201	$ (59)
Below investment grade risk exposure	156	(4)	3 years	Corporate Credit	B+	85	(12)
Basket credit default swaps [4]							
Investment grade risk exposure	2,052	(54)	4 years	Corporate Credit	BBB+	1,277	(21)
Investment grade risk exposure	525	(141)	7 years	CMBS Credit	A	525	141
Below investment grade risk exposure	200	(157)	5 years	Corporate Credit	BBB+		
Credit linked notes							
Investment grade risk exposure	87	83	2 years	Corporate Credit	BBB+		
Total	**$ 4,246**	**$ (269)**				**$ 3,088**	**$ 49**

[1] The average credit ratings are based on availability and the midpoint of the applicable 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. There is no 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] *Includes $2.6 billion and $2.5 billion as of June 30, 2010 and December 31, 2009, respectively, of standard market indices of diversified portfolios of corporate issuers referenced through credit default swaps.*

These swaps are subsequently valued based upon the observable standard market index. Also includes $678 and $325 as of June 30, 2010 and December 31, 2009, respectively, of customized diversified portfolios of corporate issuers referenced through credit default swaps.

6. Deferred Policy Acquisition Costs and Present Value of Future Profits

Life

Changes in deferred policy acquisition costs and present value of future profits are as follows:

	2010	2009
Balance, January 1	$ **9,423**	$ **11,988**
Deferred Costs	317	418
Amortization DAC	(436)	(824)
Amortization Unlock, pre-tax [1], [2]	(137)	(1,068)
Adjustments to unrealized gains and losses on securities available-for-sale and other [3]	(828)	192
Effect of currency translation	82	(99)
Effect of new accounting guidance for investments other-than-temporarily impaired [4]	-	(78)
Balance, June 30	**$ 8,421**	**$ 10,529**

[1] *The most significant contributor to the Unlock charge recorded during the six months ended June 30, 2010 was actual separate account returns from January 1, 2010 to June 30, 2010 being below the Company s*

aggregated estimated return.

[2] *The most significant contributor to the Unlock amounts recorded during the six months ended June 30, 2009 was actual separate account returns from the period ending October 1, 2008 to June 30, 2009 being significantly below the Company s aggregated estimated return.*

[3] *The 2010 adjustment reflects the effect of declining interest rates, resulting in unrealized gains on securities.*

[4] *The effect of adopting new accounting guidance for investments other-than-temporarily impaired resulted in an increase to retained earnings and as a result a DAC charge of $78. In addition, an offsetting amount was recorded in unrealized losses as unrealized losses increased upon adoption of new accounting guidance for investments other-than-temporarily impaired.*

Property & Casualty

Changes in deferred policy acquisition costs are as follows:

	2010	2009
Balance, January 1	**$ 1,263**	**$ 1,260**
Deferred costs	1,021	1,032
Amortization DAC	(1,016)	(1,041)

Balance, June 30	**$ 1,268**	**$ 1,251**

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

7. Separate Accounts, Death Benefits and Other Insurance Benefit Features

U.S. GMDB, Japan GMDB/GMIB, and UL Secondary Guarantee Benefits

Changes in the gross U.S. GMDB, Japan GMDB/GMIB, and UL secondary guarantee benefits are as follows:

	U.S. GMDB [1]	Japan GMDB/GMIB [1]	UL Secondary Guarantees [1]
Liability balance as of January 1, 2010	**$ 1,233**	**$ 580**	**$ 76**
Incurred	127	59	20
Paid	(155)	(58)	
Unlock	107	44	
Currency translation adjustment		31	
Liability balance as of June 30, 2010	**$ 1,312**	**$ 656**	**$ 96**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $832 as of June 30, 2010. The reinsurance recoverable asset related to the Japan GMDB was $40 as of June 30, 2010. The reinsurance recoverable asset related to the UL secondary guarantees was $26 as of June 30, 2010.

	U.S. GMDB [1]	Japan GMDB/GMIB [1]	UL Secondary Guarantees [1]
Liability balance as of January 1, 2009	**$ 870**	**$ 229**	**$ 40**
Incurred	185	60	14
Paid	(293)	(66)	
Unlock	742	350	

Currency translation adjustment				(6)		
Liability balance as of June 30, 2009	**$**	**1,504**	**$**	**567**	**$**	**54**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $927 as of June 30, 2009. The reinsurance recoverable asset related to the Japan GMDB was $41 as of June 30, 2009. The reinsurance recoverable asset related to the UL secondary guarantees was $19 as of June 30, 2009.

Table of Contents

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

7. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)

The following table provides details concerning GMDB and GMIB exposure as of June 30, 2010:

Breakdown of Individual Variable and Group Annuity Account Value by GMDB/GMIB Type

Maximum anniversary value (MAV) [1]	Account Value	Net Amount at Risk (NAR) [10]	Retained Net Amount at Risk (RNAR) [10]	Weighted Average Attained Age of Annuitant
MAV only	$ 23,810	$ 9,254	$ 2,794	66
With 5% rollup [2]	1,633	733	292	67
With Earnings Protection Benefit Rider (EPB) [3]	5,940	1,637	150	63
With 5% rollup & EPB	678	253	50	66
Total MAV	**32,061**	**11,877**	**3,286**	
Asset Protection Benefit (APB) [4]	25,638	6,257	4,052	65
Lifetime Income Benefit (LIB) Death Benefit [5]	1,197	266	266	63
Reset [6] (5-7 years)	3,364	614	608	68
Return of Premium (ROP) [7]/Other	20,597	1,869	1,828	64
Subtotal U.S. GMDB [8]	**82,857**	**20,883**	**10,040**	65
Less: General account value subject to U.S. GMDB	6,788			
Subtotal Separate Account Liabilities with U.S. GMDB	**76,069**			
Separate Account Liabilities without U.S. GMDB	78,814			
Total Separate Account Liabilities	**$ 154,883**			
Japan GMDB and GMIB [9]	**$ 28,888**	**$ 8,870**	**$ 7,597**	69

[1] MAV GMDB is the greatest of current AV, net premiums paid and the highest AV on any anniversary before age 80 (adjusted for withdrawals).

[2]

Rollup GMDB is the greatest of the MAV, current AV, net premium paid and premiums (adjusted for withdrawals) accumulated at generally 5% simple interest up to the earlier of age 80 or 100% of adjusted premiums.

[3] *EPB GMDB is the greatest of the MAV, current AV, or contract value plus a percentage of the contract s growth. The contract s growth is AV less premiums net of withdrawals, subject to a cap of 200% of premiums net of withdrawals.*

[4] *APB GMDB is the greater of current AV or MAV, not to exceed current AV plus 25% times the greater of net premiums and MAV (each adjusted for premiums in the past 12 months).*

[5]

LIB GMDB is the greatest of current AV, net premiums paid, or for certain contracts a benefit amount that ratchets over time, generally based on market performance.

[6] *Reset GMDB is the greatest of current AV, net premiums paid and the most recent five to seven year anniversary AV before age 80 (adjusted for withdrawals).*

[7] *ROP GMDB is the greater of current AV and net premiums paid.*

[8] *AV includes the contract holder s investment in the separate account and the general account.*

[9] *GMDB includes a ROP and MAV (before age 80) paid in a single lump sum. GMIB is a guarantee to return initial investment, adjusted for earnings*

liquidity, paid through a fixed annuity, after a minimum deferral period of 10, 15 or 20 years. The GRB related to the Japan GMIB was $29.4 billion and $28.6 billion as of June 30, 2010 and December 31, 2009, respectively. The GRB related to the Japan GMAB and GMWB was $664 and $648 as of June 30, 2010 and December 31, 2009, respectively. These liabilities are not included in the Separate Account as they are not legally insulated from the general account liabilities of the insurance enterprise. As of June 30, 2010, 59% of the AV and 55% of RNAR is reinsured to a Hartford affiliate. NAR increased due to lower equity markets during the second quarter, as well

as the strengthening of the Yen.

[10] *NAR is defined as the guaranteed benefit in excess of the current AV. RNAR represents NAR reduced for reinsurance. NAR and RNAR are highly sensitive to equity markets movements and increase when equity markets decline.*

Account balances of contracts with guarantees were invested in variable separate accounts as follows:

Asset type	As of June 30, 2010	As of December 31, 2009
Equity securities (including mutual funds)	$ 67,530	$ 75,720
Cash and cash equivalents	8,539	9,298
Total	**$ 76,069**	**$ 85,018**

As of June 30, 2010 and December 31, 2009, approximately 18% and 16%, respectively, of the equity securities above were invested in fixed income securities through these funds and approximately 82% and 84%, respectively, were invested in equity securities.

See Note 4a for a description of the Company s guaranteed living benefits and variable annuity hedging derivatives that are accounted for at fair value.

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

8. Sales Inducements

Changes in deferred sales inducement activity were as follows for the six months ended June 30:

	2010	2009
Balance, January 1	**$ 438**	**$ 553**
Sales inducements deferred	15	34
Amortization	(13)	(80)
Amortization Unlock	(15)	(57)
Balance, June 30	**$ 425**	**$ 450**

9. Commitments and Contingencies

Litigation

The Hartford is involved in claims litigation arising in the ordinary course of business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The Hartford accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. Subject to the uncertainties discussed below under the caption Asbestos and Environmental Claims, management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.

The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. These actions include, among others, putative state and federal class actions seeking certification of a state or national class. Such putative class actions have alleged, for example, underpayment of claims or improper underwriting practices in connection with various kinds of insurance policies, such as personal and commercial automobile, property, life and inland marine; improper sales practices in connection with the sale of life insurance and other investment products; and improper fee arrangements in connection with investment products. The Hartford also is involved in individual actions in which punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. Like many other insurers, The Hartford also has been joined in actions by asbestos plaintiffs asserting, among other things, that insurers had a duty to protect the public from the dangers of asbestos and that insurers committed unfair trade practices by asserting defenses on behalf of their policyholders in the underlying asbestos cases. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of The Hartford. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s consolidated results of operations or cash flows in particular quarterly or annual periods.

Broker Compensation Litigation Following the New York Attorney General s filing of a civil complaint against Marsh & McLennan Companies, Inc., and Marsh, Inc. (collectively, Marsh) in October 2004 alleging that certain insurance companies, including The Hartford, participated with Marsh in arrangements to submit inflated bids for business insurance and paid contingent commissions to ensure that Marsh would direct business to them, private plaintiffs brought several lawsuits against the Company predicated on the allegations in the Marsh complaint, to which the Company was not party. Among these is a multidistrict litigation in the United States District Court for the District of New Jersey. There are two consolidated amended complaints filed in the multidistrict litigation, one related to conduct in connection with the sale of property-casualty insurance and the other related to alleged conduct in connection with the sale of group benefits products. The Company and various of its subsidiaries are named in both complaints. The complaints assert, on behalf of a putative class of persons who purchased insurance through broker defendants, claims under the Sherman Act, the Racketeer Influenced and Corrupt Organizations Act (RICO), state law, and in the case of

the group benefits complaint, claims under the Employee Retirement Income Security Act of 1974 (ERISA). The claims are predicated upon allegedly undisclosed or otherwise improper payments of contingent commissions to the broker defendants to steer business to the insurance company defendants. The district court has dismissed the Sherman Act and RICO claims in both complaints for failure to state a claim and has granted the defendants motions for summary judgment on the ERISA claims in the group-benefits products complaint. The district court further has declined to exercise supplemental jurisdiction over the state law claims, has dismissed those state law claims without prejudice, and has closed both cases. The plaintiffs have appealed the dismissal of the claims in both consolidated amended complaints, except the ERISA claims.

In September 2007, the Ohio Attorney General filed a civil action in Ohio state court alleging that certain insurance companies, including The Hartford, conspired with Marsh in violation of Ohio s antitrust statute. The trial court denied defendants motion to dismiss the complaint in July 2008. The Company disputes the allegations and is defending this action vigorously.

Table of Contents

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

9. Commitments and Contingencies (continued)

Investment and Savings Plan ERISA and Shareholder Securities Class Action Litigation In November and December 2008, following a decline in the share price of the Company s common stock, seven putative class action lawsuits were filed in the United States District Court for the District of Connecticut on behalf of certain participants in the Company s Investment and Savings Plan (the Plan), which offers the Company s common stock as one of many investment options. These lawsuits have been consolidated, and a consolidated amended class-action complaint was filed on March 23, 2009, alleging that the Company and certain of its officers and employees violated ERISA by allowing the Plan s participants to invest in the Company s common stock and by failing to disclose to the Plan s participants information about the Company s financial condition. The lawsuit seeks restitution or damages for losses arising from the investment of the Plan s assets in the Company s common stock during the period from December 10, 2007 to the present. In January 2010, the district court denied the Company s motion to dismiss the consolidated amended complaint. The Company disputes the allegations and intends to defend this action vigorously.

In March 2010, a putative class action lawsuit was filed in the United States District Court for the Southern District of New York on behalf of persons who acquired Hartford common stock during the period from December 10, 2007 through February 5, 2009, alleging that the Company and certain of its present or former officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, by making false or misleading statements about the Company s financial performance and investment practices during the alleged class period. The Company disputes the allegations and intends to defend this action vigorously.

