Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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In deciding whether to invest in The Hartford, you should carefully consider the following risks, any of which could have a material adverse effect on our business, financial condition, results of operations or liquidity and could also impact the trading price of our securities. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under " Forward- Looking Statements " above and the risks of our businesses described elsewhere in this Annual Report on Form 10- K. The following risk factors have been organized by category for ease of use, however many of the risks may have impacts in more than one category. The occurrence of certain of them may, in turn, cause the emergence or exacerbate the effect of others. Such a combination could materially increase the severity of the impact of these risks on our business, results of operations, financial condition or liquidity. Risks Relating to Economic, Political and Global Market ConditionsUnfavorable economic, political and global market conditions may adversely impact our business and results of operations. The Company' s investment portfolio, Hartford Funds business, and insurance businesses are sensitive to changes in economic, political and global capital market conditions, such as the effect of a weak economy, including labor supply shortages, and changes in credit spreads, equity prices, interest rates, inflation, foreign currency exchange rates, and shifts in demand and supply of U. S. dollars. Weak economic conditions, such as high unemployment, low labor force participation, lower family income, a weak real estate market, lower business investment and lower consumer spending may adversely affect the demand for insurance and financial products and lower the Company' s profitability in some cases. In addition, political instability, politically motivated violence or civil unrest, may increase the frequency and severity of insured losses. In addition, a deterioration in global economic conditions and / or geopolitical conditions, including due to military action, trade wars, tariffs or other actions with respect to international trade agreements or policies, has the potential to, among other things, reduce demand for our products, reduce exposures we insure, drive higher inflation that could increase the Company' s loss costs and result in increased incidence of claims, particularly for workers' compensation and disability claims. ~~The Company' s investment portfolio includes limited partnerships and other alternative investments and equity securities for which changes in value are reported in earnings. These investments may be adversely impacted by economic volatility, including real estate market deterioration, which could impact our net investment returns and result in an adverse impact on operating results.~~ If **the conflict between** Russia **and** ~~' s war against~~ Ukraine **, and / or the conflict between Israel and Hamas,** were to expand to other countries, the insurance losses and adverse economic impacts could be much more severe than what is currently foreseeable. **The Company' s investment portfolio includes limited partnerships and other alternative investments and equity securities for which changes in value are reported in earnings. These investments may be adversely impacted by economic volatility, including real estate market deterioration, which could impact our net investment returns and result in an adverse impact on operating results.** In an economic downturn, the Company could experience credit losses on various asset balances, including receivables and the principal amount of various invested assets, including fixed maturities and mortgage loans. In addition to credit losses on invested assets, The Company could experience declines in the value of available for sale debt securities if credit spreads were to widen significantly, which would reduce stockholders' equity. In addition, disruption in equity markets could result in net realized or unrealized losses on our equity securities carried at fair value or reduce net investment income in future periods from our non- fixed income investment portfolio, including from **limited** ~~private equity, hedge fund and real estate partnership~~ **partnerships and other alternative** investments. The Company could also experience higher reinsurance costs and / or more limited availability of reinsurance coverage. Below are several key factors impacted by changes in economic, political, and global market conditions and their potential effect on the Company' s business and results of operations: • Credit Spread Risk- Credit spread exposure is reflected in the market prices of fixed income instruments where lower rated securities generally trade at a higher credit spread. If issuer credit spreads increase or widen, the market value of our investment portfolio may decline. If the credit spread widening is significant and occurs over an extended period of time, the Company may recognize credit losses, resulting in decreased earnings. If credit spreads tighten significantly, the Company' s net investment income associated with new purchases of fixed maturities may be reduced. In addition, the value of credit derivatives under which the Company assumes exposure or purchases protection are impacted by changes in credit spreads, with losses occurring when credit spreads widen for assumed exposure or when credit spreads tighten if credit protection has been purchased. • Equity Markets Risk- A decline in equity markets may result in net realized losses on sales ~~or~~ **of equity securities,** unrealized losses on equity securities held at fair value ~~or~~ **,** reduce net investment income in future periods from our non- fixed income investment portfolio, including from **limited** ~~private equity, hedge fund and real estate partnership~~ **partnerships and other alternative** investments, ~~and~~ **or** lower earnings from Hartford Funds where fee income is earned based upon the fair value of the assets under management. Equity markets are unpredictable. In the past few years, equity markets have been volatile, which could be indicative of a greater risk of a decline. For additional information on equity market sensitivity, see Part II, Item 7, MD & A- Enterprise Risk Management, Financial Risk- Equity Risk. • Interest Rate Risk- ~~Continued increases~~ **Increases** in interest rates ~~to combat inflation~~ **or persistently high interest rates** could lead to ~~an economic downturn or~~ recession ~~, which would lower the demand for~~ - **or** ~~many of the~~ | Part I- Item 1A. Risk Factors **economic stagnation, which could lower the demand for many of the** Company' s products and ~~could~~ **may** result in realized or unrealized losses on existing fixed income assets in the investment portfolio. **This could also impact property valuations and financing costs for mortgage loans and real estate joint ventures within limited partnerships and other alternative investments.** Alternatively, a deterioration in global economic conditions could result in a lower interest rate environment, which would pressure our net investment income and could result in lower margins on certain products ~~. For additional information on interest rate sensitivity, see Part II, Item 7, MD & A- Enterprise Risk Management, Financial Risk- Interest Rate Risk~~ . New and renewal business for our property and casualty and group benefits products is priced considering prevailing interest rates. As interest rates decline, in order to achieve the same economic return, we would have to increase product prices to offset the lower anticipated investment income earned on invested premiums. Conversely, as interest rates rise, pricing targets will tend to decrease to reflect higher anticipated investment income. Our ability to effectively react to such changes in interest rates may affect our competitiveness in the marketplace, and in turn, could reduce written premium and earnings. In addition,due to the long- term nature of the liabilities within our Group Benefits operations,particularly for long- term disability,declines in interest rates over an extended period of time would result in our having to reinvest at lower yields.On the other hand,a rise in interest rates,in the absence of other countervailing changes,would reduce the market value of our investment portfolio.A decline in market value of invested assets due to an increase in interest rates could also limit our ability to realize tax benefits from recognized capital losses. For additional information on interest rate sensitivity, see Part II, Item 7, MD & A- Enterprise Risk Management, Financial Risk- Interest Rate Risk. In addition, due to the long...... tax benefits from recognized capital losses. • Inflation Risk- Inflation is a risk to our property and casualty business because, in many cases, claims are paid out many years after a policy is written and premium is collected for the risk. ~~Supply chain issues arising from conditions due to the pandemic have contributed to inflation in the cost of labor and repairs for insurance claims paid to insureds and third parties. Russia' s February 2022 invasion of Ukraine has further exacerbated supply chain issues contributing to higher inflation for goods and services, including higher energy costs.