HARTFORD FINANCIAL SERVICES GROUP INC/DE
Form 10-Q
July 26, 2007

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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, 2007

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)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer 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 20, 2007, there were outstanding 317,680,580 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, 2007
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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, 2007, and the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2007 and 2006, and changes in stockholders equity, and cash flows for the six-month periods ended June 30, 2007 and 2006. 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, 2006, and the related consolidated statements of operations, changes in stockholders equity, comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2007 (which report includes an explanatory paragraph relating to the Company s change in its method of accounting and reporting for defined benefit pension and other postretirement plans in 2006, and for certain nontraditional long-duration contracts and for separate accounts in 2004), 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, 2006 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
July 24, 2007

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except for per share data)	**2007**	**2006**	**2007**	**2006**
	(Unaudited)		(Unaudited)	
Revenues				
Earned premiums	$3,867	$3,688	$ 7,698	$ 7,527
Fee income	1,346	1,159	2,628	2,280
Net investment income				
Securities, available-for-sale and other	1,336	1,158	2,609	2,285
Equity securities, held for trading	1,234	(970)	1,444	(516)
Total net investment income	2,570	188	4,053	1,769
Other revenues	125	115	242	238
Net realized capital losses	(248)	(179)	(202)	(300)
Total revenues	**7,660**	**4,971**	**14,419**	**11,514**
Benefits, losses and expenses				
Benefits, losses and loss adjustment expenses	4,778	2,471	8,321	6,250
Amortization of deferred policy acquisition costs and present value of future profits	837	829	1,709	1,646
Insurance operating costs and expenses	965	799	1,853	1,526
Interest expense	66	71	129	137
Other expenses	177	196	358	366
Total benefits, losses and expenses	**6,823**	**4,366**	**12,370**	**9,925**
Income before income taxes	**837**	**605**	**2,049**	**1,589**
Income tax expense	210	129	546	385
Net income	**$ 627**	**$ 476**	**$ 1,503**	**$ 1,204**
Earnings per Share				
Basic	**$ 1.98**	**$ 1.57**	**$ 4.72**	**$ 3.98**
Diluted	**$ 1.96**	**$ 1.52**	**$ 4.68**	**$ 3.86**
Weighted average common shares outstanding	316.8	303.3	318.2	302.8
Weighted average common shares outstanding and dilutive potential common shares	319.6	312.3	321.2	311.6
Cash dividends declared per share	$ 0.50	$ 0.40	$ 1.00	$ 0.80

See Notes to Condensed Consolidated Financial Statements.

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

(In millions, except for per share data)	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Investments		
Fixed maturities, available-for-sale, at fair value (amortized cost of $81,466 and $79,289)	$ 81,636	$ 80,755
Equity securities, held for trading, at fair value (cost of $25,314 and $23,668)	31,843	29,393
Equity securities, available-for-sale, at fair value (cost of $2,205 and $1,535)	2,390	1,739
Policy loans, at outstanding balance	2,052	2,051
Mortgage loans on real estate	4,891	3,318
Other investments	2,505	1,917
Total investments	125,317	119,173
Cash	1,624	1,424
Premiums receivable and agents balances	3,849	3,675
Reinsurance recoverables	5,131	5,571
Deferred policy acquisition costs and present value of future profits	10,729	10,268
Deferred income taxes	558	284
Goodwill	1,726	1,717
Property and equipment, net	910	791
Other assets	3,988	3,323
Separate account assets	191,814	180,484
Total assets	**$345,646**	**$326,710**
Liabilities		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses		
Property and casualty	$ 21,990	$ 21,991
Life	14,630	14,016
Other policyholder funds and benefits payable	74,796	71,311
Unearned premiums	5,704	5,620
Short-term debt	399	599
Long-term debt	4,119	3,504
Consumer notes	588	258
Other liabilities	12,958	10,051
Separate account liabilities	191,814	180,484
Total liabilities	**326,998**	**307,834**
Commitments and Contingencies (Note 7)		
Stockholders Equity		

Common stock - 750,000,000 shares authorized, 329,232,428 and 326,401,820 shares issued, $0.01 par value	3	3
Additional paid-in capital	6,541	6,321
Retained earnings	13,564	12,421
Treasury stock, at cost 11,655,772 and 3,086,429 shares	(859)	(47)
Accumulated other comprehensive income (loss), net of tax	(601)	178
Total stockholders equity	**18,648**	**18,876**
Total liabilities and stockholders equity	**$345,646**	**$326,710**

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

Condensed Consolidated Statements of Changes in Stockholders Equity

(In millions, except for share data)	Six Months Ended June 30, 2007	2006
	(Unaudited)	
Common Stock and Additional Paid-in Capital		
Balance at beginning of period	$ 6,324	$ 5,070
Issuance of shares under incentive and stock compensation plans and other	180	89
Tax benefit on employee stock options and awards	40	27
Balance at end of period	6,544	5,186
Retained Earnings		
Balance at beginning of period, before cumulative effect of accounting changes, net of tax	12,421	10,207
Cumulative effect of accounting changes, net of tax	(41)	
Balance at beginning of period, as adjusted	12,380	10,207
Net income	1,503	1,204
Dividends declared on common stock	(319)	(244)
Balance at end of period	13,564	11,167
Treasury Stock, at Cost		
Balance at beginning of period	(47)	(42)
Treasury stock acquired	(800)	
Return of shares under incentive and stock compensation plans to treasury stock	(12)	(4)
Balance at end of period	(859)	(46)
Accumulated Other Comprehensive Income (Loss), Net of Tax		
Balance at beginning of period	178	90
Total other comprehensive loss	(779)	(1,014)
Balance at end of period	(601)	(924)
Total stockholders equity	**$ 18,648**	**$ 15,383**
Outstanding Shares (in thousands)		
Balance at beginning of period	323,315	302,152
Treasury stock acquired	(8,439)	
Issuance of shares under incentive and stock compensation plans and other	2,831	2,025
Return of shares under incentive and stock compensation plans to treasury stock	(130)	(46)
Balance at end of period	317,577	304,131

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in millions)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	(Unaudited)		(Unaudited)	
Comprehensive Income (Loss)				
Net income	$ 627	$ 476	$1,503	$ 1,204
Other Comprehensive Income (Loss)				
Change in net unrealized gain/loss on securities	(700)	(409)	(746)	(884)
Change in net gain/loss on cash-flow hedging instruments	(95)	(111)	(68)	(199)
Change in foreign currency translation adjustments	2	53	11	69
Amortization of prior service cost and actuarial net losses included in net periodic benefit costs	15		24	
Total other comprehensive loss	(778)	(467)	(779)	(1,014)
Total comprehensive income (loss)	**$(151)**	**$ 9**	**$ 724**	**$ 190**

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
(In millions)	**2007**	**2006**
	(Unaudited)	
Operating Activities		
Net income	$ 1,503	$ 1,204
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred policy acquisition costs and present value of future profits	1,709	1,646
Additions to deferred policy acquisition costs and present value of future profits	(2,117)	(2,062)
Change in:		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses and unearned premiums	677	108
Reinsurance recoverables	425	1,092
Receivables and other assets	(408)	(35)
Payables and accruals	465	(470)
Accrued and deferred income taxes	285	211
Net realized capital losses	202	300
Net receipts from investment contracts credited to policyholder accounts associated with equity securities, held for trading	3,790	1,966
Net increase in equity securities, held for trading	(3,532)	(2,072)
Depreciation and amortization	282	318
Other, net	(334)	318
Net cash provided by operating activities	**2,947**	**2,524**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	18,897	16,165
Equity securities, available-for-sale	381	118
Mortgage loans	913	186
Partnerships	178	94
Payments for the purchase of:		
Fixed maturities, available-for-sale	(21,022)	(17,913)
Equity securities, available-for-sale	(651)	(299)
Mortgage loans	(2,485)	(1,008)
Partnerships	(653)	(500)
Change in policy loans, net		(94)
Change in payables for collateral under securities lending, net	1,729	408
Change in all other securities, net	(355)	(481)
Additions to property and equipment, net	(90)	(65)
Net cash used for investing activities	**(3,158)**	**(3,389)**
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	16,618	13,255

Withdrawals and other deductions from investment and universal life-type contracts	(15,101)	(13,370)
Net transfers from (to) separate accounts related to investment and universal life-type contracts	(683)	846
Issuance of long-term debt	495	
Repayment/maturity of long-term debt		(515)
Change in short-term debt	(200)	515
Proceeds from issuance of consumer notes	330	
Proceeds from issuance of shares under incentive and stock compensation plans, net	144	75
Excess tax benefits on stock-based compensation	14	27
Treasury stock acquired	(800)	
Return of shares under incentive and stock compensation plans to treasury stock	(12)	(4)
Dividends paid	(323)	(212)
Net cash provided by financing activities	**482**	**617**
Foreign exchange rate effect on cash	**(71)**	**56**
Net increase (decrease) in cash	200	(192)
Cash beginning of period	1,424	1,273
Cash end of period	**$ 1,624**	**$ 1,081**
Supplemental Disclosure of Cash Flow Information:		
Net Cash Paid During the Period For:		
Income taxes	$ 277	$ 28
Interest	$ 120	$ 136

See Notes to Condensed Consolidated Financial Statements.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollar amounts in millions except 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 and internationally (collectively, The Hartford or the Company).

The condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America, 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, 2007, and for the three and six months ended June 30, 2007 and 2006 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 2006 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 the primary beneficiary. The Company determines if it is the primary beneficiary using both qualitative and quantitative analyses. Entities in which The Hartford does not have a controlling financial interest but in which the Company has significant influence over the operating and financing decisions are reported using the equity method. All material intercompany transactions and balances between The Hartford and its subsidiaries and affiliates have been eliminated.

Reclassifications

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 from those estimates.

The most significant estimates include those used in determining property and casualty reserves for unpaid losses and loss adjustment expenses, 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; the evaluation of other-than-temporary impairments on investments in available-for-sale securities; living benefits required to be fair valued; pension and other postretirement benefit obligations; and contingencies relating to corporate litigation and regulatory matters.

Significant Accounting Policies

For a description of significant accounting policies, see Note 1 of Notes to Consolidated Financial Statements included in The Hartford s 2006 Form 10-K Annual Report.

Adoption of New Accounting Standards

Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109

The Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48), dated June 2006. FIN 48 requires companies to recognize the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. The amount recognized represents the largest amount of tax benefit that is greater than 50% likely of being realized. A liability is recognized for any benefit claimed, or expected to be claimed, in a tax return in excess of the benefit recorded in the financial statements, along with any interest and penalty (if applicable) on the excess.

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

1. Basis of Presentation and Accounting Policies (continued)

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the adoption, the Company recognized a $12 decrease in the liability for unrecognized tax benefits and a corresponding increase in the January 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits as of January 1, 2007 was $8 including an immaterial amount for interest. If these unrecognized tax benefits were recognized, they would have an immaterial effect on the Company s effective tax rate. The Company does not believe it would be subject to any penalties in any open tax years and, therefore, has not booked any such amounts. The Company classifies interest and penalties (if applicable) as income tax expense in the financial statements.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. During 2005, the Internal Revenue Service (IRS) commenced an examination of the Company s U.S. income tax returns for 2002 through 2003 that is anticipated to be completed by the end of 2007. The 2004 through 2005 examination is expected to begin by the end of 2007. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next 12 months.

Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 (SFAS 155). This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and resolves issues addressed in SFAS 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets . SFAS 155: (a) permits fair value remeasurement for any hybrid financial instrument (asset or liability) that contains an embedded derivative that otherwise would require bifurcation; (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (c) establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (e) eliminates restrictions on a qualifying special purpose entity s ability to hold passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. SFAS 155 also requires presentation within the financial statements that identifies those hybrid financial instruments for which the fair value election has been applied and information on the income statement impact of the changes in fair value of those instruments. The Company began applying SFAS 155 to all financial instruments acquired, issued or subject to a remeasurement event beginning January 1, 2007. SFAS 155 did not have an effect on the Company s consolidated financial condition and results of operations upon adoption on January 1, 2007.

Accounting by Insurance Enterprises for Deferred Acquisition Costs (DAC) in Connection with Modifications or Exchanges of Insurance Contracts

In September 2005, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs (DAC) in Connection with Modifications or Exchanges of Insurance Contracts (SOP 05-1). SOP 05-1 provides guidance on accounting by insurance enterprises for DAC on internal replacements of insurance and investment contracts. An internal replacement is a modification in product benefits, features, rights or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage within a contract. Modifications that result in a replacement contract that is substantially changed from the replaced contract should be accounted for as an extinguishment of the replaced contract. Unamortized DAC, unearned revenue liabilities and deferred sales inducements from the replaced contract must be written-off. Modifications that result in a contract that is substantially unchanged from the replaced contract should be accounted for as a continuation of the replaced contract. The Company adopted SOP 05-1 on January 1, 2007 and recognized the cumulative effect of the adoption of SOP 05-1 as a reduction in retained earnings of $53, after-tax.

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

1. Basis of Presentation and Accounting Policies (continued)

Future Adoption of New Accounting Standards

Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies.

In June 2007, the AICPA issued Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies (SOP 07-1). SOP 07-1 provides guidance for determining whether an entity is within the scope of the AICPA Audit and Accounting Guide *Investment Companies* (the Guide). This statement also addresses whether the specialized industry accounting principles of the Guide should be retained by a parent company in consolidation or by an investor that has the ability to exercise significant influence over the investment company and applies the equity method of accounting to its investment in the entity. In addition, SOP 07-1 includes certain disclosure requirements for parent companies and equity method investors in investment companies that retain investment company accounting in the parent company s consolidated financial statements or the financial statements of an equity method investor. SOP 07-1 is effective for fiscal years beginning on or after December 15, 2007, with earlier application encouraged. SOP 07-1 is not expected to have a material impact on the Company s consolidated financial condition and results of operations.

Income Taxes

The effective tax rate for the three months ended June 30, 2007 and 2006 was 25% and 21%, respectively. The effective tax rate for the six months ended June 30, 2007 and 2006 was 27% and 24%, respectively. The principal causes of the difference between the effective rate and the U.S. statutory rate of 35% were tax-exempt interest earned on invested assets and the separate account dividends received deduction (DRD).

The separate account DRD is estimated for the current year using information from the prior year-end, adjusted for current year equity market performance. The estimated DRD is generally updated in the third quarter for the provision-to-filed-return adjustments, and in the fourth quarter based on current year ultimate mutual fund distributions and fee income from the Company s variable insurance products. 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 distributions from these mutual funds, the utilization of capital loss carry forwards at the mutual fund level and appropriate levels of taxable income.

The Company receives a foreign tax credit (FTC) against its U.S. tax liability for foreign taxes paid by the Company including payments from its separate account assets. The separate account FTC is estimated for the current year using information from the most recent filed return, adjusted for the change in the allocation of separate accounts investments to the international equity markets during the current year. The actual current year FTC can vary from the estimates due to actual FTC s passed through by the mutual funds.

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

2. Earnings Per Share

The following tables present a reconciliation of net income and shares used in calculating basic earnings per share to those used in calculating diluted earnings per share.

	Three Months Ended June 30, 2007			Six Months Ended June 30, 2007		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Earnings per Share						
Net income available to common shareholders	$ 627	316.8	$ 1.98	$ 1,503	318.2	$ 4.72
Diluted Earnings per Share						
Stock compensation plans		2.8			3.0	
Net income available to common shareholders plus assumed conversions	$ 627	319.6	$ 1.96	$ 1,503	321.2	$ 4.68

	Three Months Ended June 30, 2006			Six Months Ended June 30, 2006		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic Earnings per Share						
Net income available to common shareholders	$ 476	303.3	$ 1.57	$ 1,204	302.8	$ 3.98
Diluted Earnings per Share						
Stock compensation plans		3.0			3.0	
Equity units		6.0			5.8	
Net income available to common shareholders plus assumed conversions	$ 476	312.3	$ 1.52	$ 1,204	311.6	$ 3.86

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 ten reportable operating segments. Additionally, Corporate primarily includes the Company s debt financing and related interest expense, as well as certain capital raising and purchase accounting adjustment activities.

Life

Life is organized into six reportable operating segments: Retail Products Group (Retail), Retirement Plans, Institutional Solutions Group (Institutional), Individual Life, Group Benefits and International.

The accounting policies of the reportable operating segments are the same as those described in the summary of significant accounting policies in Note 1. Life evaluates performance of its segments based on revenues, net income and the segment s return on allocated capital. Each operating segment is allocated corporate surplus as needed to support its business. The Company charges direct operating expenses to the appropriate segment and allocates the majority of indirect expenses to the segments based on an intercompany expense arrangement. Intersegment revenues primarily occur between Life s Other category and the operating segments. These amounts primarily include interest income on allocated surplus, interest charges on excess separate account surplus, the allocation of certain net realized capital gains and losses and the allocation of credit risk charges. For a discussion of segment allocations, see Note 3 of Notes to the Consolidated Financial Statements included in The Hartford s 2006 Form 10-K Annual Report.