Structured Settlement Class Action In October 2005, a putative nationwide class action was filed in the United States District Court for the District of Connecticut against the Company and several of its subsidiaries on behalf of persons who had asserted claims against an insured of a Hartford property & casualty insurance company that resulted in a settlement in which some or all of the settlement amount was structured to afford a schedule of future payments of specified amounts funded by an annuity from a Hartford life insurance company (Structured Settlements). The operative complaint alleges that since 1997 the Company deprived the settling claimants of the value of their damages recoveries by secretly deducting 15% of the annuity premium of every Structured Settlement to cover brokers commissions, other fees and costs, taxes, and a profit for the annuity provider, and asserts claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) and state law. The district court certified a class for the RICO and fraud claims in March 2009, and the Company s petition to the United States Court of Appeals for the Second Circuit for permission to file an interlocutory appeal of the class-certification ruling was denied in October 2009. In April 2010, the parties reached an agreement in principle to settle on a nationwide class basis, under which the Company would pay $72.5 in exchange for a full release and dismissal of the litigation. The $72.5 was accrued in the first quarter of 2010. The settlement received preliminary court approval in June 2010 and remains contingent upon final approval of the court.

Fair Credit Reporting Act Class Action In February 2007, the United States District Court for the District of Oregon gave final approval of the Company s settlement of a lawsuit brought on behalf of a class of homeowners and automobile policy holders alleging that the Company willfully violated the Fair Credit Reporting Act by failing to send appropriate notices to new customers whose initial rates were higher than they would have been had the customer had a more favorable credit report. The Company paid approximately $84.3 to eligible claimants and their counsel in connection with the settlement, and sought reimbursement from the Company s Excess Professional Liability Insurance Program for the portion of the settlement in excess of the Company s $10 self-insured retention. Certain insurance carriers participating in that program disputed coverage for the settlement, and one of the excess insurers commenced an arbitration that resulted in an award in the Company s favor and payments to the Company of approximately $30.1, thereby exhausting the primary and first-layer excess policies. In June 2009, the second-layer excess carriers commenced an arbitration to resolve the dispute over coverage for the remainder of the amounts paid by the Company. Management believes it is probable that the Company s coverage position ultimately will be sustained.

Asbestos and Environmental Claims As discussed in Note 12, Commitments and Contingencies, of the Notes to Consolidated Financial Statements under the caption Asbestos and Environmental Claims , included in the Company s 2009 Form 10-K Annual Report, The Hartford continues to receive asbestos and environmental claims that involve significant uncertainty regarding policy coverage issues. Regarding these claims, The Hartford continually reviews its overall reserve levels and reinsurance coverages, as well as the methodologies it uses to estimate its exposures. Because of the significant uncertainties that limit the ability of insurers and reinsurers to estimate the ultimate reserves necessary for unpaid losses and related expenses, particularly those related to asbestos, the ultimate liabilities may exceed the currently recorded reserves. Any such additional liability cannot be reasonably estimated now but could be material to The Hartford s consolidated operating results, financial condition and liquidity.

Table of Contents

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

9. Commitments and Contingencies (continued)

Derivative Commitments

Certain of the Company s derivative agreements contain provisions that are tied to the financial strength ratings of the individual legal entity that entered into the derivative agreement as set by nationally recognized statistical rating agencies. 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 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 June 30, 2010, is $513. Of this $513, the legal entities have posted collateral of $498 in the normal course of business. Based on derivative market values as of June 30, 2010, a downgrade of one level below the current financial strength ratings by either Moody s or S&P could require approximately an additional $29 to be posted as collateral. Based on derivative market values as of June 30, 2010, a downgrade by either Moody s or S&P of two levels below the legal entities current financial strength ratings could require approximately an additional $42 of assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we may be required to post is primarily in the form of U.S. Treasury bills and U.S. Treasury notes.

10. Pension Plans and Postretirement Health Care and Life Insurance Benefit Plans

Components of Net Periodic Benefit Cost

In the Company s non-qualified pension plan the amount of lump sum benefit payments exceeded the amount of service and interest cost for the three and six months ended June 30, 2010. As a result, the Company recorded settlement expense of $20 to recognize the actuarial loss associated with the pro-rata portion of the obligation that has been settled.

Total net periodic benefit cost for the three months ended June 30, 2010 and 2009 includes the following components:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	$ 24	$ 26	$ 1	$ 2
Interest cost	63	61	6	6
Expected return on plan assets	(72)	(68)	(3)	(2)
Settlement expense	20			
Amortization of prior service credit	(3)	(3)		(1)
Amortization of actuarial loss	28	19		
Net periodic benefit cost	**$ 60**	**$ 35**	**$ 4**	**$ 5**

Total net periodic benefit cost for the six months ended June 30, 2010 and 2009 include the following components:

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Service cost	$ 51	$ 52	$ 3	$ 3
Interest cost	125	121	11	12
Expected return on plan assets	(143)	(137)	(6)	(5)

Settlement expense	20			
Amortization of prior service credit	(5)	(5)		(1)
Amortization of actuarial loss	54	37		
Net periodic benefit cost	**$ 102**	**$ 68**	**$ 8**	**$ 9**

Table of Contents

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

11. Stock Compensation Plans

The Company s stock-based compensation plans include The Hartford 2005 Incentive Stock Plan, The Hartford Employee Stock Purchase Plan and The Hartford Deferred Stock Unit Plan. For a description of these plans, see Note 18 of Notes to Consolidated Financial Statements included in The Hartford s 2009 Form 10-K Annual Report.

On May 19, 2010 at the Company s Annual Meeting of Shareholders, the shareholders of The Hartford approved The Hartford 2010 Incentive Stock Plan (the 2010 Stock Plan), which supersedes and replaces The Hartford 2005 Incentive Stock Plan. The terms of the 2010 Stock Plan are substantially similar to the terms of the superseded plan. However, the 2010 Stock Plan provides for an increased maximum number of shares that may be awarded to employees of the Company, and also permits awards to be made to third party service providers, and permits additional forms of stock-based awards.

The 2010 Stock Plan provides for awards to be granted in the form of non-qualified or incentive stock options qualifying under Section 422 of the Internal Revenue Code, stock appreciation rights, performance shares, restricted stock or restricted stock units, or any other form of stock based award. The aggregate number of shares of stock, which may be awarded, is subject to a maximum limit of 18,000,000 shares applicable to all awards for the ten-year duration of the 2010 Stock Plan. If any award under the prior The Hartford Incentive Stock Plan (as approved by the Company s shareholders in 2000) or under the prior The Hartford 2005 Incentive Stock Plan (as approved by the Company s shareholders in 2005) that was outstanding as of March 31, 2010, is forfeited, terminated, surrendered, exchanged, expires unexercised, or is settled in cash in lieu of stock (including to effect tax withholding) or for the net issuance of a lesser number of shares than the number subject to the award, the shares of stock subject to such award (or the relevant portion thereof) shall be available for awards under the 2010 Stock Plan and such shares shall be added to the maximum limit to the extent of such forfeiture, termination, expiration, or cash or net settlement of such awards.

Under the 2010 Stock Plan, all options granted have an exercise price at least equal to the market price of the Company s common stock on the date of grant, and an option s maximum term is not to exceed ten years. For any year, no individual employee may receive an award of options for more than 2,000,000 shares.

Performance awards of common stock granted under the 2010 Stock Plan become payable upon the attainment of specific performance goals achieved over a period of not less than one nor more than five years, and the restricted stock granted is subject to a restriction period. For any year, the maximum award of performance shares, restricted stock awards, or restricted stock unit awards for any individual employee in any year is 500,000 shares or units.

Shares issued in satisfaction of stock-based compensation may be made available from authorized but unissued shares, shares held by the Company in treasury or from shares purchased in the open market. The Company typically issues shares from treasury in satisfaction of stock-based compensation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
Stock-based compensation plans expense	$ 19	$ 8	$ 41	$ 21
Income tax benefit	(7)	(3)	(15)	(7)
Total stock-based compensation plans expense, after-tax	**$ 12**	**$ 5**	**$ 26**	**$ 14**

The Company did not capitalize any cost of stock-based compensation. As of June 30, 2010, the total compensation cost related to non-vested awards not yet recognized was $120, which is expected to be recognized over a weighted average period of 1.7 years.

12. Debt

Senior Notes

On June 15, 2010, The Hartford repaid its $275, 7.9% senior notes at maturity.

On March 23, 2010, The Hartford issued $1.1 billion aggregate principal amount of its senior notes. The issuance consisted of $300 of 4.0% senior notes due March 30, 2015, $500 of 5.5% senior notes due March 30, 2020 and $300 of 6.625% senior notes due March 30, 2040. The senior notes bear interest at their respective rate, payable semi-annually in arrears on March 30 and September 30 of each year, beginning September 30, 2010.

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

13. Equity

Issuance of Common Stock

On March 23, 2010, The Hartford issued approximately 59.6 million shares of common stock at a price to the public of $27.75 per share and received net proceeds of $1.6 billion.

Issuance of Series F Preferred Stock

On March 23, 2010, The Hartford issued 23 million depositary shares, each representing a 1/40th interest in The Hartford s 7.25% mandatory convertible preferred stock, Series F, at a price of $25 per depositary share and received net proceeds of approximately $556. The Company will pay cumulative dividends on each share of the mandatory convertible preferred stock at a rate of 7.25% per annum on the initial liquidation preference of $1,000 per share. Dividends will accrue and cumulate from the date of issuance and, to the extent that the Company is legally permitted to pay dividends and its board of directors declares a dividend payable, the Company will, from July 1, 2010 until and including January 1, 2013 pay dividends on each January 1, April 1, July 1 and October 1, in cash and (whether or not declared prior to that date) on April 1, 2013 will pay or deliver, as the case may be, dividends in cash, shares of its common stock, or a combination thereof, at its election. Dividends on and repurchases of the Company s common stock will be subject to restrictions in the event that the Company fails to declare and pay, or set aside for payment, dividends on the Series F preferred stock.

The 575,000 shares of mandatory convertible preferred stock, Series F, will automatically convert into shares of common stock on April 1, 2013, if not earlier converted at the option of the holder, at any time, or upon the occurrence of a fundamental change. The number of shares issuable upon mandatory conversion of each share of mandatory convertible preferred stock will be a variable amount based on the average of the daily volume weighted average price per share of the Company s common stock during a specified period of 20 consecutive trading days with the number of shares of common stock ranging from 29.536 to 36.036 per share of mandatory convertible preferred stock, subject to anti-dilution adjustments.

Redemption of Series E Preferred Stock issued under the Capital Purchase Program

On March 31, 2010, the Company repurchased all 3.4 million shares of Series E preferred stock issued to the U.S. Treasury (the Treasury) for an aggregate purchase price of $3.4 billion and made a final dividend payment of $22 on the Series E preferred stock. The Company recorded a $440 charge to retained earnings representing the acceleration of the accretion of the remaining discount on the Series E preferred stock. Treasury continues to hold warrants to purchase approximately 52 million shares of the Company s common stock at an exercise price of $9.79 per share. During the Company s participation in the Capital Purchase Program (CPP), the Company was subject to numerous additional regulations, including restrictions on the ability to increase the common stock dividend, limitations on the compensation arrangements for senior executives and additional corporate governance standards. As a result of the redemption of Series E Preferred Stock, the Company believes it is no longer subject to these regulations other than certain reporting and certification obligations to U.S. regulating agencies.

Adjustment to warrants previously issued to Allianz

Additionally, the issuance of common and preferred stock during the first quarter of 2010 triggered an anti-dilution provision in The Hartford s Investment Agreement with Allianz, which resulted in the adjustment to the warrant exercise price to $25.23 from $25.25 and to the number of shares that may be purchased to 69,351,806 from 69,314,987.

Noncontrolling Interests

Noncontrolling interest includes VIEs in which the Company has concluded that it is the primary beneficiary, see Note 5 for further discussion of the Company s involvement in VIEs, and general account mutual funds where the Company holds the majority interest due to seed money investments. In 2010, the Company recognized the noncontrolling interest in these entities in other liabilities since these entities represent investment vehicles whereby the noncontrolling interests may redeem these investments at any time.

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

14. Goodwill

In 2010, the Company made changes to its Life segments as described in Note 3. Life changed its reporting structure to realign mutual funds businesses into Retirement from Global Annuity U.S. The goodwill associated with the mutual funds businesses is now reported in Retirement, however, the reporting unit for that goodwill has not changed. The carrying amount of goodwill allocated to reporting segments as of June 30, 2010 and December 31, 2009 is shown below.

	June 30, 2010			December 31, 2009		
	Gross	Accumulated Impairments	Carrying Value	Gross	Accumulated Impairments	Carrying Value
Life						
Global Annuity U.S.	$ 422	$ (422)	$	$ 422	$ (422)	$
Individual Life	224		224	224		224
Retirement	246		246	246		246
Total Life	**892**	**(422)**	**470**	**892**	**(422)**	**470**
Property & Casualty						
Personal Lines	119		119	119		119
Specialty Commercial	30		30	30		30
Total Property & Casualty	**149**		**149**	**149**		**149**
Corporate	**940**	**(508)**	**432**	**940**	**(355)**	**585**
Total Goodwill	**$ 1,981**	**$ (930)**	**$ 1,051**	**$ 1,981**	**$ (777)**	**$ 1,204**

The Company completed its annual goodwill assessment for Federal Trust Corporation during the second quarter of 2010, resulting in a goodwill impairment of $153, pre-tax.