~~ A greater than expected increase in inflation **may impact** ~~related to the cost of~~ medical services ~~and~~ **,** ~~repairs~~ **repair** ~~over~~ **costs or** ~~the~~ **other** claim settlement ~~period~~ **expenses, which** can result in higher claim costs than what was estimated at the time the policy was written. Inflation can also affect consumer spending and business investment which can reduce the demand for our products and services. In addition, sustained inflation may result in an increase in interest rates, which would result in a reduction in the fair value of our investment portfolio. • Changes in the Labor Market- Evolving labor market conditions, including increased competition for talent, could make it difficult to hire and retain employees and could increase compensation and ~~benefit~~ **benefits** expense. New technologies may lead to changes in skill sets needed from the workforce, resulting in difficulty in attracting, developing and retaining employees. If insured businesses cannot hire enough qualified people to sell products and services to customers, economic activity may be depressed and lower insured exposure, hindering the Company' s growth. • Foreign Currency Exchange Rate- Changes in foreign currency exchange rates may impact our non- U. S. dollar denominated investments and foreign subsidiaries ~~. As the Company has expanded its international operations, exposure to exchange rate fluctuations has increased~~ . We hold cash and fixed maturity securities denominated in foreign currencies, including British Pounds and Canadian dollars, among others, and also have other assets and liabilities denominated in foreign currencies such as premiums receivable and loss reserves. While the Company predominately uses asset- liability matching, including the use of derivatives, to hedge certain of these exposures to fluctuations in foreign currency exchange rates, these actions do not eliminate the risk that changes in the exchange rates of foreign currencies to the U. S. dollar could result in financial loss to the Company, including realized or unrealized losses resulting from currency revaluation and increases to regulatory capital requirements for foreign subsidiaries that have net assets that are not denominated in their local currency. For additional information on foreign exchange risk, see Part II, Item 7, MD & A- Enterprise Risk Management, Financial Risk. COVID- 19 illness could continue to...... effect on our results of operations. Concentration of our investment portfolio increases the potential for significant losses. The concentration of our investment portfolios in any particular industry, collateral type, group of related industries or geographic ~~sector~~ **region** could have an adverse effect on our investment portfolios and consequently on our business, financial condition, results of operations, or liquidity. Events or developments that have a negative impact on any particular industry, collateral type, group of related industries or geographic region may have a greater adverse effect on our investment portfolio to the extent that the portfolio is concentrated rather than diversified. Further, if issuers of securities or loans we hold are acquired, merge or otherwise consolidate with other issuers of securities or loans held by the Company, our investment portfolio' s credit concentration risk to issuers could increase for a period of time, until the Company is able to sell securities to get back in compliance with the established investment credit policies. Changing climate and weather patterns may adversely affect our business, financial condition and results of operation. Climate change presents risks to us as an insurer, investor and employer. Climate models indicate that rising temperatures will likely result in rising sea levels over the decades to come and may increase the frequency and intensity of natural catastrophes and severe weather events. Extreme weather events such as abnormally high temperatures may result in increased losses associated with our property, automobile, workers' compensation and group benefits businesses. Changing climate patterns may also increase the duration, frequency and intensity of heat / cold waves, which may result in increased claims for property damage, business interruption and losses under workers' compensation, group disability and group life coverages. Precipitation patterns across the U. S. are projected to change, which if realized, may increase risks of flash floods ~~and~~ **,** wildfires **, and other severe weather events** . If third parties assert that climate change- related risks and damages are caused by insured businesses, or arise from alleged mismanagement at insured businesses, we may experience increased claims under general liability and management liability policies. Additionally, there may be an impact on the demand, price and availability of automobile and homeowners insurance, and there is a risk of higher reinsurance costs or more limited availability of reinsurance coverage. Changes in climate conditions may also cause our underlying modeling data to not adequately reflect frequency and severity, limiting our ability to effectively evaluate and manage risks of catastrophes and severe weather events. Among other impacts, this could result in not charging enough premiums or not obtaining timely state approvals for rate increases to cover the risks we insure. We may also experience significant interruptions to the Company' s systems and operations that hinder our ability to sell and service business, manage claims and operate our business. In addition, climate change- related risks **, including risks associated with global energy transition,** may adversely impact the value of the investments that we hold, resulting in potential realized or unrealized losses on our invested assets. Our decision to invest in certain securities, loans, or other investments may also be impacted by changes in climate patterns due to: • changes in supply / demand for traditional sources of energy (e. g., coal, oil, natural gas); • advances in low- carbon technology and renewable energy development; • effects of extreme weather events on the physical and operational exposure of industries and issuers; and • internal investment guidelines and policies related to the global energy transition. The effects of climate change could also lead to increased credit risk of other counterparties we transact business with, including reinsurers. ~~Rising sea levels~~ **Climate change effects** may **also** lead to decreases in real estate values in ~~coastal areas~~ **various locations and for a variety of reasons** , reducing premium and demand for commercial property and homeowners insurance and adversely impacting the value of our real estate- related investments. Additionally, government policies or regulations to slow climate change, such as emission controls or technology mandates, may have an adverse impact on sectors such as utilities, transportation and manufacturing, affecting demand for our products and our investments in these sectors. Moreover, regulators may undertake actions to minimize the effects of climate change on consumers, which could affect coverage provided under insurance contracts and administrative process. These emerging regulatory initiatives, or other climate- related policies we adopt, may result in non- renewal of business or ~~not~~ **reduced appetite for** underwriting or investing in certain industry sectors. Because there is significant variability associated with the impacts of climate change, we cannot predict how physical, legal, regulatory and social responses may impact our business. **For additional discussion about climate change related risks, see the Risk Factor, " We are vulnerable to losses from catastrophes, both natural and man- made. "** Insurance Industry and Product Related RisksUnfavorable loss development may adversely affect our business, financial condition, results of operations or liquidity. We establish property and casualty and group benefits loss reserves to cover our estimated liability for the payment of all unpaid losses and loss expenses incurred with respect to premiums earned on our policies. Loss reserves are estimates of what we expect the ultimate settlement and administration of claims will cost, less what has been paid to date. These estimates are based upon actuarial projections and on our assessment of currently available data, as well as estimates of claims severity and frequency, legal theories of liability and other factors. For risks due to evolving changes in social, economic and environmental conditions, see the Risk Factor, " Unexpected and unintended claim and coverage issues under our insurance contracts may adversely impact our financial performance. " Loss reserve estimates are refined periodically as experience develops and claims are reported and settled, potentially resulting in increases to our reserves. Increases in reserves would be recognized as an expense during the periods in which these determinations are made, thereby adversely affecting our results of operations for those periods. In addition, since reserve estimates of aggregate loss costs for prior years are used in pricing our insurance products, inaccurate reserves can lead to our products not being priced adequately to cover actual losses and related loss expenses in order to generate a profit. In property and casualty, we continue to receive A & E claims, the vast majority of which relate to policies written before 1986. Estimating the ultimate gross reserves needed for unpaid losses and related expenses for ~~asbestos and environmental~~ **A & E** claims is particularly difficult for insurers and reinsurers. The actuarial tools and other techniques used to estimate the ultimate cost of more traditional insurance exposures tend to be less precise when used to estimate reserves for some A & E exposures. Moreover, the assumptions used to estimate gross reserves for A & E claims, such as claim frequency over time, average severity, and how various policy provisions will be interpreted, are subject to significant uncertainty. It is also not possible to predict changes in the legal and legislative environment and their effect on the future development of A & E claims. These factors, among others, make the variability of gross reserves estimates for these longer- tailed exposures significantly greater than for other more traditional exposures. Effective December 31, 2016, the Company entered into an agreement with National Indemnity Company (" NICO "), a subsidiary of Berkshire Hathaway Inc. (" Berkshire ") whereby the Company is reinsured for subsequent adverse development on substantially all of its net A & E reserves up to an aggregate net limit of $ 1. 5 billion. We remain directly liable to claimants and if the reinsurer does not fulfill its obligations under the agreement or if future adverse development exceeds the $ 1. 