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

3. Segment Information (continued)

The positive (negative) impact on realized gains and losses of the segments for allocated interest rate related realized gains and losses and the allocation of credit risk charges were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Retail				
Realized gains (losses)	$ 4	$ 8	$ 8	$ 17
Credit risk fees	(6)	(7)	(13)	(13)
Retirement Plans				
Realized gains (losses)	2	2	3	5
Credit risk fees	(2)	(2)	(4)	(4)
Institutional				
Realized gains (losses)	4	4	9	8
Credit risk fees	(8)	(5)	(16)	(11)
Individual Life				
Realized gains (losses)	1	2	1	5
Credit risk fees	(3)	(1)	(5)	(3)
Group Benefits				
Realized gains (losses)	2	1	3	2
Credit risk fees	(3)	(3)	(6)	(5)
International				
Realized gains (losses)				
Credit risk fees			(1)	(1)
Other				
Realized gains (losses)	(13)	(17)	(24)	(37)
Credit risk fees	22	18	45	37
Total	**$**	**$**	**$**	**$**

Property & Casualty

Property & Casualty is organized into four reportable operating segments: the underwriting segments of Business Insurance, Personal Lines, and Specialty Commercial (collectively Ongoing Operations); and the Other Operations segment. For the three months ended June 30, 2007 and 2006, AARP accounted for earned premiums of $663 and $612, respectively, in Personal Lines. For the six months ended June 30, 2007 and 2006, AARP accounted for earned premiums of $1.3 billion and $1.2 billion, respectively, in Personal Lines.

Through intersegment arrangements, Specialty Commercial reimburses Business Insurance and Personal Lines for certain losses, including, among other coverages, losses incurred from uncollectible reinsurance. In addition, the Company retains a portion of the risks ceded under the Company s principal catastrophe reinsurance program and other reinsurance programs and the financial results of the Company s retention are recorded in the Specialty Commercial segment. Apart from the Company s retention, the amount of premiums ceded to third party reinsurers under the principal catastrophe reinsurance program and other reinsurance programs is allocated to the operating segments based on the risks written by each operating segment that are subject to the programs.

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

3. Segment Information (continued)

Earned premiums assumed (ceded) under the intersegment arrangements and retention were as follows:

Net assumed (ceded) earned premiums under intersegment arrangements and retention	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Business Insurance	$(14)	$(20)	$(28)	$(40)
Personal Lines	(1)	(5)	(3)	(12)
Specialty Commercial	15	25	31	52
Total	**$**	**$**	**$**	**$**

Financial Measures and Other Segment Information

For further discussion of the types of products offered by each segment, see Note 3 of Notes to Consolidated Financial Statements included in The Hartford s 2006 Form 10-K Annual Report.

The measure of profit or loss used by The Hartford s management in evaluating the performance of its Life segments is net income. Within Property & Casualty, net income is the 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 Business Insurance, Personal Lines 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 investment income, net realized capital gains and losses, net servicing and other income, other expenses, and related income taxes is net income.

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

3. Segment Information (continued)

The following tables present revenues and net income (loss). Underwriting results are presented for the Business Insurance, Personal Lines and Specialty Commercial segments, while net income is presented for each of Life s reportable segments, Total Property & Casualty, Ongoing Operations, Other Operations and Corporate.

Revenues

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Life				
Retail	$ 965	$ 867	$ 1,869	$ 1,717
Retirement Plans	150	131	293	268
Institutional	548	367	1,065	885
Individual Life	289	275	574	546
Group Benefits	1,207	1,129	2,408	2,261
International	216	184	422	364
Other	(126)	(75)	(21)	(132)
Total Life segment revenues	3,249	2,878	6,610	5,909
Net investment income on equity securities, held for trading [1]	1,234	(970)	1,444	(516)
Total Life	**4,483**	**1,908**	**8,054**	**5,393**
Property & Casualty				
Ongoing Operations				
Earned premiums				
Business Insurance	1,281	1,268	2,573	2,531
Personal Lines	967	939	1,920	1,858
Specialty Commercial	373	399	751	782
Total Ongoing Operations earned premiums	2,621	2,606	5,244	5,171
Other Operations earned premiums	1	1	1	2
Net investment income	446	365	859	722
Other revenues [2]	124	114	242	237
Net realized capital losses	(24)	(29)	(1)	(24)
Total Property & Casualty	**3,168**	**3,057**	**6,345**	**6,108**
Corporate	9	6	20	13
Total	**$7,660**	**$4,971**	**$14,419**	**$11,514**

[1] *Management does not include net investment income and the mark-to-market*

effects of equity securities, held for trading, supporting the international variable annuity business in its International segment revenues since corresponding amounts credited to policyholders are included within benefits, losses and loss adjustment expenses.

[2] *Represents servicing revenue.*

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

3. Segment Information (continued)

Net Income (Loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Life				
Retail	$ 199	$ 166	$ 388	$ 342
Retirement Plans	26	22	49	43
Institutional	29	29	62	51
Individual Life	44	48	90	93
Group Benefits	87	74	153	142
International	59	52	113	98
Other	(126)	(83)	(99)	(115)
Total Life	**318**	**308**	**756**	**654**
Property & Casualty				
Ongoing Operations				
Underwriting results				
Business Insurance	134	197	258	331
Personal Lines	84	126	214	232
Specialty Commercial	(1)	(43)	38	4
Total Ongoing Operations underwriting results	217	280	510	567
Net servicing and other income [1]	14	12	25	30
Net investment income	385	296	736	587
Net realized capital losses	(18)	(31)	(1)	(26)
Other expenses	(56)	(75)	(116)	(128)
Income tax expense	(158)	(142)	(341)	(301)
Ongoing Operations	384	340	813	729
Other Operations	(40)	(124)	(8)	(89)
Total Property & Casualty	**344**	**216**	**805**	**640**
Corporate	(35)	(48)	(58)	(90)
Net income	**$ 627**	**$ 476**	**$1,503**	**$1,204**

[1] Net of expenses related to service business.

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

4. Investments and Derivative Instruments

	June 30, 2007				December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds and Notes								
Asset-backed securities (ABS)	$ 9,666	$ 38	$ (63)	$ 9,641	$ 7,924	$ 54	$ (53)	$ 7,925
Collateralized mortgage obligations (CMOs)								
Agency backed	1,224	12	(10)	1,226	1,184	17	(8)	1,193
Non-agency backed	291		(3)	288	116		(1)	115
Commercial mortgage-backed securities (CMBS)								
Agency backed	731	2	(11)	722	756	12	(1)	767
Non-agency backed	17,144	141	(338)	16,947	15,823	220	(144)	15,899
Corporate	33,158	838	(591)	33,405	35,069	1,193	(371)	35,891
Government/Government agencies								
Foreign	977	53	(17)	1,013	1,213	87	(6)	1,294
United States	1,161	8	(16)	1,153	848	5	(7)	846
Mortgage-backed securities (MBS)								
Agency backed	3,148	3	(78)	3,073	2,742	5	(45)	2,702
States, municipalities and political subdivisions	12,367	324	(122)	12,569	11,897	536	(27)	12,406
Redeemable preferred stock	9			9	36			36
Short-term	1,590			1,590	1,681			1,681
Total fixed maturities	**$81,466**	**$1,419**	**$(1,249)**	**$81,636**	**$79,289**	**$2,129**	**$(663)**	**$80,755**

As of June 30, 2007 and December 31, 2006, under terms of securities lending programs, the fair value of loaned securities was approximately $3.9 billion and $2.2 billion, respectively, and was included in fixed maturities in the condensed consolidated balance sheets.

Variable Interest Entities

During the three months ended June 30, 2007, the Company invested $120 in two newly established collateralized debt obligations (CDOs) where the Company is not the primary beneficiary and therefore is not required to consolidate these variable interest entities. Hartford Investment Management Company (HIMCO), a wholly-owned subsidiary of The Hartford, serves as collateral manager to the CDOs. The Company s maximum exposure to loss is limited to its direct investment in those structures. Creditors have recourse only to the assets of the CDOs and not to the general credit of the Company. The Company s maximum exposure to loss from consolidated and non-consolidated CDO VIEs managed by HIMCO was $386 as of June 30, 2007.

Derivative Instruments

The Company utilizes a variety of derivative instruments, including swaps, caps, floors, forwards, futures and options to achieve one of four Company-approved objectives: to hedge risk arising from interest rate, equity market, price or currency exchange rate risk or volatility; to manage liquidity; to control transaction costs; or to enter into replication transactions.

On the date the derivative contract is entered into, the Company designates the derivative as (1) a hedge of the fair value of a recognized asset or liability (fair-value hedge), (2) a hedge of the variability of cash flows of a forecasted transaction or of amounts to be received or paid related to a recognized asset or liability (cash-flow hedge), (3) a foreign-currency fair-value or cash-flow hedge (foreign-currency hedge), (4) a hedge of a net investment in a foreign operation (net investment hedge) or (5) held for other investment and risk management purposes, which primarily involve managing asset or liability related risks that do not qualify for hedge accounting.

The Company s derivative transactions are used in strategies permitted under the derivatives use plans required by the State of Connecticut, the State of Illinois and the State of New York insurance departments.

For a detailed discussion of the Company s use of derivative instruments, see Notes 1 and 4 of Notes to Consolidated Financial Statements included in The Hartford s 2006 Form 10-K Annual Report.