The Company completed its annual goodwill assessment for the individual reporting units within Life as of January 1, 2010, which resulted in no write-downs of goodwill in 2010. The reporting units passed the first step of their annual impairment tests with a significant margin with the exception of the Individual Life reporting unit. Individual Life completed the second step of the annual goodwill impairment test resulting in an implied goodwill value that was in excess of its carrying value. Even though the fair value of the reporting unit was lower than its carrying value, the implied level of goodwill in Individual Life exceeded the carrying amount of goodwill. In the implied purchase accounting required by the Step 2 goodwill impairment test, the implied present value of future profits was substantially lower than that of the DAC asset removed in purchase accounting. A higher discount rate was used for calculating the present value of future profits as compared to that used for calculating the present value of estimated gross profits for DAC. As a result, in the implied purchase accounting, implied goodwill exceeded the carrying amount of goodwill.

The Company expects to complete the annual impairment test for the Property & Casualty reporting units in the fourth quarter of 2010.

15. Sale of Joint Venture Interest in ICATU Hartford Seguros, S.A.

On November 23, 2009, in keeping with the Company s June 2009 announcement to return to its historical strengths as a U.S.-centric insurance company, the Company entered into a Share Purchase Agreement to sell its joint venture interest in ICATU Hartford Seguros, S.A. (IHS), its Brazilian insurance operation, to its partner, ICATU Holding S.A., for $135. The transaction closed in the second quarter of 2010, and the Company received cash proceeds of $130, which was net of capital gains tax withheld of $5. The investment in IHS was reported as an equity method investment in Other assets.

Table of Contents

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) addresses the financial condition of The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, The Hartford or the Company) as of June 30, 2010, compared with December 31, 2009, and its results of operations for the three and six months ended June 30, 2010, compared to the equivalent 2009 periods. This discussion should be read in conjunction with the MD&A in The Hartford s 2009 Form 10-K Annual Report. Certain reclassifications have been made to prior period financial information to conform to the current period classifications.

INDEX

Description	Page
Consolidated Results of Operations	61
Outlooks	63
Critical Accounting Estimates	68
The Hartford s Operations Overview	79
Key Performance Measures and Ratios	82
Global Annuity U.S.	88
Global Annuity International	90
Retirement	92
Individual Life	94
Group Benefits	96
Institutional	97
Life Other	99
Personal Lines	100
Small Commercial	103
Middle Market	105
Specialty Commercial	107
Other Operations	109
Corporate	110

Property & Casualty Underwriting Risk Management Strategy	111
Investment Credit Risk	111
Capital Markets Risk Management	120
Capital Resources and Liquidity	126
Impact of New Accounting Standards	133

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended June 30,			Six Months Ended June 30,		
Operating Summary	**2010**	**2009**	**Change**	**2010**	**2009**	**Change**
Earned premiums	$ 3,506	$ 3,592	(2%)	$ 7,033	$ 7,421	(5%)
Fee income	1,195	1,062	13%	2,384	2,229	7%
Net investment income (loss):						
Securities available-for-sale and other	1,153	1,021	13%	2,213	1,941	14%
Equity securities, trading [1]	(2,649)	2,523	NM	(1,948)	1,799	NM
Total net investment income (loss)	(1,496)	3,544	NM	265	3,740	(93%)
Net realized capital gains (losses):						
Total other-than-temporary impairment (OTTI) losses	(292)	(562)	48%	(632)	(786)	20%
OTTI losses recognized in other comprehensive income	184	248	(26%)	372	248	50%
Net OTTI losses recognized in earnings	(108)	(314)	66%	(260)	(538)	52%
Net realized capital gains (losses), excluding net OTTI losses recognized in earnings	119	(367)	NM	(5)	(59)	92%
Total net realized capital gains (losses)	11	(681)	NM	(265)	(597)	56%
Other revenues	120	120		238	238	
Total revenues	**3,336**	**7,637**	**(56%)**	**9,655**	**13,031**	**(26%)**
Benefits, losses and loss adjustment expenses	3,592	3,092	16%	6,725	7,729	(13%)
Benefits, losses and loss adjustment expenses returns credited on International variable annuities [1]	(2,649)	2,523	NM	(1,948)	1,799	NM
Amortization of deferred policy acquisition costs and present value of future profits	938	674	39%	1,589	2,933	(46%)
Insurance operating costs and expenses	969	959	1%	1,888	1,857	2%
Interest expense	132	119	11%	252	239	5%
Goodwill impairment	153			153	32	NM
Other expenses	208	252	(17%)	468	441	6%
	3,343	**7,619**	**(56%)**	**9,127**	**15,030**	**(39%)**

Total benefits, losses and expenses						
Income (loss) before income taxes	**(7)**	**18**	**NM**	**528**	**(1,999)**	**NM**
Income tax expense (benefit)	(83)	33	NM	133	(775)	NM
Net income (loss)	**$ 76**	**$ (15)**	**NM**	**$ 395**	**$ (1,224)**	**NM**
Supplemental Operating Data						
Diluted earnings (loss) per common share	$ 0.14	$ (0.06)	NM	$ (0.24)	$ (3.80)	94%
Total revenues, excluding net investment income on equity securities, trading	5,985	5,114	17%	11,603	11,232	3%
DAC Unlock benefit (charge), after-tax	(230)	360	NM	(145)	(1,134)	87%

Summary of Financial Condition	**June 30, 2010**	**December 31, 2009**
Total assets	$ 314,150	$ 307,717
Total investments, excluding equity securities, trading	97,888	93,235
Total stockholders equity	18,891	17,865

[1] Includes investment income and mark-to-market effects of equity securities, trading, supporting the Global Annuity International variable annuity business, which are classified in net investment income with corresponding amounts credited to policyholders within benefits, losses and loss adjustment expenses.

Table of Contents

Segment Results	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Increase (Decrease) From 2009 to 2010	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Increase (Decrease) From 2009 to 2010
Life						
Global Annuity U.S.	$ (107)	$ 188	$ (295)	$ 46	$ (558)	$ 604
Global Annuity International	2	119	(117)	25	(174)	199
Retirement	37	(36)	73	57	(122)	179
Individual Life	95	16	79	111	(2)	113
Group Benefits	48	14	34	99	83	16
Institutional	(1)	(66)	65	(89)	(240)	151
Other	14	(59)	73	25	(69)	94
Total Life	**88**	**176**	**(88)**	**274**	**(1,082)**	**1,356**
Property & Casualty						
Ongoing Operations						
Underwriting results						
Personal Lines	(73)	(10)	(63)	(19)	65	(84)
Small Commercial	62	74	(12)	145	161	(16)
Middle Market	(22)	56	(78)	(10)	125	(135)
Specialty Commercial	111	36	75	163	59	104
Ongoing Operations underwriting results	78	156	(78)	279	410	(131)
Net servicing income [1]	10	7	3	17	15	2
Net investment income	298	239	59	566	424	142
Net realized capital gains (losses)	16	(80)	96	(20)	(369)	349
Other expenses	(53)	(48)	(5)	(107)	(98)	(9)
Income before income taxes	349	274	75	735	382	353
Income tax expense	88	52	36	236	49	187
Ongoing Operations	261	222	39	499	333	166
Other Operations	(73)	(49)	(24)	(54)	(48)	(6)
Total Property & Casualty	**188**	**173**	**15**	**445**	**285**	**160**
Corporate	**(200)**	**(364)**	**164**	**(324)**	**(427)**	**103**
Net income (loss)	**$ 76**	**$ (15)**	**$ 91**	**$ 395**	**$ (1,224)**	**$ 1,619**

[1] Net of expenses related to service

business.

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

The change from consolidated net loss to consolidated net income was primarily due to net realized capital losses of $649, after-tax, in 2009 compared to $15, after-tax, in 2010 and an improvement in Life operation s earnings, partially offset by a DAC Unlock charge of $230, after-tax, in 2010 compared to a DAC Unlock benefit of $360, after-tax, in 2009 and goodwill impairment of approximately $100, after-tax, in 2010.

Excluding net realized capital gains (losses) and DAC Unlocks, Life operation s earnings increased approximately $216 and Property & Casualty operation s earnings decreased approximately $52 from 2009 to 2010. See the segment sections of the MD&A for a discussion on the respective operations performance.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

The change from consolidated net loss to consolidated net income was primarily due to a DAC Unlock charge of $1.1 billion, after-tax, in 2009 compared to a charge of $145, after-tax, in 2010 and net realized capital losses of $695, after-tax, in 2009 compared to $242, after-tax, in 2010.

Excluding net realized capital gains (losses) and DAC Unlocks, Life operation s earnings increased approximately $372 and Property & Casualty operation s earnings decreased approximately $69 from 2009 to 2010. See the segment sections of the MD&A for a discussion on the respective operations performance.

OUTLOOKS

Outlooks

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 precautionary statements set forth on pages 3-4 of this Form 10-Q. Actual results are likely to differ, and in the past have differed, materially from those forecast by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in each discussion below and in Part I, Item 1A, Risk Factors in The Hartford s 2009 Form 10-K Annual Report, Part II, Item 1A, Risk Factors of The Hartford s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as well as in Part II, Item 1A, Risk Factors of this Form 10-Q.

Life

Global Annuity U.S.

In the long-term, management continues to believe the market for annuities will expand as individuals increasingly save and plan for retirement. Demographic trends suggest that as the baby boom generation matures, a significant portion of the United States population will allocate a greater percentage of their disposable incomes to saving for their retirement years due to uncertainty surrounding the Social Security system and increases in average life expectancy. Further, due to continued declines and volatility in the equity markets, the Company is expecting that the majority of baby boomers will be looking to provide more stability to the value of their accumulated wealth and focusing more on identifying and creating dependable and certain income streams that can provide known payments throughout their retirement.

Near-term, the Company is continuing to experience lower variable annuity sales as a result of the competitiveness of the Company s current product offerings. The Company expects these lower sales levels to continue through 2010. The current market conditions and market volatility have resulted in higher claim costs, and have increased the cost and volatility of hedging programs, and the level of capital needed to support living benefit guarantees when compared to historical levels. Many competitors have responded to the market turbulence by increasing the price of their guaranteed living benefits and changing the amount of the guarantee offered. Management believes that the most significant industry de-risking changes have occurred. The Company will continue to evaluate the benefits offered within its variable annuities, and ensure a product portfolio to meet customer needs. Based on changes in economic and demographic landscape, as previously discussed, the Company launched a new variable annuity product in October 2009 that responds to customer needs for growth and income within the risk tolerances of The Hartford. Throughout the first half of 2010, the Company has received regulatory approval to offer the new variable annuity product in many states, and the Company continues to seek approval in remaining states so that this product solution will be available to everyone in the United States. Further, the Company has been working on approval for the new product solution with its various distributors. As the Company and our distribution partners transition to the new product, there will be downward pressure on new deposits, and management expects to continue to be in a net outflow position through 2010.

Continued equity market volatility and the low level of interest rates will continue to impact the cost and effectiveness of our guaranteed minimum withdrawal benefit (GMWB) hedging program and could result in material losses in our hedging program. For more information on the GMWB hedging program, see the Life Equity Product Risk Management section within Capital Markets Risk Management.

The Company s fixed annuity sales have continued to decline as a result of lower interest rates. Management expects fixed annuity sales to continue to be challenged until interest rates increase.

Assets under management are relatively level compared to 2009 which is the result of volatile equity markets and continued consistent net outflows of the variable annuity business. Although the markets have partially recovered over the past year they have not reached their 2008 levels and, as a result, the extent of the scale efficiencies that Global Annuity U.S. has benefited from in recent years has been reduced. Although the business has improved profitability compared to prior year, the profitability rates are not consistent with historical levels. This condition is expected to persist for the remainder of 2010. Net investment spread has improved recently due to positive returns on limited

partnership and other alternative investments partially offset by lower yields on fixed maturities. Management is expecting returns on limited partnerships and other alternative investments to be more favorable in 2010 than 2009 primarily due to improved market performance; however, due to the continued low interest rate environment, management is expecting the lower yields on fixed maturity investments to persist in the second half of 2010. Management has evaluated, and will continue to actively evaluate, its expense structure to ensure the business is controlling costs while maintaining an appropriate level of service to our customers.

Global Annuity International

In the second quarter of 2009, the Company suspended all new sales in Global Annuity International s Japan and European operations. Global Annuity International continues to restructure its operations to maximize profitability and capital efficiency while continuing to focus on risk management and maintaining appropriate service levels. Profitability depends on the account values of our customers, which are affected by equity, bond and currency markets. Periods of favorable market performance will increase assets under management and thus increase fee income earned on those assets, while unfavorable market performance will have the reverse effect. In addition, higher or lower account value levels will generally reduce or increase, respectively, certain costs for individual annuities to the Company, such as guaranteed minimum death benefits (GMDB), guaranteed minimum income benefits (GMIB), guaranteed minimum accumulation benefits (GMAB) and GMWB. Changes in the Yen will also impact costs and profitability. Prudent expense management is also an important component of product profitability. The Company took actions in 2009 that realigned our organization and significantly reduced our expense structure, which we believe will result in improved earnings over time. The Company continues to evaluate opportunities to mitigate the risks associated with Global Annuity International businesses and manage expenses in order to balance costs and earnings stability.