5 billion aggregate limit, we may need to increase our recorded net reserves which could have a material adverse effect on our financial condition, results of operations or liquidity. For additional information related to risks associated with the adverse development cover **(" ADC")** , see Note 11- Reserve for Unpaid Losses and Loss Adjustment Expenses of Notes to Consolidated Financial Statements. We are vulnerable to losses from catastrophes, both natural and man- made. Our insurance operations expose us to claims arising out of catastrophes. Catastrophes can be caused by various unpredictable natural events, including, among others, earthquakes, hurricanes, hailstorms, severe winter weather, wind storms, fires, tornadoes, and pandemics. Catastrophes can also be man- made, such as terrorist attacks, civil unrest, cyber- attacks, explosions or infrastructure failures. ~~For~~ **Catastrophes may also include some major** international events ~~, catastrophes may include some events~~ designated ~~as major losses~~ by Lloyd' s of London ~~and, accordingly, includes incurred losses arising from exposures in Ukraine and Russia as a result of Russia' s invasion of Ukraine~~ . The geographic distribution of our business subjects us to catastrophe exposure for events occurring in a number of areas, including, but not limited to: hurricanes in Florida, the Gulf Coast, the Northeast and the Atlantic coast regions of the United States; tornadoes and hail in the Midwest and Southeast; earthquakes in geographical regions exposed to seismic activity; wildfires in **various regions, including** the ~~West~~ **Western United States, Hawaii and Canada** ; and the spread of disease, which can occur throughout multiple geographic locations. We are also exposed to catastrophe losses in other parts of the world through our global specialty business. Any increases in the values and concentrations of insureds and property in these areas would increase the severity of catastrophic events in the future. In addition, changes in climate and / or weather patterns may increase the frequency and / or intensity of severe weather and natural catastrophe events potentially leading to increased insured losses. Potential examples include, but are not limited to: • an increase in the frequency or intensity of wind and thunderstorm and tornado / hailstorm events due to increased convection in the atmosphere, • more frequent and larger wildfires in certain geographies, • higher incidence of deluge flooding, and • the potential for an increase in frequency and severity of hurricane events. Insufficient incorporation of climatic trends into widely used catastrophe models and internal tools to assess risk from natural catastrophe perils could lead to ineffective evaluation and management of catastrophe risk. For a further discussion of climate- related risks, see the above- referenced Risk Factor, " Changing climate and weather patterns may adversely affect our business, financial condition and results of operation. " Our businesses also have exposure to global or nationally occurring pandemics caused by highly infectious and potentially fatal diseases spread through human, animal or plant populations. In the event of one or more catastrophes, policyholders may be unable to meet their obligations to pay premiums on our insurance policies. Further, our liquidity could be constrained by a catastrophe, or multiple catastrophes. In addition, in part because accounting rules do not permit insurers to reserve for such catastrophic events until they occur, claims from catastrophic events could have a material adverse effect on our business, financial condition, results of operations or liquidity. The amount we charge for catastrophe exposure may be inadequate if the frequency or severity of catastrophe losses changes over time or if the models we use to estimate the exposure prove inadequate. In addition, regulators or legislators could limit our ability to charge adequate pricing for catastrophe exposures or shift more responsibility for covering risk. Terrorism is an example of a significant man- made potential catastrophe. Private sector catastrophe reinsurance is limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. In addition, workers' compensation policies generally do not have exclusions or limitations for terrorism losses. Reinsurance coverage from the federal government under the Terrorism Risk Insurance Program (the" Program") Reauthorization Act of 2019 (" TRIPRA 2019 ") is also limited and only applies for certified acts of terrorism that exceed a certain threshold of industry losses. Accordingly, the effects of a terrorist attack in the geographic areas we serve may result in claims and related losses for which we do not have adequate reinsurance. TRIPRA 2019 also requires that the federal government create the following reports, which could lead to additional legislation or regulation: (1) Treasury Department to include in its biennial report on the effectiveness of the Program an evaluation of the availability and affordability of terrorism risk insurance for places of worship; and (2) Government Accountability Office report to analyze and address the vulnerabilities and potential costs of cyber terrorism, to assess adequacy of coverage under the Program, and to make recommendations for future legislative changes to address evolving cyber terrorism risks. Further, the continued threat of terrorism and the occurrence of terrorist attacks, as well as heightened security measures and military action in response to these threats and attacks or other geopolitical or military crises, may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. These consequences could have an adverse effect on the value of the assets in our investment portfolio **and / or cause a reduction in demand for our products** . Terrorist attacks also could disrupt our operation centers. In addition, TRIPRA 2019 expires on December 31, 2027 and if the U. S. Congress does not reauthorize the program or significantly reduces the government' s share of covered terrorism losses, the Company' s exposure to terrorism losses could increase materially unless it can purchase alternative terrorism reinsurance protection in the private markets at affordable prices or takes actions to materially reduce its exposure in lines of business subject to terrorism risk. For a further discussion of TRIPRA, see Part II, Item 7, MD & A- Enterprise Risk Management- Insurance Risk Management, Reinsurance as a Risk Management Strategy. Cyber risk exposure exists through stand- alone cyber policies as well as cyber coverage endorsements on some property, general liability, management liability and directors and officers policies. Increasing frequency of cyber attacks and the evolving nature of cyber risk taking place across the globe may potentially lead to increased insured losses across the industry and for the businesses we insure. Our insureds may be increasingly exposed to cyber- related attacks with insured losses to property (including data and systems), breach of data, ransom payments and business interruption. Geopolitical crises or hostile actions taken by nation states or terrorist organizations may heighten the risk of cyber- attacks on companies we insure and on our own operations. As a result, it is possible that any, or a combination of all, of these factors related to a catastrophe, or multiple catastrophes, whether natural or man- made, can have a material adverse effect on our business, financial condition, results of operations or liquidity. Pricing for our products is subject to our ability to adequately assess risks, estimate losses and comply with state and international insurance regulations. We seek to price our property and casualty and group benefits insurance policies such that insurance premiums and future net investment income earned on premiums received will provide for an acceptable profit in excess of underwriting expenses and the cost of paying claims. Pricing adequacy depends on a number of factors, including proper evaluation of underwriting risks, the ability to project future claim costs, our expense levels, net investment income realized, our response to rate actions taken by competitors, legal and regulatory developments, including in international markets, and the ability to obtain regulatory approval for rate changes. State insurance departments regulate many of the premium rates we charge and also propose rate changes for the benefit of the insurance consumer at the expense of the insurer, which may not allow us to reach targeted levels of profitability. Moreover, regulators may seek to prohibit or constrain the use of certain underwriting and rating factors, which may affect our ability to price risks. In addition to regulating rates, certain states have enacted laws that require a property and casualty insurer to participate in assigned risk plans, reinsurance facilities, joint underwriting associations and other residual market plans. State regulators also require that an insurer offer property and casualty coverage to all consumers and often restrict an insurer' s ability to charge the price it might otherwise charge or restrict an insurer' s ability to offer or enforce specific policy deductibles. In these markets, we may be compelled to underwrite significant amounts of business at lower than desired rates or accept additional risk not contemplated in our existing rates, participate in the operating losses of residual market plans or pay assessments to fund operating deficits of state- sponsored funds, ~~possibly leading~~ **which could lead** to lower ~~returns on equity~~ **than anticipated profitability** . The laws and regulations of many states also limit an insurer' s ability to withdraw from one or more lines of insurance in the state, except pursuant to a plan that is approved by the state' s insurance department. Additionally, certain states require insurers to participate in guaranty funds for impaired or insolvent insurance companies. These funds periodically assess losses against all insurance companies doing business in the state. Any of these factors could have a material adverse effect on our business, financial condition, results of operations or liquidity. For more on international regulatory risks, see the Risk Factor, " Regulatory and legislative developments could have a material adverse impact on our business, financial condition, results of operations or liquidity. " Additionally, the property and casualty and group benefits insurance markets have been historically cyclical, experiencing periods characterized by relatively high levels of price competition, less restrictive underwriting standards, more expansive coverage offerings, multi- year rate guarantees and declining premium rates, followed by periods of relatively low levels of competition, more selective underwriting standards, more coverage restrictions and increasing premium rates. In all of our property and casualty and group benefits insurance product lines, there is a risk that the premium we charge may ultimately prove to be inadequate as reported losses emerge. In addition, there is a risk that regulatory constraints, price competition or incorrect pricing assumptions could prevent us from achieving targeted returns. Inadequate pricing could have a material adverse effect on our results of operations and financial condition. Competitive