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

4. Investments and Derivative Instruments (continued)

Derivative instruments are recorded in the condensed consolidated balance sheets at fair value. Asset and liability values are determined by calculating the net position for each derivative counterparty by legal entity and are presented as follows:

	June 30, 2007		December 31, 2006	
	Asset Values	Liability Values	Asset Values	Liability Values
Other investments	$314	$	$287	$
Reinsurance recoverables	20			22
Other policyholder funds and benefits payable	1	61	53	1
Other liabilities		984		772
Total	**$335**	**$1,045**	**$340**	**$795**

The following table summarizes the notional amount and fair value of derivatives by hedge designation as of June 30, 2007 and December 31, 2006. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and are not necessarily reflective of credit risk. The fair value amounts of derivative assets and liabilities are presented on a net basis in the following table.

	June 30, 2007		December 31, 2006	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Cash-flow hedge	$ 6,403	$(462)	$ 7,964	$(392)
Fair-value hedge	5,022	44	4,338	1
Other investment and risk management activities	101,239	(292)	73,542	(64)
Total	**$112,664**	**$(710)**	**$85,844**	**$(455)**

The increase in notional amount since December 31, 2006, is primarily due to an increase in derivatives associated with the guaranteed minimum withdrawal benefit (GMWB) rider as a result of additional product sales as well as the related hedging derivatives. The Company offers certain variable annuity products with a GMWB rider, which is accounted for as an embedded derivative. For further discussion on the GMWB rider, refer to Note 6 of Notes to Condensed Consolidated Financial Statements.

During the three months ended June 30, 2007, the Company entered into a swap contract to hedge certain risk components for the remaining term of a block of non-reinsured GMWB riders. As of June 30, 2007, this swap had a notional value of $9 billion and a market value of $(21). Due to the significance of the non-observable inputs associated with pricing this derivative, the initial difference between the transaction price and modeled value was deferred in accordance with EITF No. 02-3 Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities and included in Other Assets in the Condensed Consolidated Financial Statements. The deferred loss of $32 will be recognized in retained earnings upon adoption of SFAS No. 157, Fair Value Measurements (SFAS No. 157) or in earnings if the non-observable inputs in the derivative price become observable prior to the adoption of SFAS No. 157.

During the first quarter of 2007, the Company launched a new rider that is attached to certain Japanese variable annuity contracts that provide the contract holder a guaranteed minimum accumulation benefit (GMAB), which is accounted for as an embedded derivative. As of June 30, 2007, the notional related to the GMAB embedded derivatives was $1.3 billion with an asset value of $1, respectively.

The decrease in net fair value of derivative instruments since December 31, 2006 was primarily related to decreases in fair value of the embedded GMWB rider derivative and related hedging derivatives, derivatives hedging cash flow variability of floating rate securities, and the Japanese fixed annuity hedging instruments, partially offset by sales of certain foreign currency swaps that were in loss positions as well as the fair value associated with the initial cost of the put option agreement related to the Company s contingent capital facility. The GMWB rider embedded derivative decreased in value primarily due to liability model assumption updates made during the second quarter to reflect newly reliable market inputs for volatility and model refinements. Derivatives hedging changes in cash flow variability of floating rate securities declined in value as a result of an increase in interest rates. The Japanese fixed annuity contract hedging instruments decreased in value primarily due to depreciation of the yen in comparison to the U.S. dollar as well as an increase in Japanese interest rates. The fair value of foreign currency swaps hedging foreign bonds increased primarily as a result of the sale of certain swaps that were in loss positions due to the weakening of the U.S. dollar in comparison to certain foreign currencies.

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

4. Investments and Derivative Instruments (continued)

For the three and six months ended June 30, 2007, after-tax net gains (losses) representing the total ineffectiveness of all cash-flow hedges were $(1) and less than $1, respectively. For the three and six months ended June 30, 2006, after-tax net losses representing the total ineffectiveness of all cash-flow hedges were $(5) and $(10), respectively. For the three and six months ended June 30, 2007, after-tax net losses representing the total ineffectiveness of all fair-value hedges were $(3). For the three and six months ended June 30, 2006, after-tax net gains representing the total ineffectiveness of all fair-value hedges were less than $1.

The total change in value for derivative-based strategies that do not qualify for hedge accounting treatment (non-qualifying strategies), including periodic derivative net coupon settlements, are reported in net realized capital gains (losses). These non-qualifying strategies resulted in after-tax net losses of $(168) and $(158), respectively, for the three and six months ended June 30, 2007. For the three and six months ended June 30, 2007, net losses were primarily comprised of net losses on GMWB rider embedded derivatives due to liability model assumption updates made during the second quarter to reflect newly reliable market inputs for volatility and model refinements, the Japanese fixed annuity hedging instruments due to the yen depreciating against the U.S. dollar as well as an increase in Japanese interest rates, and credit default swaps due to credit spread widening, partially offset by net gains on interest rate derivatives used to manage portfolio duration due to an increase in interest rates.

For the three and six months ended June 30, 2006, non-qualifying strategies resulted in after-tax net losses of $(20) and $(82), respectively. For the three months ended June 30, 2006, losses were predominantly comprised of net losses associated with GMWB rider and hedging derivatives primarily driven by modeling refinements and net losses on non-qualifying currency derivatives primarily due to the weakening of the U.S. dollar compared to other major currencies, partially offset by net gains on the Japanese fixed annuity hedging instruments primarily due to the yen strengthening against the U.S. dollar. For the six months ended June 30, 2006, losses were largely comprised of net losses on GMWB rider and hedging derivatives primarily driven by modeling refinements, losses on non-qualifying interest rate derivatives due to an increase in interest rates, losses on non-qualifying currency derivatives due to the U.S. dollar weakening against other major currencies, and net losses on the Japanese fixed annuity hedging instruments primarily due to an increase in Japan interest rates.

As of June 30, 2007, the after-tax deferred net losses on derivative instruments recorded in accumulated other comprehensive income (loss) (AOCI) that are expected to be reclassified to earnings during the next twelve months are $(19). 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 all forecasted transactions, excluding interest payments on variable-rate debt) is twenty-four months. For the three and six months ended June 30, 2007 and 2006, 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.

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

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

Changes in deferred policy acquisition costs and present value of future profits by Life and Property & Casualty were as follows:

Life

	2007	2006
Balance, January 1, before cumulative effect of accounting change, pre-tax	**$9,071**	**$8,568**
Cumulative effect of accounting change, pre-tax (SOP 05-1) [1]	(79)	
Balance, January 1, as adjusted	**8,992**	**8,568**
Deferred costs	1,046	979
Amortization Deferred policy acquisition costs and present value of future profits	(653)	(605)
Adjustments to unrealized gains and losses on securities, available-for-sale and other	186	377
Effect of currency translation adjustment	(54)	44
Balance, June 30	**$9,517**	**$9,363**

[1] The Company s cumulative effect of accounting change includes an additional $(1), pre-tax, related to sales inducements.

Property & Casualty

	2007	2006
Balance, January 1	**$ 1,197**	**$ 1,134**
Deferred costs	1,071	1,083
Amortization Deferred policy acquisition costs	(1,056)	(1,041)
Balance, June 30	**$ 1,212**	**$ 1,176**

6. Separate Accounts, Death Benefits and Living Benefit Features

The Company records the variable portion of individual variable annuities, 401(k), institutional, 403(b)/457, private placement life and variable life insurance products within separate account assets and liabilities, which are reported at fair value. Separate account assets are segregated from other investments. Investment income and gains and losses from those separate account assets, which accrue directly to, and whereby investment risk is borne by the policyholder, are offset by the related liability changes within the same line item in the condensed consolidated statements of operations. The fees earned for administrative and contract holder maintenance services performed for these separate accounts are included in fee income. For the three and six months ended June 30, 2007 and 2006, there were no gains or losses on transfers of assets from the general account to the separate account.

Many of the variable annuity contracts issued by the Company offer various guaranteed minimum death, withdrawal, income and accumulation benefits. Guaranteed minimum death and income benefits are offered in various forms as described in further detail throughout this Note. The Company currently reinsures a significant portion of the death benefit guarantees associated with its in-force block of business. Effective April 1, 2006, the Company began reinsuring certain of its death benefit guarantees associated with the in-force block of variable annuity products offered in Japan. Changes in the gross U.S. guaranteed minimum death benefit (GMDB) and Japan GMDB/guaranteed minimum income benefits (GMIB) liability balance sold with annuity products are as follows:

	U.S. GMDB [1]	Japan GMDB/GMIB [1]
Liability balance as of December 31, 2006	**$ 475**	**$ 35**
Incurred	72	8
Paid	(44)	(1)
Currency translation adjustment		(1)
Liability balance as of June 30, 2007	**$ 503**	**$ 41**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $328 as of June 30, 2007. The reinsurance recoverable asset related to the Japan GMDB was $6 as of June 30, 2007.

	U.S. GMDB [1]	Japan GMDB/GMIB [1]
Liability balance as of December 31, 2005	**$ 158**	**$ 50**
Incurred	62	17
Paid	(55)	(1)
Currency translation adjustment		2
Liability balance as June 30, 2006	**$ 165**	**$ 68**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $35 as of June 30, 2006. The reinsurance recoverable asset related to

the Japan GMDB was $2 as of June 30, 2006.