In the fourth quarter of 2009, Hartford Life International, Ltd., an indirect, wholly-owned subsidiary of Hartford Life Insurance Company, entered into a Share Purchase Agreement with Icatu Holding, S.A, the Company s joint venture partner, for the sale of all of the Company s common registered shares and preferred registered shares in Icatu Hartford Seguros S.A, its Brazil operation. The transaction settled as expected in mid June of 2010. The sale of our interests in Icatu Hartford Seguros S.A. will allow the Company to focus on its core U.S. centric businesses and reduce exposure to currency volatility, but will also reduce the expected future earnings of Global Annuity International.

Retirement

Retirement Plans

The future financial results of this segment will depend on Life s ability to increase assets under management across all businesses, achieve scale in areas with a high degree of fixed costs and maintain its investment spread earnings on the general account products sold largely in the 403(b)/457 business. Disciplined expense management will continue to be a focus of the Retirement segment as necessary investments in service and technology are made to effect the integration of the acquisitions made in 2008.

The continued improvements and growing stability in the equity markets over the last year, even considering the most recent declines in May and June of 2010, have continued to help improve both quarterly deposits and assets under management. These improvements have been partially offset by a few large case surrenders in 2009; however, assets under management at June 30, 2010 are $43.8 billion representing an increase of 13% from prior year. Assuming no further significant declines in equity markets, due to current sales momentum, management expects assets under management to improve throughout 2010.

Mutual Funds

The partial equity market recovery, and the fact that certain key funds performed strongly relative to the market, has driven an increase in deposits. Assets under management have been adversely affected by the recent market declines. As the mutual fund business continues to evolve, success will be driven by diversifying net sales across the mutual fund platform, delivering superior investment performance and creating new investment solutions for current and future mutual fund shareholders. The increase in assets under management from the prior year has led to an increase in earnings and ROA from 2009 levels.

For the Retail and Investment-Only mutual fund business, net sales can vary significantly depending on market conditions, as we have experienced over the past two years. In addition, underlying fund performance relative to the market and peers can affect investment mandates for the Investment-Only mutual funds.

For Proprietary mutual funds, net flows are affected by the level of net sales in the insurance products that invest in these funds, as well as the relative performance of the underlying fund relative to the other fund offerings of the product. The Proprietary mutual funds have experienced negative net flows as the primary variable annuity products invested in these funds have been in a net outflow position as the block has aged, and management expects that this business will continue producing net outflows throughout 2010. Proprietary mutual funds were formerly reported in

Global Annuity U.S. and were transferred effective January 1, 2010 on a prospective basis.

Individual Life

Future sales for all products will be influenced by active management of current distribution relationships, responding to the negative impact of recent merger and consolidation activity on existing distribution relationships and the development of new sources of distribution, and the Company s ratings, as published by the various ratings agencies, while offering competitive and innovative products and product features. The current economic environment poses challenges for future sales; while life insurance products respond well to consumer demand for financial security and wealth accumulation solutions, individuals may be reluctant to transfer funds when market volatility has recently resulted in significant declines in investment values. In addition, the availability and terms of capital solutions in the marketplace, as discussed below, to support universal life products with secondary guarantees, may reduce future growth in these products.

Individual Life reinsured the policy liability related to statutory reserves in universal life with secondary guarantees to a captive reinsurance affiliate. A letter of credit by an unaffiliated standby third-party (issuer) supports a portion of the statutory reserves that have been ceded to this subsidiary. The use of the letter of credit enhanced statutory capital but resulted in a decline in net investment income and increased expenses for Individual Life. As of June 30, 2010, the transaction provided approximately $635 of statutory capital relief associated with the Company s universal life products with secondary guarantees. The issuer terminated the letter of credit for new business effective January 31, 2010. The letter of credit is expected to provide sufficient coverage for the reinsured business through 2028. On July 1, 2010, management launched a competitively priced universal life product with secondary guarantees that meets the Company s capital efficiency objectives.

Individual Life continues to face uncertainty surrounding estate tax legislation, aggressive competition from other life insurance providers, reduced availability and higher price of reinsurance, and the current regulatory environment related to reserving for term life insurance and universal life products with no-lapse guarantees. Additionally, volatility in the equity markets may reduce the attractiveness of variable universal life products. These risks may have a negative impact on Individual Life s future sales and earnings. Despite these risks, management believes there are opportunities to increase future sales by implementing strategies to expand distribution capabilities, including utilizing independent agents and continuing to build on the strong relationships within the financial institution marketplace.

Group Benefits

Group Benefits sales may fluctuate based on the competitive pricing environment in the marketplace. The Company s first half 2010 sales declined 19%. The significance of the first half s sales results combined with the Company s disciplined underwriting in the competitive pricing environment will likely result in lower sales for 2010 compared to 2009. The Company anticipates relatively stable loss ratios and expense ratios over the long-term based on underlying trends in the in-force business and disciplined new business and renewal underwriting. In 2010, disability incidence has increased and claim terminations have declined compared to 2009 levels. The Company believes a component of this experience is normal volatility in the book of business. However, management has been evaluating the current experience and has begun implementing pricing actions.

The economic downturn, which resulted in rising unemployment, combined with the potential for employees to lessen spending on the Company s products, has negatively impacted premium levels, which is expected to continue until there is sustained economic expansion and lower unemployment rates compared to the end of 2009 levels. Over time, as employers design benefit strategies to attract and retain employees, while attempting to control their benefit costs, management believes that the need for the Company s products will continue to expand. This combined with the significant number of employees who currently do not have coverage or adequate levels of coverage, creates continued opportunities for our products and services.

Institutional

The Institutional segment consists of structured settlements, guaranteed investment products, terminal funding institutional annuities, and private placement life insurance. Two of these businesses structured settlements and terminal funding annuities suspended sales in 2009.

On a prospective basis effective January 1, 2010, Institutional transferred the following businesses; Single premium immediate annuity (SPIA) to Global Annuity U.S.; Investment-Only mutual funds and Maturity Funding to Retirement and moved Leveraged PPLI from Life Other into Institutional. These changes moved products with ongoing sales to other segments to better serve the customer and align with The Hartford s overall strategy.

Stable value (guaranteed investment) products experienced net outflows in the second quarter of 2010 as a result of contractual maturities, as well as the Company opting to accelerate the repayment of principal for certain stable value products. A total of $1.2 billion of account value was paid out on stable value contracts during the second quarter of 2010. The Company has the option to accelerate the repayment of principal for certain other stable value products and will continue to evaluate calling these contracts on a contract by contract basis based upon the financial impact to the Company. Institutional will fund these obligations from cash and short-term investments presently held in its investment portfolios along with projected receipts of earned interest and principal maturities from long-term invested assets.

The private placement life insurance industry (including the corporate-owned and bank-owned life insurance markets) has experienced a slowdown in sales due to, among other things, limited availability of stable value wrap providers. The Company believes that the current Private Placement Life Insurance (PPLI) assets will experience high persistency, but our ability to grow this business in the future will be affected by near term market and industry challenges.

The net income of this segment depends on Institutional s ability to retain assets under management and maintain net investment spread. Net investment spread, as discussed in Institutional s operating section of this MD&A, has been depressed and management expects net investment spread will remain pressured in the intermediate future due to the low level of market short-term interest rates, increased allocation to lower yielding U.S. Treasuries and short-term investments, and anticipated performance of limited partnerships and other alternative investments.

Table of Contents

Property & Casualty

Personal Lines

The Company expects Personal Lines written premiums for the 2010 full year will be lower than 2009 as written premium is expected to be relatively flat in AARP and down in Agency. The Company expects personal auto written premiums will be lower in 2010 driven by a decline in new business and policy retention due primarily to the effects of rate increases and underwriting actions to improve profitability and actions to reduce written premiums in certain market segments and territories, partially offset by an increase in the sale of the Company s Open Road Advantage product. The Company expects homeowners written premiums will increase driven by an increase in written pricing and the cross-sell of AARP homeowners insurance to auto policyholders, partially offset by the effect of rate and underwriting actions to improve profitability.

While AARP written premium decreased 1% in the first six months of 2010 compared to the first six months of 2009, the Company expects AARP written premium to be flat for the full year driven by an increase in responses from direct marketing spend over the balance of 2010. Also, while Agency written premium increased 2% in the first six months of 2010, the Company expects a decrease in Agency written premium for the 2010 full year as the Company expects new business to decline over the balance of the year as the result of pricing and underwriting actions taken to improve profitability. The Company will continue to use direct marketing to AARP members to drive new business in AARP and will expand the sale of its Open Road Advantage product through independent agents to drive new business in Agency. The Company distributes its discounted AARP Open Road Advantage auto product through those independent agents who are authorized to offer the AARP product. As of June 30, 2010, the Open Road Advantage auto product was available in 20 states and the Company expects the product to be available to authorized agents in 41 states by the end of the first quarter of 2011.

In the first six months of 2010, renewal written pricing increased 6% for auto and 9% for home and management expects that renewal written pricing increases for both auto and homeowners will continue for the remainder of 2010 driven by rate increases in response to rising loss costs relative to average premium. As has been the case for the first six months of the year, for both auto and home, management expects that the increase in average written premium per policy in 2010 will not be as significant as the increase in written pricing due primarily to a continued shift to more preferred market segment business (which has lower average premium) and growth in states and territories with lower average premium.

The combined ratio before catastrophes and prior accident year development for Personal Lines was 92.2 for the first six months of 2010 and management expects the full year ratio will be slightly higher than the 92.0 ratio achieved in 2009 with both the current accident year loss and loss adjustment expense ratio before catastrophes and the expense ratio slightly higher. In 2010, the Company expects the current accident year loss and loss adjustment expense ratio before catastrophes will increase slightly for auto and will remain relatively flat for homeowners. For auto business, the expected increase in the current accident year loss and loss adjustment expense ratio before catastrophes for the 2010 full year is largely driven by experience for the first six months of 2010 as higher auto physical damage emerged frequency and higher expected auto liability loss costs relative to average premium were partially offset by an improvement in physical damage severity. For the balance of 2010, management expects an improvement in the current accident year loss and loss adjustment expense ratio before catastrophes for auto driven by the effect of rate increases and an improvement in claim frequency for both auto physical damage and auto liability coverages, partially offset by an increase in severity that is in line with historical experience. Though, year-to-date, the change in claim frequency has not been as favorable as had been expected, management expects improvement in frequency over the second half of 2010, given the shift to more preferred market segment business and the impact of underwriting actions to improve profitability. While non-catastrophe homeowners loss costs increased in the first six months of 2010 due to increased expected ultimate severity and increased frequency of non-catastrophe weather claims, management expects a decrease in the current accident year loss and loss adjustment expense ratio before catastrophes for home during the second half of 2010 driven by the effect of rate increases, underwriting actions and improvements in claim frequency as a result of the shift to more preferred market segment business, partially offset by higher claim severity. Management expects the expense ratio will be slightly higher in 2010 driven by higher amortization of AARP acquisition costs in 2010 and the effect of a reduction in The Texas Windstorm Insurance Association (TWIA)

assessments in 2009.

Small Commercial

The Company expects Small Commercial s written premiums to grow in the low single digits during 2010. During the first six months of 2010, the segment experienced single-digit policy growth in the package and workers compensation businesses due to improving policy retention and double-digit policy growth in new business. Also during the first six months of 2010, the Company continued to experience a decrease in earned audit premium, primarily as a result of lower payrolls during 2009. This resulted in declining average premium on renewed policies, a trend that is expected to continue through the remainder of 2010. Small Commercial introduced several initiatives in 2009 that continue to support improvements during the first six months of 2010 including: programs aimed at improving policy count retention and the rollout of a new product offering for package business (Growing Spectrum). In addition, Small Commercial introduced a new pricing model for commercial auto that is being implemented during 2010. Small Commercial is expected to continue to produce strong policy growth for the remainder of 2010 led by workers compensation reflecting: our current market position and capabilities; targeted broadening of underwriting capabilities in selected industries; and leveraging the payroll model to both increase penetration in well-established partners and continue developing opportunities with recently added partners including the marketing relationship with Intuit. Renewal written pricing in Small Commercial increased 2% in the first six months of 2010, and is expected to increase during the remainder of 2010.

The Small Commercial segment s combined ratio before catastrophes and prior accident year development was 86.2 in the first six months of 2010 compared to 84.1 in the first six months of 2009. The Company expects the 2010 full year combined ratio before catastrophes and prior accident year development to be higher than the 84.4 achieved in 2009. The increase in the combined ratio results from an expected increase in the current accident year loss and loss adjustment expense ratio, as well as a higher expense ratio. Small Commercial has experienced favorable frequency trends on workers compensation and commercial auto claims in recent accident years. Management expects favorable frequency to continue, but at a moderated rate, for the 2010 accident year. Across the Small Commercial lines of business, severity is expected to continue its long-term upward trend. The expense ratio is expected to be higher in 2010 driven by an increase in total underwriting expenses.