activity, use of ~~predictive analytics~~ **emerging technologies** , or **other** technological changes may adversely affect our market share, demand for our products, or our financial results. The industries in which we operate are highly competitive. Our principal competitors are other property and casualty insurers, group benefits providers and providers of mutual funds and exchange ~~-~~traded funds ~~(" ETFs")~~ . Competitors may expand their risk appetites in products and services where The Hartford currently enjoys a competitive advantage. Larger competitors with more capital and new entrants to the market could result in increased pricing pressures on a number of our products and services and may harm our ability to maintain or increase our profitability. For example, larger competitors, including those formed through consolidation or who may acquire new entrants to the market, such as insurtech firms, may have lower operating costs and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. In addition, ~~a number of insurers~~ **technological advancements and innovation** are ~~making use of~~ **occurring in distribution, underwriting, claims and operations at a rapid pace that may continue to accelerate. Insurers are using or may begin using certain emerging technologies, such as machine learning,** predictive analytics **," big data" analysis or other artificial intelligence functions** to, among other things, improve pricing accuracy, be more targeted in marketing, strengthen customer relationships and provide more customized loss prevention services. **Nontraditional competitors could enter the insurance market and further accelerate these trends.** If ~~they~~ **competitors** are able to use **these emerging** ~~predictive analytics and other data and / or adopt innovative new~~ technologies more effectively ~~than we are~~ **and / or efficiently** , it may ~~give~~ **provide** them a competitive advantage. Because of the highly competitive nature of the industries ~~we~~ **The Hartford** ~~compete~~ **competes** in, there can be no assurance that ~~we~~ **the Company** will continue to compete effectively with our industry rivals, or that competitive pressure will not have a material adverse effect on ~~our~~ **the** business and results of operations. Our business could ~~also~~ be affected by **other** technological changes, including further advancements in automotive safety features, the development of autonomous or " self- driving " vehicles, and platforms that facilitate ride sharing. These technologies could impact the frequency or severity of losses, disrupt the demand for certain of our products, or reduce the size of the automobile insurance market as a whole. The risks we insure are also affected by the increased use of technology in homes and businesses, including technology used in heating, ventilation, air conditioning and security systems and the introduction of more automated loss control measures. Increased use of advanced analytics and automation in the workplace could potentially affect the demand for workers' compensation insurance products over time. In addition, our business may be disrupted due to failures of accelerated technological changes, including our automation of minimally complex tasks, which may adversely impact our business and results of operations. While there is substantial uncertainty about the timing, penetration and reliability of such technologies, and the legal frameworks that may apply, such as to autonomous vehicles, any such impacts could have a material adverse effect on our business and results of operations. We may experience difficulty in marketing and providing insurance products and investment advisory services through distribution channels and advisory firms. We distribute our insurance products, mutual funds and ETFs through a variety of distribution channels and financial intermediaries, including brokers, independent agents, wholesale agents, reinsurance brokers, broker-dealers, banks, registered investment advisors, affinity partners, our own internal sales force and other third- party organizations. In some areas of our business, we generate a significant portion of our business through third- party arrangements. For example, we market personal lines products in large part through an exclusive licensing arrangement with AARP that continues through December 31, 2032. Our ability to distribute products through the AARP program may be adversely impacted by membership levels and the pace of membership growth. In addition, the independent agent and broker distribution channel is consolidating, which could result in a larger proportion of written premium being concentrated among fewer agents and brokers, potentially increasing our cost of acquiring new business. While we periodically seek to renew or extend third party arrangements, there can be no assurance that our relationship with these third parties will continue or that the economics of these relationships won' t change to make them less financially attractive to the Company. An interruption in our relationship with certain of these third parties could materially affect our ability to market our products and could have a material adverse effect on our business, financial condition, results of operations or liquidity. Unexpected and unintended claim and coverage issues under our insurance contracts may adversely impact our financial performance. Changes in industry practices and in legal, judicial, social and other environmental conditions, technological advances or fraudulent activities, may require us to pay claims we did not intend to cover when we wrote the policies. Social, economic, political and environmental issues, including rising income inequality, climate change, prescription drug use and addiction, exposures to new substances or those substances previously considered to be safe and found to have latent exposure, along with the use of social media to proliferate messaging around such issues, has expanded the theories for reporting claims, which may increase our claims administration and / or litigation costs. State and local governments' increased efforts aimed to respond to the costs and concerns associated with these types of issues, may also lead to expansive, new theories for reporting claims or may lead to the passage of" reviver" statutes that extend the statute of limitations for the reporting of these claims, including statutes passed in certain states with respect to sexual molestation and sexual abuse claims. In addition, these and other social, economic, political and environmental issues may either extend coverage beyond our underwriting intent or increase the frequency or severity of claims. Some of these changes, advances or activities may not become apparent until some time after we have issued insurance contracts that are affected by the changes, advances or activities and / or we may be unable to compensate for such losses through future pricing and underwriting. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued, and this liability may have a material adverse effect on our business, financial condition, results of operations or liquidity at the time it becomes known **.** COVID- 19 illness could continue to impact our business and may have a material adverse impact on our results of operations.While the impact of COVID- 19 has subsided,a surge of COVID- 19 infections could continue to impact our business,particularly with respect to mortality claims in our group benefits business,and will depend on future developments which are highly uncertain and cannot be easily predicted including:the potential spread of new COVID- 19 variants;the continued effectiveness of vaccines;natural immunity and current or emerging therapeutic treatments in preventing infection,serious illness and death;and the percentage of those infected who are of working age ~~.Additional uncertainty exists regarding the potential for further legislative,regulatory,and judicial responses to COVID- 19 pertaining specifically to insurance underwriting and claims~~ .Below are several key effects of COVID- 19 on the Company' s business results,financial condition,results of operations and / or liquidity:• Exposure to COVID- 19 business interruption property claims- Nearly all of our property insurance policies require direct physical loss or damage to property and contain standard exclusions that we believe preclude coverage for COVID- 19 related claims,and the vast majority of such policies contain exclusions for virus-related losses.Nevertheless,the Company and certain of its writing companies have been served as defendants in lawsuits seeking insurance coverage under commercial insurance policies for alleged losses resulting from the shutdown or suspension of our insureds' businesses due to the spread of COVID- 19.While the Company and its subsidiaries deny the allegations and are defending vigorously and while almost none of the plaintiffs have submitted proofs of loss or otherwise quantified or factually supported any allegedly covered loss,it is possible that adverse outcomes,if any,in the aggregate,could have a material adverse effect on the Company' s consolidated operating results.