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

6. Separate Accounts, Death Benefits and Living Benefit Features (continued)

The net GMDB and GMIB liability is established by estimating the expected value of net reinsurance costs and death and income benefits in excess of the projected account balance. The excess death and income benefits and net reinsurance costs are recognized ratably over the accumulation period based on total expected assessments. The GMDB and GMIB liabilities are recorded in reserve for future policy benefits in the Company s condensed consolidated balance sheets. Changes in the GMDB and GMIB liability are recorded in benefits, losses and loss adjustment expenses in the Company s condensed consolidated statements of operations. In a manner consistent with the Company s accounting policy for deferred acquisition costs, the Company regularly evaluates estimates used and adjusts the additional liability balances, with a related charge or credit to benefit expense if actual experience or other evidence suggests that earlier assumptions should be revised.

The following table provides details concerning GMDB and GMIB exposure as of June 30, 2007:

Breakdown of Variable Annuity Account Value by GMDB/GMIB Type

Maximum anniversary value (MAV) [1]	Account Value	Net Amount at Risk	Retained Net Amount at Risk	Weighted Average Attained Age of Annuitant
MAV only	$ 52,277	$3,183	$ 289	65
With 5% rollup [2]	3,726	267	54	64
With Earnings Protection Benefit Rider (EPB) [3]	5,784	584	92	62
With 5% rollup & EPB	1,427	168	32	63
Total MAV	63,214	4,202	467	
Asset Protection Benefit (APB) [4]	41,570	111	57	62
Lifetime Income Benefit (LIB) Death Benefit [5]	7,371	22	22	61
Reset [6] (5-7 years)	6,690	132	132	66
Return of Premium [7]/Other	10,415	23	23	56
Subtotal U.S. Guaranteed Minimum Death Benefits	**129,260**	**4,490**	**701**	**63**
Japan Guaranteed Minimum Death and Income Benefit [8]	32,050	36	14	66
Total at June 30, 2007	**$161,310**	**$4,526**	**$ 715**	

[1] MAV: the death benefit is the greatest of current account value, net premiums paid and the highest account value on any anniversary

before age 80 (adjusted for withdrawals).

[2] *Rollup: the death benefit is the greatest of the MAV, current account value, 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: the death benefit is the greatest of the MAV, current account value, or contract value plus a percentage of the contract s growth. The contract s growth is account value less premiums net of withdrawals, subject to a cap of 200% of premiums net of withdrawals.*

[4] *APB: the death benefit is the greater of current account value or MAV, not to exceed current account*

value plus 25% times the greater of net premiums and MAV (each adjusted for premiums in the past 12 months).

[5] *LIB: the death benefit is the greatest of current account value or MAV, net premiums paid, or a benefit amount that ratchets over time, generally based on market performance.*

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

[7] *Return of premium: the death benefit is the greater of current account value and net premiums paid.*

[8] *Death benefits include a Return of Premium and MAV (before age 80) paid in*

a single lump sum. The income benefit 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 guaranteed remaining balance related to the Japan GMIB was $24.4 billion and $22.6 billion as of June 30, 2007 and December 31, 2006, respectively.

The Company offers certain variable annuity products with a GMWB rider. The GMWB 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. However, annual withdrawals that exceed a specific percentage of the premiums paid may reduce the GRB by an amount greater than the withdrawals and may also impact the guaranteed annual withdrawal amount that subsequently applies after the excess annual withdrawals occur. For certain of the withdrawal benefit features, the policyholder also has the option, after a specified time period, to reset the GRB to the then-current account value, if greater. In addition, the Company has introduced features, for contracts issued beginning in the fourth quarter of 2005, that allow policyholders to receive the guaranteed annual withdrawal amount for as long as they are alive. Through this feature, the policyholder or their beneficiary will receive the GRB and the GRB is reset on an annual basis to the maximum anniversary account value subject to a cap.

The GMWB represents an embedded derivative in the variable annuity contracts that is required to be reported separately from the host variable annuity contract. It is carried at fair value and reported in other policyholder funds. The fair value of the GMWB obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract

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

6. Separate Accounts, Death Benefits and Living Benefit Features (continued)

charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. Because of the dynamic and complex nature of these cash flows, best estimate assumptions and stochastic techniques under a variety of market return scenarios are
used. Estimating these cash flows involves numerous estimates and subjective judgments including those regarding expected market rates of return, market volatility, correlations of market returns and discount rates. At each valuation date, the Company assumes expected returns based on risk-free rates as represented by the current LIBOR forward curve rates; market volatility assumptions for each underlying index based primarily on a blend of observed market implied volatility ; correlations of market returns across underlying indices based on actual observed market returns and relationships over the ten years preceding the valuation date; and current risk-free spot rates as represented by the current LIBOR spot curve to determine the present value of expected future cash flows produced in the stochastic projection process. As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions. In addition, management regularly evaluates the valuation model, incorporating emerging valuation techniques where appropriate, including drawing on the expertise of market participants and valuation experts. During the second quarter of 2007, the Company reflected newly reliable market inputs for volatility on Standard and Poor s (S&P) 500, National Association of Securities Dealers Automated Quotations (NASDAQ) and Europe, Australasia and Far East (EAFE) index options. The impact of reflecting the newly reliable market inputs for S&P 500, NASDAQ and EAFE index options resulted in an increase to the GMWB embedded derivative liability of $67, net of reinsurance. The impact to net income including other changes in assumptions and modeling refinements, including those for dynamic lapse behavior and correlations of market returns across underlying indices, and after DAC amortization and taxes was a loss of $37, net of reinsurance.

As of June 30, 2007 and December 31, 2006, the embedded derivative (liability) asset recorded for GMWB, before reinsurance or hedging, was $(56) and $53, respectively. For the six months ended June 30, 2007 and 2006, the change in value of the GMWB, before reinsurance and hedging, reported in realized (losses) gains was ($62) and $95, respectively. For the three months ended June 30, 2007 and 2006, the change in value of the GMWB, before reinsurance and hedging, reported in realized (losses) gains was ($128) and $11, respectively. There were no benefit payments made for the GMWB during 2007 or 2006.

As of June 30, 2007 and December 31, 2006, $43.9 billion, or 80%, and $37.3 billion, or 77%, respectively, of account value, representing substantially all of the contracts written after July 2003 with the GMWB feature were unreinsured. In order to minimize the volatility associated with the unreinsured GMWB liabilities, the Company has established a risk management strategy. During the second quarter of 2007 as part of the Company s risk management strategy, the Company purchased a swap contract which hedges certain risk components associated with $9 billion of notional value of the GMWB liability. The Company also uses other derivative instruments to hedge its unreinsured GMWB exposure including interest rate futures, S&P and NASDAQ index options and futures contracts and EAFE Index swaps to hedge GMWB exposure to international equity markets. The total (reinsured and unreinsured) GRB as of June 30, 2007 and December 31, 2006 was $41.6 billion and $37.8 billion, respectively.

A contract is in the money if the contract holder s GRB is greater than the account value. For contracts that were in the money the Company s exposure, as of June 30, 2007 and December 31, 2006, was $10 and $8, respectively. However, the only ways the contract holder can monetize the excess of the GRB over the account value of the contract is upon death or if their account value is reduced to zero through a combination of a series of withdrawals that do not exceed a specific percentage of the premiums paid per year and market declines. If the account value is reduced to zero, the contract holder will receive a period certain annuity equal to the remaining GRB. As the amount of the excess of the GRB over the account value can fluctuate with equity market returns on a daily basis, the ultimate amount to be paid by the Company, if any, is uncertain and could be significantly more or less than $10.

7. 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

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

7. Commitments and Contingencies (continued)

with the sale of life insurance and other investment products; and improper fee arrangements in connection with mutual funds and structured settlements. 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 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. In April 2007, the district court granted the defendants motions to dismiss the Sherman Act and RICO claims, dismissed the consolidated actions without prejudice, and established a schedule for the plaintiffs to file any amended complaints. The plaintiffs filed their second consolidated amended complaints in May 2007, and the defendants thereafter renewed their motions to dismiss. The Company also has been named in two similar actions filed in state courts, which were removed to federal court and transferred to the court presiding over the multidistrict litigation. These actions have been stayed pending a decision on the renewed motions to dismiss in the multidistrict litigation.

The Company is also a defendant in two consolidated securities actions and two consolidated derivative actions filed in the United States District Court for the District of Connecticut. The consolidated securities actions assert claims on behalf of a putative class of shareholders alleging that the Company and certain of its executive officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by failing to disclose to the investing public that The Hartford s business and growth was predicated on the unlawful activity alleged in the New York Attorney General s complaint against Marsh. The consolidated derivative actions, brought by shareholders on behalf of the Company against its directors and an additional executive officer, allege that the defendants knew adverse non-public information about the activities alleged in the Marsh complaint and concealed and misappropriated that information to make profitable stock trades in violation of their duties to the Company. In July 2006, the district court granted defendants motion to dismiss the consolidated securities actions. The plaintiffs have appealed that decision. Defendants filed a motion to dismiss the consolidated derivative actions in May 2005, and the plaintiffs have agreed to stay further proceedings until after the resolution of the appeal from the dismissal of the securities action.