Middle Market

Management expects that 2010 written premiums for Middle Market will decline slightly due to the downturn in the economy which has reduced exposures across most lines of business, particularly payroll exposures for workers compensation and construction lines in marine, which are partially reflected in lower earned audit premium. Written premiums in Middle Market decreased by 5% in the first six months of 2010 due to the same economic impacts.

The Company continues to take a disciplined approach to evaluating and pricing risks in the face of a challenging pricing environment. While renewal written pricing for Middle Market business decreased in the first six months of 2009, renewal written pricing was flat in the first six months of 2010, and management expects this positive trend to continue in 2010, even though some carriers will continue to price new business more aggressively than renewals. As in the Personal Lines and Small Commercial market segments, current economic conditions (lower payrolls, declines in production, lower sales, etc.) have reduced written premium growth opportunities in Middle Market.

For the remainder of 2010, management will seek to compete for new business and protect renewals in Middle Market by, among other actions, refining its pricing and risk selection models, targeting industries with growth potential and looking to sell other lines of business on existing accounts.

The combined ratio before catastrophes and prior accident year development for Middle Market was 98.0 in the first six months of 2010, and is expected to be higher for the full year than the 95.1 achieved in 2009 due to an expected increase in the current accident year loss and loss adjustment expense ratio and an increase in the expense ratio. Claim cost severity was favorable on property in 2009. However, management expects that claim cost severity for property claims will return to historically normal levels in 2010 and that severity will continue to increase for all other lines.

Specialty Commercial

Within Specialty Commercial, while written premiums were relatively flat in the first six months of 2010, management expects written premiums to be slightly higher for the full year, primarily due to higher casualty premiums, partially offset by the effects of the economic downturn, continued pricing deterioration and changes in a reinsurance arrangement. The reinsurance program for the professional liability lines renewed in July 2009 with a change in structure from primarily an excess of loss program to a variable quota share arrangement. This change was market driven and consistent with the Company s expectations. This will have the impact of depressing the net written premium growth for professional liability for the full year 2010.

For professional liability business within Specialty Commercial, the Company expects its losses from the fallout of the sub-prime mortgage market and the broader credit crisis to be within its expected loss estimates based on several factors. Principal among them is the diversified nature of the Company s product and customer portfolio, with a majority of the Company s total in-force professional liability net written premium derived from policyholders with privately-held ownership and, therefore, relatively low shareholder class action exposure. Reinsurance substantially mitigates the net limits exposed per policy and no single industry segment comprises 20% or more of the Company s professional liability book of business by net written premium.

The combined ratio before catastrophes and prior accident year development for Specialty Commercial was 100.9 in the first six months of 2010, and is expected to be slightly higher for the full year than the 100.1 experienced in 2009 due to an expected increase in the current accident year loss and loss adjustment expense ratio and the dividend ratio, partially offset by a decrease in the expense ratio.

Investment Income

Property & Casualty net investment income is expected to be more favorable in 2010 than in 2009, primarily due to improved market performance for limited partnerships.

Table of Contents

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (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 has 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 reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on investments; living benefits required to be fair valued; goodwill impairment; valuation of investments and derivative instruments; pension and other postretirement benefit obligations; 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 Hartford s critical accounting estimates are discussed in Part II, Item 7 MD&A in The Hartford s 2009 Form 10-K Annual Report. The following discussion updates certain of The Hartford s critical accounting estimates for June 30, 2010 results.

Property and Casualty Reserves, Net of Reinsurance

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 changed 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, changes are made more quickly to more mature accident years and less volatile lines of business.

As part of its quarterly reserve review process, the Company is closely monitoring reported loss development in certain lines where the recent emergence of paid losses and case reserves could indicate a trend that may eventually lead the Company to change its estimate of ultimate losses in those lines. If, and when, the emergence of reported losses is determined to be a trend that changes the Company s estimate of ultimate losses, prior accident years reserves would be adjusted in the period the change in estimate is made. Such adjustments of reserves are referred to as reserve development . Reserve development that increases previous estimates of ultimate cost is called reserve strengthening . Reserve development that decreases previous estimates of ultimate cost is called reserve releases . Reserve development can influence the comparability of year over year underwriting results and is set forth in the paragraphs and tables that follow.

Table of Contents

Reserve Rollforwards and Development

A roll-forward follows of Property & Casualty liabilities for unpaid losses and loss adjustment expenses by segment for the three and six months ended June 30, 2010:

	Three Months Ended June 30, 2010					
	Personal Lines	**Small Commercial**	**Middle Market**	**Specialty Commercial**	**Other Operations**	**Total P&C**
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,088**	**$ 3,625**	**$ 4,452**	**$ 7,025**	**$ 4,370**	**$ 21,560**
Reinsurance and other recoverables	19	121	311	2,124	855	3,430
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**2,069**	**3,504**	**4,141**	**4,901**	**3,515**	**18,130**
Provision for unpaid losses and loss adjustment expenses						
Current accident year before catastrophes	685	349	311	193		1,538
Current accident year catastrophes	146	45	38			229
Prior accident years	(5)	(16)	(7)	(121)	173	24
Total provision for unpaid losses and loss adjustment expenses	**826**	**378**	**342**	**72**	**173**	**1,791**
Payments	(730)	(347)	(338)	(182)	(102)	(1,699)
Ending liabilities for unpaid losses and loss adjustment expenses-net	**2,165**	**3,535**	**4,145**	**4,791**	**3,586**	**18,222**
Reinsurance and other recoverables	16	120	291	2,015	815	3,257
Ending liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,181**	**$ 3,655**	**$ 4,436**	**$ 6,806**	**$ 4,401**	**$ 21,479**
Earned premiums	$ 994	$ 648	$ 487	$ 280	$ 1	$ 2,410
Loss and loss expense paid ratio [1]	73.5	53.4	69.2	65.9		
Loss and loss expense incurred ratio	83.1	58.2	70.3	26.6		
Prior accident years development (pts) [2]	(0.4)	(2.4)	(1.4)	(43.6)		

[1] The loss and loss expense paid ratio represents the ratio of paid losses and loss

adjustment expenses to earned premiums.

[2] Prior accident years development (pts) represents the ratio of prior accident years development to earned premiums.

	Six Months Ended June 30, 2010					
	Personal Lines	**Small Commercial**	**Middle Market**	**Specialty Commercial**	**Other Operations**	**Total P&C**
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,070**	**$ 3,603**	**$ 4,442**	**$ 7,044**	**$ 4,492**	**$ 21,651**
Reinsurance and other recoverables	20	137	305	2,118	861	3,441
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**2,050**	**3,466**	**4,137**	**4,926**	**3,631**	**18,210**
Provision for unpaid losses and loss adjustment expenses						
Current accident year before catastrophes	1,351	715	642	390		3,098
Current accident year catastrophes	187	66	53	2		308
Prior accident years	(12)	(34)	(23)	(170)	174	(65)
Total provision for unpaid losses and loss adjustment expenses	**1,526**	**747**	**672**	**222**	**174**	**3,341**
Payments	(1,411)	(678)	(664)	(357)	(219)	(3,329)
Ending liabilities for unpaid losses and loss adjustment expenses-net	**2,165**	**3,535**	**4,145**	**4,791**	**3,586**	**18,222**
Reinsurance and other recoverables	16	120	291	2,015	815	3,257
Ending liabilities for unpaid losses and loss	**$ 2,181**	**$ 3,655**	**$ 4,436**	**$ 6,806**	**$ 4,401**	**$ 21,479**

adjustment expenses-gross

Earned premiums	$ 1,989	$ 1,285	$ 988	$ 567	$ 1	$ 4,830
Loss and loss expense paid ratio [1]	70.9	52.7	67.2	63.3		
Loss and loss expense incurred ratio	76.7	58.0	68.0	39.6		
Prior accident years development (pts) [2]	(0.6)	(2.6)	(2.4)	(29.9)		

[1] The loss and loss expense paid ratio represents the ratio of paid losses and loss adjustment expenses to earned premiums.

[2] Prior accident years development (pts) represents the ratio of prior accident years development to earned premiums.

Table of Contents

Prior accident years development recorded in 2010

Included within prior accident years development for the six months ended June 30, 2010 were the following reserve strengthenings (releases):

	Personal Lines	Small Commercial	Middle Market	Specialty Commercial	Other Operations	Total P&C
Professional liability	$	$	$	$ (61)	$	$ (61)
General liability umbrella and high hazard liability			(27)			(27)
Personal auto liability	(24)					(24)
Specialty programs				(17)		(17)
Commercial auto		(12)				(12)
Net asbestos reserves					169	169
General liability (excluding umbrella)			21			21
Homeowners	9					9
Uncollectible reinsurance				(30)		(30)
Other reserve re-estimates, net [1]	10	(4)	(1)	(13)	4	(4)
Total prior accident years development for the three months ended June 30, 2010	**(5)**	**(16)**	**(7)**	**(121)**	**173**	**24**
Professional liability				(22)		(22)
General liability umbrella			(10)			(10)
Personal auto liability	(17)					(17)
Homeowners	15					15
Other reserve re-estimates, net [2] [3]	(5)	(18)	(6)	(27)	1	(55)
Total prior accident years development for the three months ended March 31, 2010	**(7)**	**(18)**	**(16)**	**(49)**	**1**	**(89)**
Total prior accident years development for the six months ended June 30, 2010	**$ (12)**	**$ (34)**	**$ (23)**	**$ (170)**	**$ 174**	**$ (65)**

[1] Includes reserve discount accretion of $6, including $2 in Small Commercial, $2 in Middle Market and $2 in Specialty Commercial.

[2] Includes reserve discount

accretion of $7, including $2 in Small Commercial, $3 in Middle Market and $2 in Specialty Commercial.

[3] *Other reserve re-estimates include a number of reserve changes across multiple lines of business. For the three months ended March 31, 2010, these re-estimates include, among other reserve changes, reserve releases in Small Commercial for package business, general liability and auto liability and in Specialty Commercial for general liability and property.*

During the three and six months ended June 30, 2010, the Company s re-estimates of prior accident years reserves included the following significant reserve changes:

Released reserves for professional liability claims by $22 in the first quarter of 2010 and by $61 in the second quarter of 2010, primarily related to directors and officers (D&O) claims in accident years 2008 and prior. For these accident years, reported losses for claims under D&O policies have been emerging favorably to initial expectations due to lower than expected claim severity. Any continued favorable emergence of claims under D&O insurance policies for prior accident years could lead the Company to reduce reserves for these liabilities in future quarters.

Released reserves in Middle Market for general liability umbrella claims by $10 in the first quarter of 2010 and by $12 in the second quarter of 2010. The Company observed that reported losses for general liability umbrella continue to emerge favorably and this caused management to reduce its estimate of the cost of future reported claims. In addition, the Company released reserves related to high hazard liability claims by $15 in the second quarter of 2010, primarily related to accident years 2007 and prior. During 2009 and 2010, the Company recognized that loss emergence for high hazard liability was less than expected, and accordingly, management

reduced its reserve estimate.

Released reserves for Personal Lines auto liability claims by $17 in the first quarter of 2010 and by $24 in the second quarter of 2010. During 2009, the Company recognized that favorable development in reported severity, due in part to changes made to claim handling procedures in 2007, was a sustained trend for accident years 2005 through 2008 and, accordingly, management reduced its reserve estimate. The reserve releases in the first and second quarters of 2010 are in response to a continuation of these same favorable trends, primarily affecting accident years 2005 through 2009.

Released reserves for specialty programs claims by $17 in the second quarter of 2010, primarily related to accident years 2006 and prior. Over the course of several years, claim activity on prior accident years has been lower than anticipated. Management now believes that this lower level of claim activity will continue into the future and has reduced its reserve estimate.

Released reserves in Small Commercial for commercial auto claims by $12 in the second quarter of 2010 when the Company lowered its reserve estimate to recognize a lower severity trend during 2009 and 2010 on larger claims in accident years 2002 to 2009.

Strengthened reserves for Middle Market commercial general liability, excluding umbrella, by $21 in the second quarter of 2010 driven by higher than expected allocated loss adjustment expenses on claims from accident years 2000 and prior.

Table of Contents

Strengthened reserves for Personal Lines homeowners claims by $15 in the first quarter of 2010 and $9 in the second quarter of 2010. During 2010, the Company observed a lengthening of the claim reporting period for homeowners claims for prior accident years which resulted in increasing management s estimate of the ultimate cost to settle these claims.

The Company reviewed its allowance for uncollectible reinsurance for Ongoing Operations in the second quarter of 2010 and reduced its allowance for Ongoing Operations by $30 driven, in part, by a reduction in gross ceded loss recoverables. The allowance for uncollectible reinsurance for Ongoing Operations is recorded within the Specialty Commercial segment.

Strengthened net asbestos reserves in Other Operations by $169 in the second quarter of 2010. Refer to the Other Operations Claims section for further discussion.