• The possibility of a resurgence of ~~excess~~ **a higher level of** mortality losses- The Company' s Group Benefits business has issued group life policies to employers and associations,which may result in increased death claims as a result of surges in COVID- 19 infections causing mortality where COVID- 19 is specifically listed as the cause of death and indirect impacts of COVID- 19 that includes an increased number of deaths associated with chronic conditions exacerbated by COVID- 19 ~~(together,referred to as" excess mortality")~~ .In addition,while the Company ~~is increasing~~ **has increased** pricing for group life coverage in response to higher levels of mortality,it is possible that,even apart from surges in COVID- 19 infections,the Company will experience a higher level of mortality going forward associated with chronic conditions.We may also continue to experience higher short- term disability and paid family leave claims from employees and covered individuals who have been affected **by COVID- 19.For the reasons discussed above,the global public health and economic impacts caused by COVID- 19 could have a material adverse effect on our results of operations** . Financial Strength, Credit and Counterparty RisksDowngrades in our financial strength or credit ratings may make our products less attractive, increase our cost of capital and inhibit our ability to refinance our debt. Financial strength and credit ratings are important in establishing the competitive position of insurance companies. Rating agencies assign ratings based upon several factors. While most of the factors relate to the rated company, others relate to the views of the rating agency (including its assessment of the strategic importance of the rated company to the insurance group), general economic conditions, and circumstances outside the rated company' s control. In addition, rating agencies may employ different models and formulas to assess the financial strength of a rated company, and from time to time rating agencies have altered these models. Changes to the models or factors used by the rating agencies to assign ratings could adversely impact a rating agency' s judgment of its internal rating and the publicly issued rating it assigns us. Our financial strength ratings, which are intended to measure our ability to meet policyholder obligations, are an important factor affecting public confidence in most of our products and, as a result, our competitiveness. A downgrade or a potential downgrade in the rating of our financial strength or of one of our principal insurance subsidiaries could affect our competitive position and reduce future sales of our products. Our credit ratings also affect our cost of capital. A downgrade or a potential downgrade of our credit ratings could make it more difficult or costly to refinance maturing debt obligations, to support business growth at our insurance subsidiaries and to maintain or improve the financial strength ratings of our principal insurance subsidiaries. These events could materially adversely affect our business, financial condition, results of operations or liquidity. For a further discussion of potential impacts of ratings downgrades on derivative instruments, including potential collateral calls, see Part II, Item 7, MD & A- Capital Resources and Liquidity- Derivative Commitments. The amount of capital that we must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of our control. We conduct the vast majority of our business through licensed insurance company subsidiaries. In the United States, statutory accounting standards and statutory capital and reserve requirements for these entities are prescribed by the applicable insurance regulators and the NAIC. The minimum capital we must hold is based on risk- based capital (" RBC ") formulas for both life and property and casualty companies. The RBC formula for life companies is applicable to our group benefits business and establishes capital requirements relating to insurance, business, asset, credit, interest rate and off- balance sheet risks. The RBC formula for property and casualty companies sets required statutory surplus levels based on underwriting, asset ~~and~~ **,** credit **,** and off- balance sheet risks. Countries in which our international insurance subsidiaries are incorporated or deemed commercially domiciled are subject to minimum capital requirements as defined by the applicable regulatory regime, including **a phased program of changes to the prudential and** ~~Solvency~~ **solvency regime** ~~II subject to amendments proposed~~ in the **UK** ~~U. K.~~ following the **UK** ~~U. K.~~ ' s ~~withdrawal~~ **departure** from the European Union. In addition, our Lloyd' s member company must maintain required Funds at Lloyd' s (" FAL") to meet the capital requirements of its syndicate. The FAL is determined based on the syndicate' s Solvency Capital Requirement (" SCR ") under the Solvency II capital adequacy model plus an economic capital assessment determined by the Lloyd' s Franchise Board (which is responsible for the day- to- day management of the Lloyd' s market). In any particular year, statutory surplus amounts, RBC ratios, FAL and SCR may increase or decrease depending on a variety of factors, some of which are outside the Company' s control, including: • the amount of statutory income or losses generated by our insurance subsidiaries; • the amount of additional capital our insurance subsidiaries must hold to support business growth; • the amount of dividends or distributions paid to the holding company; • ~~changes in equity market levels; •~~ the value of certain fixed **maturities,** ~~, income and~~ equity securities **, and limited partnership and other alternative investments** in our investment portfolio ~~; • the value of certain derivative instruments~~ ; • changes in interest rates; • admissibility of deferred tax assets; • changes to the regulatory capital formulas; and • regulatory changes to accounting guidance for determining capital adequacy. Among other factors, rating agencies consider the level of statutory capital and surplus of our U. S. insurance subsidiaries as well as the level of Generally Accepted Accounting Principles (" GAAP") capital held by the Company in determining the Company' s financial strength and credit ratings. Rating agencies may implement changes to their capital formulas that have the effect of increasing the amount of capital we must hold in order to maintain our current ratings. If our capital resources are insufficient to maintain a particular rating by one or more rating agencies, we may need to raise capital through public or private equity or debt financing. If we were not to raise additional capital, either at our discretion or because we were unable to do so, our financial strength and credit ratings might be downgraded by one or more rating agencies. Losses due to nonperformance or defaults by counterparties can have a material adverse effect on the value of our investments and reduce our profitability or sources of liquidity. We have credit risk with counterparties associated with investments, derivatives, premiums receivable, reinsurance recoverables and indemnifications provided by third parties in connection with previous dispositions. Among others, our counterparties include issuers of fixed maturity and equity securities we hold, borrowers of mortgage loans we hold, customers, trading counterparties, counterparties under swaps and other derivative contracts, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries and guarantors. These counterparties may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, government intervention and other reasons. In addition, for exchange- traded derivatives, such as futures, options and" cleared" over- the- counter **(" OTC")** derivatives, the Company is generally exposed to the credit risk of the relevant central counterparty clearing house. Defaults by these counterparties on their obligations to us could have a material adverse effect on the value of our investments, financial condition, results of operations or liquidity. Additionally, if the underlying assets supporting the structured securities we invest in default on their payment obligations, our securities ~~will~~ **may** incur losses. The availability of reinsurance and our ability to recover under reinsurance contracts may not be sufficient to protect us against losses. As an insurer, we frequently use reinsurance to reduce the effect of losses that may arise from, among other things, catastrophes and other risks that can cause unfavorable results of operations. In addition, our assumed reinsurance business purchases retrocessional coverage for a portion of the risks it assumes. Under these reinsurance arrangements, other insurers assume a portion of our losses and related expenses; however, we remain liable as the direct insurer on all risks reinsured. Consequently, ceded reinsurance arrangements do not eliminate our obligation to pay claims, and we are subject to our reinsurers' credit risk with respect to our ability to recover amounts due from them. The inability or unwillingness of any reinsurer or retrocessionaire to meet its financial obligations to us, including the impact of any insolvency or rehabilitation proceedings involving a reinsurer or retrocessionaire that could affect the Company' s access to collateral held in trust, could have a material adverse effect on our financial condition, results of operations or liquidity. In addition, should the availability and cost of reinsurance change materially, we may have to pay higher reinsurance costs, accept an increase in our net liability exposure, reduce the amount of business we write, or access to the extent possible other alternatives to reinsurance, such as use of the capital markets. Further, due to the inherent uncertainties as to collection and the length of time before reinsurance recoverables will be due, it is possible that future adjustments to the Company’ s reinsurance recoverables, net of the allowance, could be required, which could have a material adverse effect on the Company’ s consolidated results of operations or liquidity in a particular quarterly or annual period. Our ability to declare and pay dividends is subject to limitations. The payment of future dividends on our capital stock is subject to the discretion of our board of directors, which considers, among other factors, our operating results, overall financial condition, credit- risk considerations and capital requirements, as well as general business and market conditions. Our board of directors may only declare such dividends out of funds legally available for such payments. Moreover, our common stockholders are subject to the prior dividend rights of any holders of depositary shares representing preferred stock then outstanding. The terms of our outstanding junior subordinated debt securities prohibit us from declaring or paying any dividends or distributions on our capital stock or purchasing, acquiring, or making a liquidation payment on such stock, if we have given notice of our election to defer interest payments and the related deferral period has not yet commenced or a deferral period is continuing. Moreover, as a holding company that is separate and distinct from ~~our~~ **its** insurance subsidiaries, ~~we have~~ **HFSG has** no significant business operations of ~~our~~ **its** own. Therefore, ~~we rely~~ **HFSG relies** on dividends from our insurance company subsidiaries and other subsidiaries as the principal source of cash flow to meet ~~our~~ **its** obligations. Subsidiary dividends fund payments on ~~our~~ **its** debt securities and the payment of dividends to stockholders on ~~our~~ **its** capital stock. Connecticut state laws and certain other U. S. jurisdictions in which we operate limit the payment of dividends and require notice to and approval by the state insurance commissioner for the declaration or