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 settlement was made on a claim-in, nationwide-class basis and required eligible class members to return valid claim forms postmarked no later than June 28, 2007. Based on the number of claim forms received in connection with the settlement, management estimates that the Company will be required to establish a settlement fund of $90 in satisfaction of the Company s obligations under the terms of the settlement. The Company has 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 have disputed coverage for the settlement, but management believes it is probable that the Company s coverage position ultimately will be sustained. In 2006, the Company accrued $10, the amount of the self-insured retention, which reflects the amount that management believes to be the Company s ultimate liability under the settlement net of insurance.

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

7. Commitments and Contingencies (continued)

Call-Center Patent Litigation In June 2007, the holder of twenty-one patents related to automated call flow processes, Ronald A. Katz Technology Licensing, LP (Katz), brought an action against the Company and various of its subsidiaries in the United States District Court for the Southern District of New York. The action alleges that the Company s call centers use automated processes that willfully infringe the Katz patents. Katz previously has brought similar patent-infringement actions against a wide range of other companies, none of which has reached a final adjudication of the merits of the plaintiff s claims, but many of which have resulted in settlements under which the defendants agreed to pay licensing fees. The case is being transferred to a multidistrict litigation in the United States District Court for the Central District of California, which is currently presiding over other Katz patent cases. The Company disputes the allegations and intends to defend this action vigorously.

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 2006 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.

Regulatory Developments

On July 23, 2007, the Company entered into an agreement (the Agreement) with the New York Attorney General s Office, the Connecticut Attorney General s Office, and the Illinois Attorney General s Office to resolve (i) the previously disclosed investigations by these Attorneys General regarding the Company s compensation agreements with brokers, alleged participation in arrangements to submit inflated bids, compensation arrangements in connection with the administration of workers compensation plans and reporting of workers compensation premium, participation in finite reinsurance transactions, sale of fixed and individual annuities used to fund structured settlements, and marketing and sale of individual and group variable annuity products and (ii) the previously disclosed investigation by the New York Attorney General s Office of aspects of the Company s variable annuity and mutual fund operations related to market timing. In light of the Agreement, the Staff of the Securities and Exchange Commission has informed the Company that it has determined to conclude its previously disclosed investigation into market timing without recommending any enforcement action.

Under the terms of the Agreement, the Company will pay $115, of which $84 represents restitution for market timing, $5 represents restitution for issues relating to the compensation of brokers, and $26 is a civil penalty. After taking into account previously established reserves, the Company incurred a charge of $30, after-tax, in the second quarter of 2007 for the costs associated with the settlement. Also pursuant to the terms of the Agreement, the Company agreed to certain conduct remedies, including, among other things, a ban on paying contingent compensation with respect to any line of property and casualty insurance in which insurers that do not pay contingent compensation, together with those that have entered into similar settlement agreements, collectively represent at least 65% of the market.

The Company has announced that it will implement a new program for 2008 to compensate property and casualty agents and brokers for their performance in personal and standard commercial lines of insurance. Under this new supplemental commission program, the Company will pay a fixed commission that is based, among other things, on the agent s or broker s past performance. At this time, it is not possible to predict with certainty the effect, if any, of this new commission program on the Company s sales of insurance in these lines.

On May 22, 2007, the Company received a subpoena from the Connecticut Attorney General s Office requesting information relating to the Company s participation in certain reinsurance facilities. The Company exited the reinsurance market in 2003. The Company is cooperating fully with the Connecticut Attorney General s Office in this matter.

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

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

Components of Net Periodic Benefit Cost

Total net periodic benefit cost for the six months ended June 30, 2007 and 2006 include the following components:

	Pension Benefits		Other Postretirement Benefits	
	2007	**2006**	**2007**	**2006**
Service cost	$ 61	$ 64	$ 3	$ 5
Interest cost	103	96	11	11
Expected return on plan assets	(140)	(120)	(4)	(4)
Amortization of prior service cost	(6)	(7)	(3)	(11)
Amortization of actuarial net losses	50	44		
Net periodic benefit cost	**$ 68**	**$ 77**	**$ 7**	**$ 1**

Employer contributions

In May 2007, the Company, at its discretion, made a $120 contribution to the U.S. qualified defined benefit pension plan (the Plan). For 2007, the Company does not have a required minimum funding contribution for the Plan and the funding requirements for all of the pension plans is expected to be immaterial.

9. Stock Compensation Plans

The Company has two primary stock-based compensation plans, The Hartford 2005 Incentive Stock Plan and The Hartford Employee Stock Purchase Plan. For a description of these plans, see Note 18 of Notes to Consolidated Financial Statements included in The Hartford s 2006 Form 10-K Annual Report.

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 new shares in satisfaction of stock-based compensation. The compensation expense recognized for the stock-based compensation plans was $39 and $28 for the six months ended June 30, 2007 and 2006, respectively. The income tax benefit recognized for stock-based compensation plans was $13 and $9 for the six months ended June 30, 2007 and 2006, respectively. The Company did not capitalize any cost of stock-based compensation. As of June 30, 2007, the total compensation cost related to non-vested awards not yet recognized was $103, which is expected to be recognized over a weighted average period of 2.2 years.

10. Debt

On March 9, 2007, The Hartford issued $500 of 5.375% senior notes due March 15, 2017.

Consumer Notes

As of June 30, 2007, and December 31, 2006, $588 and $258 of consumer notes had been issued. As of June 30, 2007, these consumer notes have interest rates ranging from 4.4% to 6.3% for fixed notes and, for variable notes, either consumer price index plus 175 to 267 basis points, or indexed to the S&P 500, Dow Jones Industrials or the Nikkei 225. For the three and six months ended June 30, 2007, interest credited to holders of consumer notes was $6 and $11, respectively.

Capital Lease Obligation

In the second quarter of 2007, the Company recorded a capital lease of $114. The capital lease obligation is included in long-term debt in the condensed consolidated balance sheet as of June 30, 2007. The minimum lease payments under the capital lease arrangement are approximately $27 in each of 2008, 2009 and 2010 with a firm commitment to purchase the leased asset on January 1, 2010 for $46.

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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, 2007, compared with December 31, 2006, and its results of operations for the three and six months ended June 30, 2007, compared to the equivalent 2006 periods. This discussion should be read in conjunction with the MD&A in The Hartford s 2006 Form 10-K Annual Report.

Certain of the statements contained herein are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond the Company s control and have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management s expectations or that the effect of future developments on The Hartford will be those anticipated by management. Actual results could differ materially from those expected by the Company, depending on the outcome of various factors, including, but not limited to, those referenced in Part II, Item 1A, Risk Factors as well as Part I, Item 1A, Risk Factors in The Hartford s 2006 Form 10-K Annual Report. These factors include: the difficulty in predicting the Company s potential exposure for asbestos and environmental claims; the possible occurrence of terrorist attacks; the response of reinsurance companies under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses; changes in the stock markets, interest rates or other financial markets, including the potential effect on the Company s statutory capital levels; the inability to effectively mitigate the impact of equity market volatility on the Company s financial position and results of operations arising from obligations under annuity product guarantees; the Company s potential exposure arising out of regulatory proceedings or private claims relating to incentive compensation or payments made to brokers or other producers and alleged anti-competitive conduct; the uncertain effect on the Company of regulatory and market-driven changes in practices relating to the payment of incentive compensation to brokers and other producers, including changes that have been announced and those which may occur in the future; the possibility of unfavorable loss development; the incidence and severity of catastrophes, both natural and man-made; stronger than anticipated competitive activity; unfavorable judicial or legislative developments; the potential effect of domestic and foreign regulatory developments, including those which could increase the Company s business costs and required capital levels; the possibility of general economic and business conditions that are less favorable than anticipated; the Company s ability to distribute its products through distribution channels, both current and future; the uncertain effects of emerging claim and coverage issues; a downgrade in the Company s financial strength or credit ratings; the ability of the Company s subsidiaries to pay dividends to the Company; the Company s ability to adequately price its property and casualty policies; the ability to recover the Company s systems and information in the event of a disaster or other unanticipated event; potential for difficulties arising from outsourcing relationships; potential changes in Federal or State tax laws; and other factors described in such forward-looking statements.

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OVERVIEW

The Hartford is a diversified insurance and financial services company with operations dating back to 1810. The Company is headquartered in Connecticut and 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 ten reportable operating segments. Additionally, Corporate primarily includes the Company s debt financing and related interest expense, as well as certain capital raising activities and purchase accounting adjustments.