A roll-forward follows of Property & Casualty liabilities for unpaid losses and loss adjustment expenses by segment for the three and six months ended June 30, 2009:

	Three Months Ended June 30, 2009					
	Personal Lines	**Small Commercial**	**Middle Market**	**Specialty Commercial**	**Other Operations**	**Total P&C**
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,024**	**$ 3,590**	**$ 4,739**	**$ 6,987**	**$ 4,464**	**$ 21,804**
Reinsurance and other recoverables	58	170	458	2,063	793	3,542
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**1,966**	**3,420**	**4,281**	**4,924**	**3,671**	**18,262**
Provision for unpaid losses and loss adjustment expenses						
Current accident year before catastrophes	649	340	331	214		1,534
Current accident year catastrophes	110	23	8	1		142
Prior accident years		10	(22)	(47)	121	62
Total provision for unpaid losses and loss adjustment expenses	**759**	**373**	**317**	**168**	**121**	**1,738**
Payments	(702)	(335)	(341)	(154)	(71)	(1,603)
Ending liabilities for unpaid losses and loss adjustment expenses-net	**2,023**	**3,458**	**4,257**	**4,938**	**3,721**	**18,397**
Reinsurance and other recoverables	54	168	447	2,001	835	3,505
Ending liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,077**	**$ 3,626**	**$ 4,704**	**$ 6,939**	**$ 4,556**	**$ 21,902**

Earned premiums	$ 985	$ 643	$ 538	$ 311	$ 1	$ 2,478
Loss and loss expense paid ratio [1]	71.2	52.1	63.6	49.9		
Loss and loss expense incurred ratio	77.0	58.0	59.1	54.0		
Prior accident years development (pts) [2]		1.5	(4.2)	(15.0)		

[1] The loss and loss expense paid ratio represents the ratio of paid losses and loss adjustment expenses to earned premiums.

[2] Prior accident years development (pts) represents the ratio of prior accident years development to earned premiums.

	Six Months Ended June 30, 2009					
	Personal Lines	Small Commercial	Middle Market	Specialty Commercial	Other Operations	Total P&C
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,052**	**$ 3,572**	**$ 4,744**	**$ 6,981**	**$ 4,584**	**$ 21,933**
Reinsurance and other recoverables	60	176	437	2,110	803	3,586
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**1,992**	**3,396**	**4,307**	**4,871**	**3,781**	**18,347**
Provision for unpaid losses and loss adjustment expenses						
Current accident year before catastrophes	1,276	702	690	447		3,115
Current accident year catastrophes	152	29	24	2		207
Prior accident years	10	15	(80)	(72)	121	(6)
Total provision for unpaid losses and loss adjustment expenses	**1,438**	**746**	**634**	**377**	**121**	**3,316**
Payments	(1,407)	(684)	(684)	(310)	(181)	(3,266)
Ending liabilities for unpaid losses and loss adjustment expenses-net	**2,023**	**3,458**	**4,257**	**4,938**	**3,721**	**18,397**
Reinsurance and other recoverables	54	168	447	2,001	835	3,505
Ending liabilities for unpaid losses and loss adjustment expenses-gross	**$ 2,077**	**$ 3,626**	**$ 4,704**	**$ 6,939**	**$ 4,556**	**$ 21,902**
Earned premiums	$ 1,964	$ 1,295	$ 1,086	$ 643	$ 1	$ 4,989
Loss and loss expense paid ratio [1]	71.7	52.8	63.1	48.0		
Loss and loss expense incurred ratio	73.2	57.6	58.4	58.4		
Prior accident years development (pts) [2]	0.5	1.2	(7.4)	(11.3)		

[1] The loss and loss expense paid ratio represents the ratio of paid losses and loss

adjustment expenses to earned premiums.

[2] Prior accident years development (pts) represents the ratio of prior accident years development to earned premiums.

Prior accident years development recorded in 2009

Included within prior accident years development for the six months ended June 30, 2009 were the following reserve strengthenings (releases):

	Personal Lines	Small Commercial	Middle Market	Specialty Commercial	Other Operations	Total P&C
General liability	$	$	$ (33)	$	$	$ (33)
Directors and officers claims				(30)		(30)
Personal auto liability	(15)					(15)
Package business		20				20
Surety business				15		15
Net asbestos reserves					138	138
Uncollectible reinsurance				(20)	(20)	(40)
Other reserve re-estimates, net [1]	15	(10)	11	(12)	3	7
Total prior accident years development for the three months ended June 30, 2009		**10**	**(22)**	**(47)**	**121**	**62**
General liability			(38)			(38)
Workers compensation		(13)	(10)			(23)
Directors and officers claims				(20)		(20)
Personal auto liability	(18)					(18)
Homeowners claims	18					18
Package business		16				16
Surety business				10		10
Other reserve re-estimates, net [2]	10	2	(10)	(15)		(13)
Total prior accident years development for the three months ended March 31, 2009	**10**	**5**	**(58)**	**(25)**		**(68)**
Total prior accident years development for the six months ended June 30, 2009	**$ 10**	**$ 15**	**$ (80)**	**$ (72)**	**$ 121**	**$ (6)**

[1] *Includes reserve discount accretion of $6, including $2 in Small Commercial, $2 in Middle Market and $2 in Specialty Commercial.*

[2] *Includes reserve discount accretion of $6, including $2 in Small Commercial, $2 in Middle Market and $2 in Specialty Commercial.*

During the three and six months ended June 30, 2009, the Company s re-estimates of prior accident years reserves included the following significant reserve changes:

Released reserves for general liability claims by $38 in the first quarter of 2009 and by $33 in the second quarter of 2009. Beginning in the third quarter of 2007, the Company observed that reported losses for high hazard and umbrella general liability claims, primarily related to the 2001 to 2006 accident years, were emerging favorably and this caused management to reduce its estimate of the cost of future reported claims for these accident years, resulting in a reserve release in each quarter since the third quarter of 2007. During the first and second quarters of 2009, management determined that the lower level of loss emergence was also evident in accident year 2007 and had continued for accident years 2004 to 2006 and, as a result, the Company reduced the reserves.

Released reserves for professional liability claims by $20 in the first quarter of 2009 related to accident year 2006 and by $30 in the second quarter of 2009 related to accident years 2003 to 2007. Beginning in 2008, the Company observed that claim severity for both D&O and E&O claims for the 2003 to 2006 accident years was developing favorably to previous expectations and the Company released reserves for these accident years in 2008. During the first and second quarters of 2009, the Company s updated analysis showed that claim severity for directors and officers losses in the 2003 to 2007 accident years continued to develop favorably to previous expectations, resulting in a $20 reduction of reserves in the first quarter and a $30 reduction of reserves in the second quarter.

Released reserves for Personal Lines auto liability claims by $18 and $15, for the first and second quarters of 2009, respectively, principally related to AARP business for the 2005 through 2007 accident years. Beginning in the first quarter of 2008, management observed an improvement in emerged claim severity for the 2005 through 2007 accident years attributed, in part, to changes made in claim handling procedures in 2007. In the first and second quarters of 2009, the Company recognized that favorable development in reported severity was a sustained trend and, accordingly, management reduced its reserve estimate in each quarter.

Released workers compensation reserves related to allocated loss adjustment expense reserves in accident years 2003 to 2007 by $23 in the first quarter of 2009. During the first quarter of 2009, the Company observed lower than expected expense payments on older accident years. As a result, the Company reduced its estimate for future expense payments on more recent accident years.

The Company reviewed its allowance for uncollectible reinsurance for Ongoing Operations in the second quarter of 2009 and reduced its allowance for Ongoing Operations by $20 driven, in part, by a reduction in gross ceded loss recoverables. The allowance for uncollectible reinsurance for Ongoing Operations is recorded within the Specialty Commercial segment.

Strengthened reserves for liability claims under Small Commercial package policies by $16 in the first quarter of 2009, primarily related to allocated loss adjustment expenses for accident years 2000 to 2005 and by $20 in the second quarter of 2009, principally related to allocated loss adjustment expenses for accident years 2007 and 2008. During the first quarter of 2009, the Company identified higher than expected expense payments on older accident years related to the liability coverage. Additional analysis in the second quarter of 2009 showed that this higher level of loss adjustment expense is likely to continue into more recent accident years. As a result, in the second quarter of 2009, the Company increased its estimates for future expense payments for the 2007 and 2008 accident years.

Strengthened reserves for surety business by a net of $10 in the first quarter of 2009 and by a net of $15 in the second quarter of 2009, primarily related to accident years 2004 to 2007. The net $10 of strengthening in the first quarter of 2009 consisted of $20 strengthening of reserves for customs bonds, partially offset by a $10 release of reserves for contract surety claims. The net $15 of strengthening in the second quarter of 2009 consisted of $25 strengthening of reserves for customs bonds, partially offset by a $10 release of reserves for contract surety claims. During 2008, the Company became aware that there were a large number of late reported surety claims related to customs bonds. Continued high volume of late reported claims during the first and second quarters of 2009 caused the Company to strengthen the reserves in each period.

Strengthened reserves for homeowners claims by $18 in the first quarter of 2009, primarily driven by increased claim settlement costs in recent accident years and increased losses from underground storage tanks in older

accident years. In 2008, the Company began to observe increasing claim settlement costs for the 2005 to 2008 accident years and, in the first quarter of 2009, determined that this higher cost level would continue, resulting in a reserve strengthening of $9 for these accident years. In addition, beginning in 2008, the Company observed unfavorable emergence of homeowners casualty claims for accident years 2003 and prior, primarily related to underground storage tanks. Following a detailed review of these claims in the first quarter of 2009, management increased its estimate of the magnitude of this exposure and strengthened homeowners casualty claim reserves by $9.

During the second quarter of 2009, the Company completed its annual ground up asbestos reserve evaluation. As part of this evaluation, the Company reviewed all of its open direct domestic insurance accounts exposed to asbestos liability, as well as assumed reinsurance accounts and its London Market exposures for both direct insurance and assumed reinsurance. Based on this evaluation, the Company increased its net asbestos reserves by $138. For certain direct policyholders, the Company experienced increases in claim severity, expense and costs associated with litigating asbestos coverage matters. Increases in severity and expense were most prevalent among certain, peripheral defendant insureds. The Company also experienced unfavorable development on its assumed reinsurance accounts driven largely by the same factors experienced by the direct policyholders.

During the second quarter of 2009, the Company completed its annual evaluation of the collectibility of the reinsurance recoverables and the adequacy of the allowance for uncollectible reinsurance associated with older, long-term casualty liabilities reported in the Other Operations segment. Based on this evaluation, the Company reduced its allowance for uncollectible reinsurance for Other Operations by $20, principally to reflect decreased reinsurance recoverable dispute exposure and favorable commutation activity since the last evaluation.

Table of Contents

Other Operations Claims

Reserve Activity

Reserves and reserve activity in the Other Operations segment are categorized and reported as asbestos, environmental, or all other . The all other category of reserves covers a wide range of insurance and assumed reinsurance coverages, including, but not limited to, potential liability for construction defects, lead paint, silica, pharmaceutical products, molestation and other long-tail liabilities.

The following table presents reserve activity, inclusive of estimates for both reported and incurred but not reported claims, net of reinsurance, for Other Operations, categorized by asbestos, environmental and all other claims, for the three and six months ended June 30, 2010.

Other Operations Losses and Loss Adjustment Expenses

For the Three Months Ended June 30, 2010	**Asbestos**	**Environmental**	**All Other [1]**	**Total**
Beginning liability net [2][3]	$ 1,822	$ 300	$ 1,393	$ 3,515
Losses and loss adjustment expenses incurred	170	2	1	173
Losses and loss adjustment expenses paid	(48)	(11)	(43)	(102)
Ending liability net [2][3]	**$ 1,944[4]**	**$ 291**	**$ 1,351**	**$ 3,586**

For the Six Months Ended June 30, 2010	**Asbestos**	**Environmental**	**All Other [1]**	**Total**
Beginning liability net [2][3]	$ 1,892	$ 307	$ 1,432	$ 3,631
Losses and loss adjustment expenses incurred	172	2		174
Losses and loss adjustment expenses paid	(120)	(18)	(81)	(219)
Ending liability net [2][3]	**$ 1,944[4]**	**$ 291**	**$ 1,351**	**$ 3,586**

[1] All Other includes unallocated loss adjustment expense reserves. All Other also includes The Company s allowance for uncollectible reinsurance. When the Company commutes a ceded reinsurance contract or settles a ceded reinsurance dispute, the

portion of the allowance for uncollectible reinsurance attributable to that commutation or settlement, if any, is reclassified to the appropriate cause of loss.

[2] *Excludes asbestos and environmental net liabilities reported in Ongoing Operations of $10 and $4, respectively, as of June 30, 2010, $10 and $4, respectively, as of March 31, 2010 and $10 and $5, respectively, as of December 31, 2009. Total net losses and loss adjustment expenses incurred in Ongoing Operations for the three months and six months ended June 30, 2010 includes $4 and $6, respectively, related to asbestos and environmental claims. Total net losses and loss adjustment expenses paid in Ongoing*

Operations for the three and six months ended June 30, 2010 includes $4 and $7, respectively, related to asbestos and environmental claims.