payment of dividends above certain levels. The laws and regulations of the countries in which ~~our~~ **its** international insurance subsidiaries are incorporated or deemed commercially domiciled, as well as requirements of the Council of Lloyd’ s, also impose limitations on the payment of dividends which, in some instances, are more restrictive. Dividends paid from ~~our~~ **its** insurance subsidiaries are further dependent on their cash requirements. In addition, in the event of liquidation or reorganization of a subsidiary, prior claims of a subsidiary’ s creditors may take precedence over the holding company’ s right to a dividend or distribution from the subsidiary except to the extent that the holding company may be a creditor of that subsidiary. For further discussion on dividends from insurance subsidiaries, see Part II, Item 7, MD & A- Capital Resources & Liquidity. Risks Relating to Estimates, Assumptions and ValuationsActual results could materially differ from the analytical models we use to assist our decision making in key areas such as underwriting, pricing, capital management, reserving, investments, reinsurance and catastrophe risks. We use models to help make decisions related to, among other things, underwriting, pricing, capital allocation, reserving, investments, reinsurance, and catastrophe risk. Both proprietary and third party models we use incorporate numerous assumptions and forecasts about the future level and variability of interest rates, capital requirements, loss frequency and severity, currency exchange rates, policyholder behavior, equity markets and inflation, among others. The models are subject to the inherent limitations of any statistical analysis as the historical internal and industry data and assumptions used in the models may not be indicative of what will happen in the future. Consequently, actual results may differ materially from our modeled results. The profitability and financial condition of the Company substantially depends on the extent to which our actual experience is consistent with assumptions we use in our models and ultimate model outputs. If, based upon these models or other factors, we misprice our products or our estimates of the risks we are exposed to prove to be materially inaccurate, our business, financial condition, results of operations or liquidity may be adversely affected. The valuation of our securities and investments and the determination of allowances and credit losses are highly subjective and based on methodologies, estimations and assumptions that are subject to differing interpretations and market conditions. Estimated fair values of the Company' s investments are based on available market information and judgments about financial instruments, including estimates of the timing and amounts of expected future cash flows and the credit standing of the issuer or counterparty. During periods of market disruption, it may be difficult to value certain of our securities if trading becomes less frequent and / or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the financial environment. In addition, there may be certain securities whose fair value is based on one or more unobservable inputs, even during normal market conditions. As a result, the determination of the fair values of these securities may include inputs and assumptions that require more estimation and management judgment and the use of complex valuation methodologies. These fair values may differ materially from the value at which the investments may be ultimately sold. Further, rapidly changing or unprecedented credit and equity market conditions could materially impact the valuation of securities and the period- to- period changes in value could vary significantly. Decreases in value could have a material adverse effect on our business, results of operations, financial condition or liquidity. Similarly, management' s decision on whether to record an allowance for credit losses **(" ACL")** is subject to significant judgments and assumptions regarding changes in general economic conditions, the issuer' s financial condition or future recovery prospects, estimated future cash flows, the expected recovery period and the accuracy of third party information used in internal assessments. As a result, management' s evaluations and assessments are highly judgmental and its projections of future cash flows over the life of certain securities may ultimately prove incorrect as facts and circumstances change. If our businesses do not perform well, we may be required to recognize an impairment of our goodwill. Goodwill represents the excess of the amounts we paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. We test goodwill at least annually for impairment. Impairment testing is performed based upon estimates of the fair value of the " reporting unit " to which the goodwill relates. The reporting unit is the operating segment or a business one level below an operating segment if discrete financial information is prepared and regularly reviewed by management at that level. The fair value of the reporting unit could decrease if new business, customer retention, profitability or other drivers of performance differ from expectations. If it is determined that the goodwill has been impaired, the Company must write down the goodwill by the amount of the impairment, with a corresponding charge to net income (loss). These write downs could have a material adverse effect on our results of operations or financial condition. Strategic and Operational RisksOur businesses may suffer and we may incur substantial costs if we are unable to access our systems and safeguard the security of our data in the event of a disaster, cyber breach or other information security incident. We use technology to process, store, retrieve, evaluate and ~~utilize~~ **analyze** customer and company data and information. Our information technology and telecommunications systems, in turn, interface with and rely upon third- party systems. We and our third party vendors must be able to access our systems to provide insurance quotes, process premium payments, make changes to existing policies, file and pay claims, administer mutual funds, provide customer support, manage our investment portfolios, report on financial results and perform other necessary business functions. Systems failures or outages could compromise our ability to perform these business functions in a timely manner, which could harm our ability to conduct business and hurt our relationships with our business partners and customers. In the event of a disaster such as a natural catastrophe, a pandemic, civil unrest, an industrial accident, a cyber- attack, a blackout, a terrorist attack (including conventional, nuclear, biological, chemical or radiological) or war, systems upon which we rely may be inaccessible to our employees, customers or business partners for an extended period of time. Even if our employees and business partners are able to report to work, they may be unable to perform their duties for an extended period of time if our data or systems used to conduct our business are disabled or destroyed. Our systems have been, and will likely continue to be, subject to viruses or other malicious ~~codes~~ **code**, unauthorized access, cyber- attacks (such as ransomware and denial of service), cyber frauds or other computer related penetrations. The frequency and sophistication of such threats continue to increase as well. While, to date, The Hartford is not aware of having experienced a material breach of our cyber security systems, administrative, internal accounting and technical controls as well as other preventive actions may be insufficient to prevent physical and electronic break- ins, denial of service, cyber- attacks, business email compromises, ransomware or other security breaches to our systems or those of third parties with whom we do business. Such an event could compromise our confidential information as well as that of our clients and third parties, impede or interrupt our business operations and result in other negative consequences, including remediation costs, loss of revenue, additional regulatory scrutiny and litigation and reputational damage. In addition, we routinely transmit to third parties personal, confidential and proprietary information, which may be related to employees and customers, by email and other electronic means, along with receiving and storing such information on our systems. Although we attempt to protect ~~privileged~~ **proprietary** and confidential information, we may be unable to secure the information in all events, especially with clients, vendors, service providers, counterparties and other third parties who may not have appropriate controls to protect confidential information. Our businesses must comply with regulations to control the privacy of customer, employee and third party data, and state, federal and international regulations regarding data privacy are becoming increasingly more onerous. A misuse or mishandling of confidential or proprietary information could result in legal liability, regulatory action and reputational harm.