Many of the principal factors that drive the profitability of The Hartford s Life and Property & Casualty operations are separate and distinct. Management considers this diversification to be a strength of The Hartford that distinguishes the Company from its peers. To present its operations in a more meaningful and organized way, management has included separate overviews within the Life and Property & Casualty sections of MD&A. For further overview of Life s profitability and analysis, see page 32. For further overview of Property & Casualty s profitability and analysis, see page 47.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (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 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 for unpaid losses and loss adjustment expenses, 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; the evaluation of other-than-temporary impairments on investments in available-for-sale securities; living benefits required to be fair valued; pension and other postretirement benefit obligations; and contingencies relating to corporate litigation and regulatory matters. 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. For a discussion of the critical accounting estimates not discussed below, see MD&A in The Hartford s 2006 Form 10-K Annual Report.

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

Accounting Policy and Assumptions

Life s deferred policy acquisition costs asset and present value of future profits (PVFP) intangible asset (hereafter, referred to collectively as DAC) related to investment contracts and universal life-type contracts (including variable annuities) are amortized over the estimated life of the contracts acquired using the retrospective deposit method. Under the retrospective deposit method, acquisition costs are amortized in proportion to the present value of estimated gross profits (EGPs). EGPs are also used to amortize other assets and liabilities on the Company s balance sheet, such as sales inducement assets and unearned revenue reserves (URR). Components of EGPs are used to determine reserves for guaranteed minimum death and income benefits. At June 30, 2007 and December 31, 2006, the carrying value of the Company s Life DAC asset was $9.5 billion and $9.1 billion, respectively. At June 30, 2007 and December 31, 2006, the carrying value of the Company s sales inducement asset was $430 and $397, respectively. At June 30, 2007 and December 31, 2006, the carrying value of the Company s unearned revenue reserve was $987 and $842, respectively. At June 30, 2007 and December 31, 2006, the carrying value of the Company s guaranteed minimum death and income benefits reserves were $544 and $510, respectively. The specific breakdown of certain critical balances by segment are as follows:

	Individual Variable Annuities		**Individual Variable Annuities - Japan**		**Individual Life**	
	June 30, 2007	**December 31, 2006**	**June 30, 2007**	**December 31, 2006**	**June 30, 2007**	**December 31, 2006**
DAC	$4,423	$ 4,362	$1,492	$ 1,430	$2,165	$ 2,070
Sales Inducements	$ 313	$ 307	$ 4	$ 2	$ 14	$
URR	$ 106	$ 98	$	$	$ 720	$ 605
GMDB/GMIB	$ 503	$ 475	$ 41	$ 35	$	$

For most contracts, the Company evaluates EGPs over a 20 year horizon as estimated profits emerging subsequent to year 20 are immaterial. The Company uses other amortization bases for amortizing DAC, such as gross costs (net of reinsurance), as a replacement for EGPs when EGPs are expected to be negative for multiple years of the contract s life. Actual gross profits, in a given reporting period, that vary from management s initial estimates result in increases or decreases in the rate of amortization, commonly referred to as a true-up , which are recorded in the current period. The true-up recorded for the three and six months ended June 30, 2007 was a decrease to amortization of $7 and $6, respectively. The true-up recorded for the three and six months ended June 30, 2006 was an increase to amortization of $16 and $25, respectively.

Each year, the Company develops future EGPs for the products sold during that year. The EGPs for products sold in a particular year are aggregated into cohorts. Future gross profits are projected for the estimated lives of the contracts, and are, to a large extent, a function of future account value projections for individual variable annuity products and to a lesser extent for variable universal life products. The projection of future account values requires the use of certain assumptions. The assumptions considered to be important in the projection of future account value, and hence the EGPs, include separate account fund performance, which is impacted by separate account fund mix, less fees assessed against the contract holder s account balance, surrender and lapse rates, interest margin, and mortality. The assumptions are developed as part of an annual process and are dependent upon the Company s current best estimates of future events. The Company s current separate account return assumption is approximately 8.0% (after fund fees, but before mortality and expense charges) for U.S. products and 5.0% (after fund fees, but before mortality and expense charges) in aggregate for all Japanese products, but varies from product to product.

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Estimating future gross profits is a complex process requiring considerable judgment and the forecasting of events well into the future. The estimation process, the underlying assumptions and the resulting EGPs, are evaluated regularly.

During the fourth quarter of 2006, the Company refined its estimation process for gross profits and completed a comprehensive study of the underlying assumptions. The Company plans to complete a comprehensive assumption study and refine its estimate of future gross profits in the third quarter of 2007 and at least annually thereafter.

Upon completion of an assumption study, the Company revises its assumptions to reflect its current best estimate, thereby changing its estimate of projected account values and the related EGPs in the DAC, sales inducement and unearned revenue reserve amortization models as well as the guaranteed minimum death and income benefit reserving models. The DAC asset as well as the sales inducement asset, unearned revenue reserves and guaranteed minimum death and income benefit reserves are adjusted with an offsetting benefit or charge to income to reflect such changes in the period of the revision, a process known as unlocking . An unlock that results in an after-tax benefit generally occurs as a result of actual experience or future expectations being favorable compared to previous estimates of account value growth and EGPs. An unlock that results in an after-tax charge generally occurs as a result of actual experience or future expectations being unfavorable compared to previous estimates of account value growth and EGPs.

In addition to when a comprehensive assumption study is completed, revisions to best estimate assumptions used to estimate future gross profits are necessary when the EGPs in the Company s models fall outside of an independently determined reasonable range of EGPs. The Company performs a quantitative process each quarter to determine the reasonable range of EGPs. This process involves the use of internally developed models, which run a large number of stochastically determined scenarios of separate account fund performance. Incorporated in each scenario are assumptions with respect to lapse rates, mortality, and expenses, based on the Company s most recent assumption study. These scenarios are run for the Company s individual variable annuity businesses and for the Company s individual variable universal life business and are used to calculate statistically significant ranges of reasonable EGPs. The statistical ranges produced from the stochastic scenarios are compared to the present value of EGPs used in the Company s models. If EGPs used in the Company s models fall outside of the statistical ranges of reasonable EGPs, an unlock would be necessary. If EGPs used in the Company s models fall inside of the statistical ranges of reasonable EGPs, the Company will not solely rely on the results of the quantitative analysis to determine the necessity of an unlock. In addition, the Company considers, on a quarterly basis, other qualitative factors such as market, product, regulatory and policyholder behavior trends and may also revise EGPs if those trends are expected to be significant and were not or could not be included in the statistically significant ranges of reasonable EGPs.

Sensitivity Analysis

The Company performs sensitivity analyses with respect to the effect certain assumptions have on EGPs and the related DAC, sales inducement, unearned revenue reserve and guaranteed minimum death and income benefit reserve balances. Each of the sensitivities illustrated below are estimated individually, without consideration for any correlation among the key assumptions. Therefore, it would be inappropriate to take each of the sensitivity amounts below and add them together in an attempt to estimate volatility for the respective EGP-related balances in total. The following tables depict the estimated sensitivities for U.S. variable annuities and Japan variable annuities:

U.S. Variable Annuities

(Increasing separate account returns and decreasing lapse rates generally result in benefits. Decreasing separate account returns and increasing lapse rates generally result in charges.)	Effect on EGP-related balances if unlocked (after-tax) [1] [3] [6]
If actual separate account returns were 1% above or below our aggregated estimated return	$ 25 - $35 [4]
If actual lapse rates were 1% above or below our estimated aggregate lapse rate	$ 20 - $30 [2]

If we changed our future separate account return rate by 1% from our aggregated estimated future return	$80 - $100
If we changed our future lapse rate by 1% from our estimated aggregate future lapse rate	$ 60 - $80 [2][7]

Japan Variable Annuities

(Increasing separate account returns and decreasing lapse rates generally result in benefits. Decreasing separate account returns and increasing lapse rates generally result in charges.)	Effect on EGP-related balances if unlocked (after-tax) [1] [3] [6]
If actual separate account returns were 1% above or below our aggregated estimated return	$ 1 - $5 [5]
If actual lapse rates were 1% above or below our estimated aggregate lapse rate	$ 1 - $5 [2]
If we changed our future separate account return rate by 1% from our aggregated estimated future return	$5 - $15
If we changed our future lapse rate by 1% from our estimated aggregate future lapse rate	$ 4 - $14 [2]

[1] These sensitivities are reflective of the results of our 2006 assumption studies. The Company s EGP models assume that separate account returns are earned linearly and that lapses occur linearly (except for certain dynamic lapse features) throughout the year. Similarly, the sensitivities assume that differential separate account and lapse rates are linear and parallel and persist for one year from the date of our 2006 assumption study, which

was completed on October 1, 2006. These sensitivities are not perfectly linear nor perfectly symmetrical for increases and decreases and are most accurate for small changes in assumptions. As such,

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extrapolating results over a wide range will decrease the accuracy of the sensitivities predictive ability. Sensitivity results are, in part, based on the current in-the-moneyness of various guarantees offered with the products. Future market conditions could significantly change the sensitivity results.