[3] *Gross of reinsurance, asbestos and environmental reserves, including liabilities in Ongoing Operations, were $2,545 and $344, respectively, as of June 30, 2010, $2,412 and $359, respectively, as of March 31, 2010 and $2,484 and $367, respectively, as of December 31, 2009.*

[4] *The one year and average three year net paid amounts for asbestos claims, including Ongoing Operations, are $233 and $227, respectively, resulting in a one year net survival ratio of 8.4 and a three year net*

survival ratio of 8.6. Net survival ratio is the quotient of the net carried reserves divided by the average annual payment amount and is an indication of the number of years that the net carried reserve would last (i.e. survive) if the future annual claim payments were consistent with the calculated historical average.

During the second quarter of 2010, the Company completed its annual ground-up asbestos reserve evaluation. As part of this evaluation, the Company reviewed all of its open direct domestic insurance accounts exposed to asbestos liability, as well as assumed reinsurance accounts and its London Market exposures for both direct insurance and assumed reinsurance. Based on this evaluation, the Company increased its net asbestos reserves by $169. For certain direct policyholders, the Company experienced increases in claim severity and expense. Increases in severity and expense were driven by litigation in certain jurisdictions and, to a lesser extent, development on primarily peripheral accounts. The Company also experienced unfavorable development on its assumed reinsurance accounts driven largely by the same factors experienced by the direct policyholders. The Company currently expects to continue to perform an evaluation of its asbestos liabilities annually.

The Company divides its gross asbestos exposures into Direct, Assumed Reinsurance and London Market. The Company further divides its direct asbestos exposures into the following categories: Major Asbestos Defendants (the Top 70 accounts in Tillinghast s published Tiers 1 and 2 and Wellington accounts), which are subdivided further as: Structured Settlements, Wellington, Other Major Asbestos Defendants, Accounts with Future Expected Exposures greater than $2.5, Accounts with Future Expected Exposures less than $2.5, and Unallocated.

- Structured Settlements are those accounts where the Company has reached an agreement with the insured as to the amount and timing of the claim payments to be made to the insured.
- The Wellington subcategory includes insureds that entered into the Wellington Agreement dated June 19, 1985. The Wellington Agreement provided terms and conditions for how the signatory asbestos producers would access their coverage from the signatory insurers.
- The Other Major Asbestos Defendants subcategory represents insureds included in Tiers 1 and 2, as defined by Tillinghast that are not Wellington signatories and have not entered into structured settlements with The Hartford. The Tier 1 and 2 classifications are meant to capture the insureds for which there is expected to be significant exposure to asbestos claims.
- Accounts with future expected exposures greater or less than $2.5 include accounts that are not major asbestos defendants.
- The Unallocated category includes an estimate of the reserves necessary for asbestos claims related to direct insureds that have not previously tendered asbestos claims to the Company and exposures related to liability claims that may not be subject to an aggregate limit under the applicable policies.

An account may move between categories from one evaluation to the next. For example, an account with future expected exposure of greater than $2.5 in one evaluation may be reevaluated due to changing conditions and recategorized as less than $2.5 in a subsequent evaluation or vice versa.

Table of Contents

The following table displays asbestos reserves and other statistics by policyholder category, as of June 30, 2010:

Summary of Gross Asbestos Reserves

	Number of Accounts [1]	All Time Paid [2]	Total Reserves	All Time Ultimate [2]
Major asbestos defendants [4]				
Structured settlements (includes 4 Wellington accounts) [5]	7	$ 312	$ 428	$ 740
Wellington (direct only)	29	908	44	952
Other major asbestos defendants	29	476	132	608
No known policies (includes 3 Wellington accounts)	5			
Accounts with future exposure > $2.5	77	832	585	1,417
Accounts with future exposure < $2.5	1,122	409	133	542
Unallocated [6]		1,766	446	2,212
Total direct		4,703	1,768	6,471
Assumed reinsurance		1,199	469	1,668
London market		605	308	913
Total as of June 30, 2010 [3]		**$ 6,507**	**$ 2,545**	**$ 9,052**

[1] An account may move between categories from one evaluation to the next. Reclassifications were made as a result of the reserve evaluation completed in the second quarter of 2010.

[2] All Time Paid represents the total payments with respect to the indicated claim type that have already been made by the Company as of the indicated balance sheet date. All Time

Ultimate represents the Company s estimate, as of the indicated balance sheet date, of the total payments that are ultimately expected to be made to fully settle the indicated payment type. The amount is the sum of the amounts already paid (e.g., All Time Paid) and the estimated future payments (e.g., the amount shown in the column labeled Total Reserves).

[3] *Survival ratio is a commonly used industry ratio for comparing reserve levels between companies. While the method is commonly used, it is not a predictive technique. Survival ratios may vary over time for numerous reasons such as large payments due to the final resolution of certain asbestos liabilities, or reserve re-estimates. The*

survival ratio is computed by dividing the recorded reserves by the average of the past three years of payments. The ratio is the calculated number of years the recorded reserves would survive if future annual payments were equal to the average annual payments for the past three years. The three-year gross survival ratio of 9.1 as of June 30, 2010 is computed based on total paid losses of $843 for the period from July 1, 2007 to June 30, 2010. As of June 30, 2010, the one year gross paid amount for total asbestos claims is $280, resulting in a one year gross survival ratio of 9.1.

[4] *Includes 25 open accounts at June 30, 2010. Included 25 open accounts at June 30, 2009.*

[5] *Structured settlements include the Company s reserves related*

to PPG Industries, Inc. (PPG). In January 2009, the Company, along with approximately three dozen other insurers, entered into a modified agreement in principle with PPG to resolve the Company s coverage obligations for all of its PPG asbestos liabilities, including principally those arising out of its 50% stock ownership of Pittsburgh Corning Corporation (PCC), a joint venture with Corning, Inc. The agreement is contingent on the fulfillment of certain conditions, including the confirmation of a PCC plan of reorganization under Section 524(g) of the Bankruptcy Code, which have not yet been met.

[6] Includes closed accounts (exclusive of Major Asbestos Defendants) and

unallocated
IBNR.

For paid and incurred losses and loss adjustment expenses reporting, the Company classifies its asbestos and environmental reserves into three categories: Direct, Assumed Reinsurance and London Market. Direct insurance includes primary and excess coverage. Assumed reinsurance includes both treaty reinsurance (covering broad categories of claims or blocks of business) and facultative reinsurance (covering specific risks or individual policies of primary or excess insurance companies). London Market business includes the business written by one or more of the Company s subsidiaries in the United Kingdom, which are no longer active in the insurance or reinsurance business. Such business includes both direct insurance and assumed reinsurance.

Of the three categories of claims (Direct, Assumed Reinsurance and London Market), direct policies tend to have the greatest factual development from which to estimate the Company s exposures.

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

London Market exposures are the most uncertain of the three categories of claims. As a participant in the London Market (comprised of both Lloyd s of London and London Market companies), certain subsidiaries of the Company wrote business on a subscription basis, with those subsidiaries involvement being limited to a relatively small percentage of a total contract placement. Claims are reported, via a broker, to the lead underwriter and, once agreed to, are presented to the following markets for concurrence. This reporting and claim agreement process makes estimating liabilities for this business the most uncertain of the three categories of claims.

Table of Contents

The following table sets forth, for the three and six months ended June 30, 2010, paid and incurred loss activity by the three categories of claims for asbestos and environmental.

Paid and Incurred Losses and Loss Adjustment Expenses (LAE) Development Asbestos and Environmental

	Asbestos [1]		Environmental [1]	
Three Months Ended June 30, 2010	**Paid Losses & LAE**	**Incurred Losses & LAE**	**Paid Losses & LAE**	**Incurred Losses & LAE**
Gross				
Direct	$ 38	$ 209	$ 10	$
Assumed Reinsurance	17		3	
London Market	7	(15)	1	
Total	62	194	14	
Ceded	(14)	(24)	(3)	2
Net	**$ 48**	**$ 170**	**$ 11**	**$ 2**
Six Months Ended June 30, 2010				
Gross				
Direct	$ 68	$ 209	$ 17	$
Assumed Reinsurance	50		3	
London Market	15	(15)	2	
Total	133	194	22	
Ceded	(13)	(22)	(4)	2
Net	**$ 120**	**$ 172**	**$ 18**	**$ 2**

[1] Excludes asbestos and environmental paid and incurred loss and LAE reported in Ongoing Operations. Total gross losses and LAE incurred in Ongoing Operations for the three and six months ended June 30, 2010

includes $4 and $6, respectively, related to asbestos and environmental claims. Total gross losses and LAE paid in Ongoing Operations for the three and six months ended June 30, 2010 includes $4 and $7, respectively, related to asbestos and environmental claims.

Uncertainties Regarding Adequacy of Asbestos and Environmental Reserves

A number of factors affect the variability of estimates for asbestos and environmental reserves including assumptions with respect to the frequency of claims, the average severity of those claims settled with payment, the dismissal rate of claims with no payment and the expense to indemnity ratio. The uncertainty with respect to the underlying reserve assumptions for asbestos and environmental adds a greater degree of variability to these reserve estimates than reserve estimates for more traditional exposures. While this variability is reflected in part in the size of the range of reserves developed by the Company, that range may still not be indicative of the potential variance between the ultimate outcome and the recorded reserves. The recorded net reserves as of June 30, 2010 of $2.25 billion ($1.95 billion and $295 for asbestos and environmental, respectively) is within an estimated range, unadjusted for covariance, of $1.79 billion to $2.55 billion. The process of estimating asbestos and environmental reserves remains subject to a wide variety of uncertainties, which are detailed in the Company s 2009 Form 10-K Annual Report. The Company believes that its current asbestos and environmental reserves are appropriate. However, analyses of future developments could cause the Company to change its estimates and ranges of its asbestos and environmental reserves, and the effect of these changes could be material to the Company s consolidated operating results, financial condition and liquidity.

The Company provides an allowance for uncollectible reinsurance, reflecting management s best estimate of reinsurance cessions that may be uncollectible in the future due to reinsurers unwillingness or inability to pay. During the second quarter of 2010, the Company completed its annual evaluation of the collectibility of the reinsurance recoverables and the adequacy of the allowance for uncollectible reinsurance associated with older, long-term casualty liabilities reported in the Other Operations segment. The evaluation resulted in no addition to the allowance for uncollectible reinsurance. In conducting this evaluation, the Company used its most recent detailed evaluations of ceded liabilities reported in the segment. The Company analyzed the overall credit quality of the Company s reinsurers, recent trends in arbitration and litigation outcomes in disputes between cedants and reinsurers, and recent developments in commutation activity between reinsurers and cedants. As of June 30, 2010, the allowance for uncollectible reinsurance for Other Operations totals $221. The Company currently expects to perform its regular comprehensive review of Other Operations reinsurance recoverables annually. Due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables become due, particularly for older, long-term casualty liabilities, it is possible that future adjustments to the Company s reinsurance recoverables, net of the allowance, could be required.

The Company expects to perform its regular review of environmental liabilities in the third quarter of 2010. Consistent with the Company s long-standing reserve practices, the Company will continue to review and monitor its reserves in the Other Operations segment regularly, and where future developments indicate, make appropriate adjustments to the reserves. For a discussion of the Company s reserving practices, see the Critical Accounting

Estimates Property and Casualty Reserves, Net of Reinsurance section of the MD&A included in the Company s 2009 Form 10-K Annual Report.

Table of Contents

Life Estimated Gross Profits Used in the Valuation and Amortization of Assets and Liabilities Associated with Variable Annuity and Other Universal Life-Type Contracts

Estimated gross profits (EGPs) are used in the amortization of: Life s deferred policy acquisition cost (DAC) asset, which includes the present value of future profits; sales inducement assets (SIA); and unearned revenue reserves (URR). See Note 6 of the Notes to Condensed Consolidated Financial Statements for additional information on DAC. See Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information on SIA. Portions of EGPs are also used in the valuation of reserves for death and other insurance benefit features on variable annuity and universal life-type contracts. See Note 7 of the Notes to Condensed Consolidated Financial Statements for additional information on death and other insurance benefit reserves. See The Hartford s 2009 Form 10-K Annual Report for additional discussion on the Company s critical accounting estimates related to EGPs.

The most significant EGP based balances are as follows:

	Individual Variable Annuities - U.S.		Individual Variable Annuities - Japan		Individual Life	
	June 30, 2010	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
DAC	$ 2,962	$ 3,378	$ 1,554	$ 1,566	$ 2,442	$ 2,528
SIA	$ 302	$ 324	$ 34	$ 28	$ 43	$ 42
URR	$ 89	$ 85	$ 1	$ 1	$ 1,234	$ 1,185
Death and Other Insurance Benefit Reserves	$ 1,310	$ 1,232	$ 656	$ 580	$ 96	$ 76

Unlocks

The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the three months ended June 30, 2010 was as follows:

Segment After-tax (Charge) Benefit	**DAC**	**URR**	**Death and Other Insurance Benefit Reserves [1]**	**SIA**	**Total [2]**
Global Annuity U.S.	$ (125)	$ 4	$ (47)	$ (12)	$ (180)
Global Annuity International	(4)		(38)		(42)
Retirement	(5)				(5)
Individual Life	(8)	5			(3)
Total	**$ (142)**	**$ 9**	**$ (85)**	**$ (12)**	**$ (230)**

[1] As a result of the Unlock, Global Annuity U.S. reserves increased $165, pre-tax, offset by an increase in reinsurance

recoverables of $92, pre-tax. Global Annuity International reserves increased $64, pre-tax, offset by an increase in reinsurance recoverables of $6, pre-tax.