Third parties, including third party administrators and cloud- based systems, are also subject to cyber- attacks and breaches of confidential information, along with the other risks outlined above, any one of which may result in our incurring substantial costs and other negative consequences, including a material adverse effect on our business, reputation, financial condition, results of operations or liquidity. Our increased use of open source software, cloud technology and software as a service can make it more difficult to identify and remedy such situations due to the disparate location of code utilized in our operations. While we maintain cyber liability insurance that provides both third party liability and first party insurance coverages, our insurance may not be sufficient to protect against all loss. Performance problems due to outsourcing and other third- party relationships may compromise our ability to conduct business. We outsource certain business and administrative functions and rely on third- party vendors to perform certain functions or provide certain services on our behalf and have a significant number of information technology and business processes outsourced with a single vendor. If we are unable to reach agreement in the negotiation of contracts or renewals with certain third- party providers, or if such third- party providers experience disruptions in their processes or with relied upon vendors, or if they do not perform as anticipated, we may be unable to meet our obligations to customers and claimants, incur higher costs and lose business which may have a material adverse effect on our business and results of operations. For other risks associated with our outsourcing of certain functions, see the Risk Factor, " Our businesses may suffer and we may incur substantial costs if we are unable to access our systems and safeguard the security of our data in the event of a disaster, cyber breach or other information security incident. " Our ability to execute on capital management plans and other actions is subject to material challenges, uncertainties and risks. The ability to execute on capital management plans is subject to material challenges, uncertainties and risks. From time to time, our capital management plans may include the repurchase of common stock, the paydown of outstanding debt or both. We may not achieve all of the benefits we expect to derive from these plans. **An** ~~For an~~ equity repurchase plan approved by the Board ~~, such capital management plan~~ would be subject to execution risks, including, among others, risks related to market fluctuations, investor interest and potential legal constraints that could delay execution at an otherwise optimal time. There can be no assurance that we will fully execute any such plan. In addition, we may not be successful in keeping our businesses cost efficient. We may take future actions, including acquisitions, divestitures or restructurings that may involve additional uncertainties and risks that negatively impact our business, financial condition, results of operations or liquidity and could impact our ability to execute our capital management plans. Acquisitions and divestitures may not produce the anticipated benefits and may result in unintended consequences, which could have a material adverse impact on our financial condition and results of operations. We may not be able to successfully integrate acquired businesses or achieve the expected synergies as a result of such acquisitions or divestitures. The process of integrating an acquired company or business can be complex and costly and may create unforeseen operating difficulties including ineffective integration of underwriting, risk management, claims handling, finance, information technology and actuarial practices. Difficulties integrating an acquired business may also result in the acquired business performing differently than we expected including through the loss of customers or in our failure to realize anticipated increased premium growth or expense- related efficiencies. We could be adversely affected by the acquisition due to unanticipated performance issues and additional expense, unforeseen liabilities, transaction- related charges, downgrades by third- party rating agencies, diversion of management time and resources to integration challenges, loss of key employees, regulatory requirements, exposure to tax liabilities, amortization of expenses related to intangibles and charges for impairment of long- term assets or goodwill. In addition, we may be adversely impacted by uncertainties related to reserve estimates of the acquired company and its design and operation of internal controls over financial reporting. We may be unable to distribute as much capital to the holding company as planned due to regulatory restrictions or other reasons, or we may be required to contribute capital to a subsidiary, either of which could adversely affect our liquidity. In addition, in the case of business or asset dispositions, we may have continued financial exposure to the divested businesses through reinsurance, indemnification or other financial arrangements following the transaction. The expected benefits of acquired or divested businesses may not be realized and involve additional uncertainties and risks that may negatively impact our business, financial condition, results of operations or liquidity. Difficulty in attracting and retaining talented and qualified personnel may adversely affect the execution of our business strategies. Our ability to attract, develop and retain talented employees, managers and executives is critical to our success. There is significant competition within and outside the insurance and financial services industry for qualified employees, particularly for individuals with highly specialized knowledge in areas such as underwriting, actuarial, data and analytics, technology and digital commerce and investment management. Our continued ability to compete effectively in our businesses and to expand into new business areas depends on our ability to attract new employees and to develop, retain and motivate our existing employees. The loss of key employees, including executives, managers and employees with strong technological, analytical and other specialized skills, may adversely impact the execution of our business objectives or result in loss of important institutional knowledge. Our inability to attract and retain key personnel could have a material adverse effect on our financial condition or results of operations. We may not be able to protect our intellectual property and may be subject to infringement claims. We rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our intellectual property. Although we use a broad range of measures to protect our intellectual property rights, third parties may infringe or misappropriate our intellectual property. We may have to litigate to enforce and protect our intellectual property and to determine its scope, validity or enforceability, which could divert significant resources and may not prove successful. Litigation to enforce our intellectual property rights may not be successful and cost a significant amount of money. The inability to secure or enforce the protection of our intellectual property assets could harm our reputation and have a material adverse effect on our business and our ability to compete. We also may be subject to costly litigation in the event that another party alleges our operations or activities infringe upon their intellectual property rights, including patent rights, or violate license usage rights. Any such intellectual property claims and any resulting litigation could result in significant expense and liability for damages, and in some circumstances we could be enjoined from providing certain products or services to our customers, or utilizing and benefiting from certain patent, copyrights, trademarks, trade secrets or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on our business, results of operations or financial condition. Regulatory and Legal RisksRegulatory and legislative developments could have a material adverse impact on our business, financial condition, results of operations or liquidity. We are subject to extensive laws and regulations that are complex, subject to change and often conflict in their approach or intended outcomes. Compliance with these laws and regulations can increase cost, affect our strategy, and constrain our ability to adequately price our products. In the U. S., regulatory initiatives and legislative developments may significantly affect our operations and prospects in ways that we cannot predict. For example, federal and state legislative efforts on Paid Family and Medical Leave, data privacy and cyber security, risk- based pricing **, sustainability,** and **environmental, social and governance ("** ESG **")** practices could have unanticipated consequences for the Company and its businesses. It is unclear whether and to what extent Congress, the current Administration or individual states will continue to pursue these types of proposals, and how those changes might impact the Company, its business, financial conditions, results of operations or liquidity. Our U. S. insurance subsidiaries are regulated by the insurance departments of the states in which they are domiciled, licensed or authorized to conduct business. State regulations generally seek to protect the interests of policyholders rather than an insurer or the insurer' s stockholders and other investors. U. S. state laws grant insurance regulatory authorities broad administrative powers with respect to, among other things, licensing and authorizing lines of business, approving policy forms and premium rates, setting statutory capital and reserve requirements, limiting the types and amounts of certain investments and restricting underwriting practices. State insurance departments also set constraints on domestic insurer transactions with affiliates and dividends and, in many cases, must approve affiliate transactions and extraordinary dividends as well as strategic transactions such as acquisitions and divestitures. Our international insurance subsidiaries are subject to the laws and regulations of the relevant jurisdictions in which they operate, including the requirements of the PRA and the FCA in the U. K, the Bermuda Monetary Authority in Bermuda and the Insurance Authority in Hong Kong. Our Lloyd' s Syndicate is also subject to management and supervision by the Council of Lloyd' s, which has wide discretionary powers to regulate members' underwriting at Lloyd' s, as well as regulations imposed by overseas regulators where the Lloyd' s Syndicate conducts business. Following the U. K.' s withdrawal from the European Union, the U. K entered into a free trade agreement with the E. U. on December 30, 2020. Under this agreement, a Trade Partnership Committee meets on a regular basis to discuss areas of cooperation. It is possible that deliberations of this Trade Partnership Committee could affect how U. K. domiciled financial services and insurance firms are regulated. In addition, future regulatory initiatives could be adopted at the federal, state and international level that could affect the profitability of our businesses. For example, the NAIC and state insurance regulators periodically reexamine existing laws and regulations, specifically focusing on modifications to U. S. statutory accounting principles, interpretations of existing laws and the development of new laws and regulations. The NAIC continues to enhance the U. S. system of insurance solvency regulation, with a particular focus on group supervision, risk- based capital, accounting and financial reporting, enterprise risk management and reinsurance which could, among other things, affect statutory measures of capital adequacy, including risk- based capital ratios. Lawmakers and regulators at the federal, state and international levels are enacting laws and promulgating regulations and guidance