[2] *The most significant contributor to the Unlock charge recorded during the second quarter of 2010 was actual separate account returns from March 31, 2010 to June 30, 2010 being below our aggregated estimated return.*

The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the six months ended June 30, 2010 was as follows:

Segment **After-tax (Charge) Benefit**	**DAC**	**URR**	**Death and Other Insurance Benefit Reserves [1]**	**SIA**	**Total [2]**
Global Annuity U.S.	$ (84)	$ 3	$ (29)	$ (10)	$ (120)
Global Annuity International	4		(25)		(21)
Retirement	(4)				(4)
Individual Life	(6)	6			
Total	**$ (90)**	**$ 9**	**$ (54)**	**$ (10)**	**$ (145)**

[1] *As a result of the Unlock, Global Annuity U.S. reserves increased $107, pre-tax, offset*

by an increase in reinsurance recoverables of $63, pre-tax. Global Annuity International reserves increased $32, pre-tax, offset by an increase in reinsurance recoverables of $7, pre-tax.

[2] *The most significant contributors to the Unlock charge recorded during the first half of 2010 was actual separate account returns from January 1, 2010 to June 30, 2010 being below our aggregated estimated return and the impact of increased hedging costs.*

Table of Contents

The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the three months ended June 30, 2009 was as follows:

Segment After-tax (Charge) Benefit	DAC	URR	Death and Other Insurance Benefit Reserves [1]	SIA	Total
Global Annuity U.S.	$ 163	$ (21)	$ 98	$ 13	$ 253
Global Annuity International [2]	(11)	6	117	(8)	104
Retirement	1				1
Individual Life	3	(1)			2
Total	**$ 156**	**$ (16)**	**$ 215**	**$ 5**	**$ 360**

[1] As a result of the Unlock, death benefit reserves, in Global Annuity U.S., decreased $307, pre-tax, offset by a decrease of $157, pre-tax, in reinsurance recoverables. In Global Annuity International, death benefit reserves decreased $184, pre-tax, offset by an increase of $4, pre-tax, in reinsurance recoverables.

[2] Includes $(49) related to DAC recoverability impairment associated with the decision to suspend sales in the U.K. variable annuity business.

The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the six months ended June 30, 2009 was as follows:

Segment After-tax (Charge) Benefit	DAC	URR	Death and Other Insurance Benefit Reserves [1]	SIA	Total [2]
Global Annuity U.S.	$ (503)	$ 31	$ (230)	$ (30)	$ (732)
Global Annuity International	(99)	6	(216)	(9)	(318)
Retirement	(53)		(2)	(1)	(56)
Individual Life	(64)	40			(24)
Corporate	(4)				(4)
Total	**$ (723)**	**$ 77**	**$ (448)**	**$ (40)**	**$ (1,134)**

[1] As a result of the Unlock, Global Annuity U.S. reserves increased $741, pre-tax, offset by an increase in reinsurance recoverables of $386, pre-tax. Global Annuity International reserves increased $352, pre-tax, offset by a decrease in reinsurance recoverable of $20, pre-tax.

[2] The most significant contributor to the Unlock amounts recorded during the first half of 2009 was actual separate account returns from the period ending October 1, 2008 to March 31,

2009 being significantly below our aggregated estimated return.

An Unlock revises EGPs, on a quarterly basis, to reflect market updates of policyholder account value and the Company s current best estimate assumptions. After each quarterly Unlock, the Company also tests the aggregate recoverability of DAC by comparing the DAC balance to the present value of future EGPs. The margin between the DAC balance and the present value of future EGPs for U.S. and Japan individual variable annuities was 24% and 40% as of June 30, 2010, respectively, and 23% and 41% as of December 31, 2009, respectively. If the margin between the DAC asset and the present value of future EGPs is exhausted, further reductions in EGPs would cause portions of DAC to be unrecoverable.

Goodwill Impairment

The Company completed its annual goodwill assessment for Federal Trust Corporation during the second quarter of 2010, resulting in a goodwill impairment of $153, pre-tax.

The Company completed its annual goodwill assessment for the individual reporting units within Life as of January 1, 2010, which resulted in no write-downs of goodwill in 2010. The reporting units passed the first step of their annual impairment tests with a significant margin with the exception of the Individual Life reporting unit. Individual Life completed the second step of the annual goodwill impairment test resulting in an implied goodwill value that was in excess of its carrying value. Even though the fair value of the reporting unit was lower than its carrying value, the implied level of goodwill in Individual Life exceeded the carrying amount of goodwill. In the implied purchase accounting required by the Step 2 goodwill impairment test, the implied present value of future profits was substantially lower than that of the DAC asset removed in purchase accounting. A higher discount rate was used for calculating the present value of future profits as compared to that used for calculating the present value of estimated gross profits for DAC. As a result, in the implied purchase accounting, implied goodwill exceeded the carrying amount of goodwill.

The Company expects to complete the annual impairment test for the Property & Casualty reporting units in the fourth quarter of 2010.

THE HARTFORD S OPERATIONS OVERVIEW

The Hartford is organized into two major operations: Life and Property & Casualty, each containing reporting segments. The following discussions describe the Life and Property & Casualty operations. For additional information, such as certain measures and ratios that the Company considers in assessing the performance of its life and property and casualty underwriting businesses, see MD&A in The Hartford s 2009 Form 10-K Annual Report.

Life Operations

Life is organized into six reporting segments, Global Annuity U.S., Global Annuity International, Retirement, Individual Life, Group Benefits, and Institutional.

Global Annuity U.S. offers individual variable, fixed market value adjusted (MVA), and single premium immediate annuities.

Global Annuity International administers investments, retirement savings and other insurance and savings products to individuals and groups outside the United States. The Company s Japan operation is the largest component of the Global Annuity International segment.

Retirement provides products and services to corporations pursuant to Section 401(k) and products and services to municipalities and not-for-profit organizations under Section 457 and 403(b) of the IRS code, as well as Retail mutual funds, Insurance Product mutual funds, Investment-Only mutual funds and 529 college savings plans.

Individual Life sells a variety of life insurance products, including variable universal life, universal life, and term life.

Group Benefits provides employers, associations, affinity groups and financial institutions with group life, accident and disability coverage, along with other products and services, including voluntary benefits, and group retiree health.

Institutional, primarily offers institutional liability products, such as variable Private Placement Life Insurance (PPLI) owned by corporations and high net worth individuals and stable value products. Institutional continues to service existing customers of its suspended businesses, which includes Leveraged PPLI, structured settlements and institutional annuities (primarily terminal funding cases).

Life includes within its Other category corporate items not directly allocated to any of its reportable operating segments; intersegment eliminations; the mark-to-mark adjustment for the Global Annuity International variable annuity assets that are classified as equity securities, trading, reported in net investment income and the related change in interest credited reported as a component of benefits, losses and loss adjustment expenses; and includes certain fee income and commission expenses associated with sales of non-proprietary products by broker-dealer subsidiaries.

In some circumstances, operating and performance results may be discussed at a reporting unit level, where the components of an operating segment constitute a reporting unit for which discrete financial information is available and segment management regularly reviews the operating results of that reporting unit. Such is the case for Retirement which is comprised of Retirement Plans, which includes 401(k), 457, 403(b), longevity assurance and income annuities, and Mutual Funds which is comprised of Retail mutual funds, Insurance Product mutual funds, Investment-Only mutual funds and 529 college savings plans.

Definitions of Non-GAAP measures and ratios for Life Operations

After-tax Margin

After-tax margin, excluding realized gains (losses) or DAC Unlock is a non-GAAP financial measure that the Company uses to evaluate, and believes are important measures of, segment operating performance. After-tax margin is the most directly comparable U.S. GAAP measure. The Hartford believes that the measure after-tax margin, excluding realized gains (losses) and DAC Unlock provides investors with a valuable measure of the performance of the Company s on-going businesses because it reveals trends in our businesses that may be obscured by the effect of realized gains (losses) or quarterly DAC Unlocks. 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 insurance aspects of our businesses. Accordingly, these non-GAAP measures exclude the effect of all realized gains and losses that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so after-tax margin, excluding the realized gains (losses) and DAC Unlock should include net realized gains and losses on net periodic settlements on the Japan fixed annuity cross-currency swap. These net realized gains and losses are directly related to an offsetting item included in the statement of operations such as net investment income. DAC Unlocks

occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. As the DAC Unlock is a reflection of the Company s new best estimates of future gross profits, the result and its impact on the DAC amortization ratio is meaningful; however, it does distort the trend of after-tax margin. After-tax margin, excluding realized gains (losses) and DAC Unlock should not be considered as a substitute for after-tax margin and does not reflect the overall profitability of our businesses. Therefore, the Company believes it is important for investors to evaluate both after-tax margin, excluding realized gains (losses) and DAC Unlock and after-tax margin when reviewing the Company s performance.

DAC amortization ratio

DAC amortization ratio, excluding realized gains (losses) and DAC Unlock is a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, segment operating performance. DAC amortization ratio is the most directly comparable U.S. GAAP measure. The Hartford believes that the measure DAC amortization ratio, excluding realized gains (losses) and DAC Unlock provides investors with a valuable measure of the performance of the Company s on-going businesses because it reveals trends in our businesses that may be obscured by the effect of realized gains (losses) or quarterly DAC Unlocks. 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 insurance aspects of our businesses. Accordingly, these non-GAAP measures exclude the effect of all realized gains and losses that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so amortization of deferred policy acquisition costs and the present value of future profits (DAC amortization ratio), which is typically expressed as a percentage of pre-tax income before the cost of this amortization (an approximation of actual gross profits) and excludes the effects of realized capital gains and losses, excluding the realized gains (losses) and DAC Unlock should include net realized gains and losses on net periodic settlements on the Japan fixed annuity cross-currency swap. These net realized gains and losses are directly related to an offsetting item included in the statement of operations such as net investment income. DAC Unlocks occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. As the DAC Unlock is a reflection of the Company s new best estimates of future gross profits, the result and its impact on the DAC amortization ratio is meaningful; however, it does distort the trend of DAC amortization ratio. DAC amortization ratio, excluding realized gains (losses) and DAC Unlock should not be considered as a substitute for DAC amortization ratio and does not reflect the overall profitability of our businesses. Therefore, the Company believes it is important for investors to evaluate both DAC amortization ratio, excluding realized gains (losses) and DAC Unlock and DAC amortization ratio when reviewing the Company s performance.

Net Investment Spread

Management evaluates performance of certain products based on net investment spread. These products include those that have insignificant mortality risk, such as fixed annuities, certain general account universal life contracts and certain institutional contracts. Net investment spread is determined by taking the difference between the earned rate, (excluding the effects of realized capital gains and losses, including those related to the Company s GMWB product and related reinsurance and hedging programs), and the related crediting rates on average general account assets under management. The net investment spreads are for the total portfolio of relevant contracts in each segment and reflect business written at different times. When pricing products, the Company considers current investment yields and not the portfolio average. The determination of credited rates is based upon consideration of current market rates for similar products, portfolio yields and contractually guaranteed minimum credited rates. Net investment spread can be volatile period over period, which can have a significant positive or negative effect on the operating results of each segment. The volatile nature of net investment spread is driven primarily by earnings on limited partnership and other alternative investments and prepayment premiums on securities. Investment earnings can also be influenced by factors such as changes in interest rates, credit spreads and decisions to hold higher levels of short-term investments.

Return on Assets (ROA)

ROA, excluding realized gains (losses) or DAC Unlock, is a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, segment operating performance. ROA is the most directly comparable U.S. GAAP measure. The Hartford believes that the measure ROA, excluding realized gains (losses) and DAC Unlock provides investors with a valuable measure of the performance of the Company s on-going businesses because it reveals trends in our businesses that may be obscured by the effect of realized gains (losses) or quarterly DAC Unlocks. 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 insurance aspects of our businesses. Accordingly, these non-GAAP measures exclude the effect of all realized gains and losses that tend to be highly variable from period to period based on capital market conditions. The Hartford believes, however, that some realized capital gains and losses are integrally related to our insurance operations, so ROA, excluding the realized gains

(losses) and DAC Unlock should include net realized gains and losses on net periodic settlements on the Japan fixed annuity cross-currency swap. These net realized gains and losses are directly related to an offsetting item included in the statement of operations such as net investment income. DAC Unlocks occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. As the DAC Unlock is a reflection of the Company s new best estimates of future gross profits, the result and its impact on the DAC amortization ratio is meaningful; however, it does distort the trend of ROA. ROA, excluding realized gains (losses) and DAC Unlock should not be considered as a substitute for ROA and does not reflect the overall profitability of our businesses. Therefore, the Company believes it is important for investors to evaluate both ROA, excluding realized gains (losses) and DAC Unlock and ROA when reviewing the Company s performance.

Table of Contents

Property & Casualty Operations

Property & Casualty is organized into five reporting segments: the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial (collectively Ongoing Operations), and the Other Operations segment. Through its Ongoing Operations segment, the Company provides a number of coverages, as well as insurance-related services, to businesses throughout the United States, including workers