related to climate change, with conflicts from jurisdiction to jurisdiction possible, which may impose additional costs on the Company, or expose us to new or additional risks. For example, regulators could impose new disclosure requirements regarding underwriting or investment in certain industry sectors or take other actions such as implementing a temporary moratorium on cancellation of policies within catastrophe prone areas. The U. S. Securities and Exchange Commission (" SEC ") issued proposed rules to enhance and standardize climate- related disclosures for investors. The scope and timing of final rules is uncertain; however, if not modified substantively, the proposed rules would require extensive narrative and quantitative reporting on climate change and decarbonization in SEC filings and pose potential compliance and litigation risks to the Company. In addition, the Federal Insurance Office continues to analyze the potential for climate change to affect insurance and reinsurance coverage, which could result in increased data collection and reporting. Regulators may also impose new requirements affecting our operations such as **disclosure related to** ~~enforcing compliance with reductions in~~ greenhouse gas emissions (GHGe) and **other climate- related information,** increasing **our operating expenses and litigation risk. There has also been increased regulatory scrutiny of the use of emerging technologies related to artificial intelligence, including machine learning, predictive analytics and** ~~the~~ **other** ~~targeted~~ **" big data' techniques. We may be subject to new** ~~reductions~~ **regulations that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions. The NAIC has adopted a Model Bulletin on the Use of Artificial Intelligence Systems by Insurers. This would need to be adopted at the individual state level in order to become effective. We anticipate some states will do so** in the future **. State insurance regulators may adopt their own guidelines for insurers independent of the NAIC guidance** . In addition, **regulators have recently requested information from insurers on their use of algorithms, artificial intelligence and machine learning. We cannot predict what, if any, legislative or regulatory actions may be taken regarding these or other emerging technologies, but any inquiries and / or limitations could have a material impact on our business, business processes, financial condition, and results of operations. In addition,** changes in laws or regulations, particularly relating to privacy and data security ~~and potential limitations on predictive models, such as use of certain underwriting rating variables~~ , may materially impede our ability to execute on business strategies and / or our ability to be competitive. Any proposed or future legislation or NAIC initiatives, if adopted, may be more restrictive on our ability to conduct business than current regulatory requirements or may result in higher costs or increased statutory capital and reserve requirements. The International Association of Insurance Supervisors (" IAIS") continues to advance the development of insurance group capital standards for use with Internationally Active Insurance Groups (" IAIGs"). As of January 1, 2020, the IAIS Insurance Capital Standard entered a five- year monitoring period at the end of which insurance firms are required to follow such standards. While the Company would not currently be subject to this capital standard regime, it is possible that, in the future, standards similar to what is being contemplated by the

IAIS could apply to the Company. Working through the NAIC, U. S. state insurance regulators have adopted a group capital calculation for use in solvency- monitoring activities. The calculation is intended to provide additional analytical information to the lead state for use in assessing group risks and capital adequacy to complement the current holding company analysis in the U. S. By **the end of** 2024, the IAIS will assess whether this method provides comparable outcomes to the consolidated group insurance capital standard that it has been developing for use with IAIGs. Further, a particular regulator or enforcement authority may interpret a legal, accounting, or reserving issue differently than we have, exposing us to different or additional regulatory risks. The application of these regulations and guidelines by insurers involves interpretations and judgments that may be challenged by state insurance departments and other regulators. The result of those potential challenges could require us to increase levels of regulatory capital and reserves or incur higher operating and / or tax costs. In addition, our asset management businesses are also subject to extensive regulation in the various jurisdictions where they operate. These laws and regulations are primarily intended to protect investors in the securities markets or investment advisory clients and generally grant supervisory authorities broad administrative powers. Compliance with these laws and regulations is costly, time consuming and personnel intensive, and may have an adverse effect on our business, financial condition, results of operations or liquidity. Our insurance business is sensitive to significant changes in the legal environment that could adversely affect The Hartford' s results of operations or financial condition or harm its businesses. Like any major P & C insurance company, litigation is a routine part of The Hartford' s business- both in defending and indemnifying our insureds and in litigating insurance coverage disputes. The Hartford accounts for such activity by establishing unpaid loss and loss adjustment expense reserves. Significant changes in the legal environment could cause our ultimate liabilities to change from our current expectations. Such changes could be judicial in nature, like trends in the size of jury awards, developments in the law relating to tort liability or the liability of insurers, and rulings concerning the scope of insurance coverage or the amount or types of damages covered by insurance. In addition, changes in federal or state laws and regulations relating to the liability of insurers or policyholders, including state laws expanding " bad faith " liability and state " reviver " statutes, extending statutes of limitations for certain sexual molestation and sexual abuse claims, could result in changes in business practices, additional litigation, or ~~could result in~~ unexpected losses, including increased frequency and severity of claims **. Also, the emergence of new targets and expanding theories of liability for claims involving issues like global climate change, physical and mental health crises, new technologies, and socioeconomic and political dynamics also could result in additional litigation exposure and unexpected losses** . It is impossible to forecast such changes reliably, much less to predict how they might affect our loss reserves or how those changes might adversely affect our ability to price our insurance products appropriately. Thus, significant judicial or legislative developments could adversely affect The Hartford' s business, financial condition, results of operations or liquidity. Changes in federal, state or foreign tax laws could adversely affect our business, financial condition, results of operations or liquidity. Changes in federal, state or foreign tax laws and tax rates or regulations could have a material adverse effect on our profitability or financial condition by increasing the Company' s overall tax and compliance burdens. The Company' s federal and state tax returns reflect certain items such as tax- exempt bond interest, tax credits, and insurance reserve deductions. There is an increasing risk that, in the context of tax reform in the U. S., federal and / or state tax legislation could modify or eliminate these items, impacting the Company, its investments, investment strategies, and / or its policyholders. For a description of potential impacts for the Inflation Reduction Act, which was signed into law on August 16, 2022, see Part I, Item 2, MD & A- Capital Resources and Liquidity, Contingencies, Legislative and Regulatory Developments. Regulatory requirements could delay, deter or prevent a takeover attempt that stockholders might consider in their best interests. Before a person can acquire control of a U. S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Prior to granting approval of an application to acquire control of a domestic insurer, the state insurance commissioner will consider such factors as the financial strength of the applicant, the acquirer' s plans for the future operations of the domestic insurer, and any such additional information as the insurance commissioner may deem necessary or appropriate for the protection of policyholders or in the public interest. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10 percent or more of the voting securities of the domestic insurer or its parent company. Because a person acquiring 10 percent or more of our common stock would indirectly control the same percentage of the stock of our U. S. insurance subsidiaries, the insurance change of control laws of various U. S. jurisdictions would likely apply to such a transaction. Other laws or required approvals pertaining to one or more of our existing subsidiaries, or a future subsidiary, may contain similar or additional restrictions on the acquisition of control of the Company. These laws and similar rules applying to subsidiaries domiciled outside of the United States may discourage potential acquisition proposals and may delay, deter, or prevent a change of control, including transactions that our Board of Directors and some or all of our stockholders might consider to be desirable. Changes in accounting principles and financial reporting requirements could adversely affect our results of operations or financial condition. As an SEC registrant, we are currently required to prepare our financial statements in accordance with U. S. GAAP, as promulgated by the ~~Financial Accounting Standards Board ("~~ FASB ~~")~~ . Accordingly, we are required to adopt new guidance or interpretations which may have a material effect on our results of operations or financial condition that is either unexpected or has a greater impact than expected. For a description of changes in accounting standards that are currently pending and, if known, our estimates of their expected impact, see Note 1- Basis of Presentation and Significant Accounting Policies of Notes to the Consolidated Financial Statements.