[2] Sensitivity around lapses assumes lapses increase or decrease consistently across all cohort years and products. Actual lapses for U.S. variable annuities and Japan variable annuities for the period from October 1, 2006 to June 30, 2007 have not been significantly different from our estimated aggregate lapse rate for the same period.

[3] These sensitivities exclude the impact of a DAC unlock in Life Other that will be predominantly

driven by estimates of future realized gains and losses on GMWB.

[4] The overall actual return generated by the U.S. variable annuity separate accounts is dependent on several factors, including the relative mix of the underlying sub-accounts among bond funds and equity funds as well as equity sector weightings and as a result of the large proportion of separate account assets invested in U.S. equity markets, the Company s overall U.S. separate account fund performance has been reasonably correlated to the overall performance of the S&P 500 Index (which closed at 1,503 on June 29, 2007, a 12.5% increase from the October 1, 2006 close of 1,336), although no assurance can be provided that this correlation will continue in the future. The actual separate account return, for U.S.

variable annuities during the period from October 1, 2006 to June 30, 2007 was 12.8%. For the nine months ended June 30, 2007, since our last assumption study, this separate account return was 6.8% above our aggregated estimated return for the same period.

[5] The overall actual return generated by the Japan variable annuity separate accounts is influenced by the wide variety of variable annuity products offered in Japan as well as the wide variety of funds offered within the sub-accounts of those products. The actual return is also dependent upon the relative mix of the underlying sub-accounts among the funds. Unlike in the U.S., there is no global index or market that reasonably correlates with the overall Japan actual separate account fund performance. The

actual separate account return for Japan variable annuities during the period from October 1, 2006 to June 30, 2007 was 8.5%. For the nine months ended June 30, 2007, since our last assumption study, this separate account return was 4.8% above our aggregated estimated return for the same period.

[6] In addition to the impact of the sensitivities above, during the third quarter of 2007, the Company expects to estimate gross profits using the mean of EGPs derived from a set of stochastic scenarios that have been calibrated to our estimated separate account return as compared to a single deterministic estimation. The estimated impact of this change in estimation could be a benefit of $10 to $20, after-tax for Japan variable annuities and $10 to $20, after-tax, for U.S.

variable annuities.

[7] As part of its continual enhancement to its assumption setting processes and in connection with its on-going assumption study, to be completed in the third quarter of 2007, the Company is considering the inclusion of dynamic lapse behavior assumptions. As a result of the on-going nature of the Company s assumption study, at this time, the Company is not able to quantify the impact of this assumption change. Due to the sensitivity of the unlock to changes in future lapse rates and the nature of the assumption change, the impact could be significant and is likely to be a benefit.

An unlock only revises EGPs to reflect current best estimate assumptions. The Company must also test the aggregate recoverability of the DAC and sales inducement assets by comparing the amounts deferred to the present value of total EGPs. In addition, the Company routinely stress tests its DAC and sales inducement assets for recoverability against severe declines in its separate account assets, which could occur if the equity markets experienced a significant sell-off, as the majority of policyholders funds in the separate accounts is invested in the equity market. As of June 30, 2007, the Company believed U.S. individual and Japan individual variable annuity separate account assets could fall, through a combination of negative market returns, lapses and mortality, by at least 60% and 73%, respectively, before portions of its DAC and sales inducement assets would be unrecoverable.

Living Benefits Required to be Fair Valued

The Company offers certain variable annuity products with a guaranteed minimum withdrawal benefit (GMWB) rider. The Company also offers a guaranteed minimum accumulation benefit (GMAB) with a variable annuity product offered in Japan. As of June 30, 2007, the fair value of the GMAB is immaterial. The fair value of the GMWB is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the lives of the contracts, incorporating expectations concerning policyholder behavior. Because of the dynamic and complex nature of these cash flows, best estimate assumptions and stochastic techniques under a variety of market return scenarios are used. Estimating these cash flows involves numerous estimates and subjective judgments including those regarding expected market rates of return, market volatility, correlations of market returns and discount rates. At each valuation date, the Company assumes expected returns based on risk-free rates as represented by the current LIBOR forward curve rates; market volatility assumptions for each underlying index based primarily on a blend of observed market implied volatility data; correlations of market returns across underlying indices based on actual observed market returns and relationships over the ten years preceding the valuation date; and current risk-free spot rates as represented by the current LIBOR spot curve to determine the present value of expected future cash flows produced in the stochastic projection process. Changes in capital market assumptions can significantly change the value of the GMWB.

For example, independent future decreases in equity market returns, future decreases in interest rates and future increases in equity index volatility will all have the effect of increasing the value of the GMWB embedded derivative liability as of June 30, 2007 resulting in a realized loss in net income. Furthermore, changes in policyholder behavior can also significantly change the value of the GMWB. For example, independent future increases in fund mix towards equity based funds vs. bond funds, future increases in withdrawals, future increasing mortality, future increasing usage of the step-up feature and decreases in lapses will all have the effect of increasing the value of the GMWB embedded derivative liability as of June 30, 2007 resulting in a realized loss in net income. Independent changes in any one of these assumptions moving in the opposite direction will have the effect of decreasing the value of the GMWB embedded derivative liability as of June 30, 2007 resulting in a realized gain in net income. As markets change, mature and evolve and actual policyholder behavior emerges, management continually evaluates the appropriateness of its assumptions. In addition, management regularly evaluates the valuation model, incorporating emerging valuation techniques where appropriate, including drawing on the expertise of market participants and valuation experts. During the second quarter of 2007, the Company reflected newly reliable market inputs for volatility on S&P 500, NASDAQ and EAFE index options. The impact of reflecting the newly reliable market inputs for S&P 500, NASDAQ and EAFE index options resulted in an increase to the GMWB embedded derivative liability of $67, net of reinsurance. The impact to net income including other changes in assumptions and modeling refinements, including those for dynamic lapse behavior and correlations of market returns across underlying indices, after DAC amortization and taxes was a loss of $37, net of reinsurance. Upon adoption of Statement of Financial Accounting Standard No. 157, Fair Value Measurements , (SFAS 157) the Company will revise many of the assumptions used to value GMWB. See Note 1 in Notes to Consolidated Financial Statements included in The Hartford s 2006 10-K Annual Report for a discussion of SFAS 157.

CONSOLIDATED RESULTS OF OPERATIONS

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Earned premiums	$3,867	$3,688	5%	$ 7,698	$ 7,527	2%
Fee income	1,346	1,159	16%	2,628	2,280	15%
Net investment income						
Securities, available-for-sale and other	1,336	1,158	15%	2,609	2,285	14%
Equity securities, held for trading [1]	1,234	(970)	NM	1,444	(516)	NM
Total net investment income	2,570	188	NM	4,053	1,769	129%
Other revenues	125	115	9%	242	238	2%
Net realized capital losses	(248)	(179)	(39%)	(202)	(300)	33%
Total revenues	**7,660**	**4,971**	**54%**	**14,419**	**11,514**	**25%**
Benefits, losses and loss adjustment expenses [1]	4,778	2,471	93%	8,321	6,250	33%
Amortization of deferred policy acquisition costs and present value of future profits	837	829	1%	1,709	1,646	4%
Insurance operating costs and expenses	965	799	23%	1,853	1,526	23%
Interest expense	66	71	(7%)	129	137	(6%)
Other expenses	177	196	(20%)	358	366	(8%)

Total benefits, losses and expenses	**6,823**	**4,366**	**56%**	**12,370**	**9,925**	**25%**
Income before income taxes	**837**	**605**	**38%**	**2,049**	**1,589**	**29%**
Income tax expense	210	129	63%	546	385	42%
Net income	**$ 627**	**$ 476**	**32%**	**$ 1,503**	**$ 1,204**	**25%**

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

The Hartford defines NM as not meaningful for increases or decreases greater than 200%, or changes from a net gain to a net loss position, or vice versa.

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income increased primarily due to increases in Property & Casualty of $128 and $165, respectively, and in Life of $10 and $102, respectively, for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006.

Property & Casualty net income for the three and six months ended June 30, 2007 increased due to a decrease in Other Operations net loss of $84 and $81, respectively, and an increase in Ongoing Operations net income of $44 and $84, respectively.

Ongoing Operations net income increased primarily due to an increase in net investment income and a decrease in current accident year catastrophe losses, partially offset by a decrease in current accident year underwriting results before catastrophes. Net investment income increased primarily because of a higher average invested assets base due to positive operating cash flows, income earned from a higher portfolio yield driven by a change in asset mix (e.g. greater investment in mortgage loans and limited partnerships) and an increase in returns on limited partnership investments. The decrease in current accident year underwriting results before catastrophes was primarily due to an increase in non-catastrophe property loss costs and an increase in insurance operating costs and expenses.

Other Operations net loss decreased primarily due to a decrease in unfavorable prior accident year reserve development. Reserve development for the three and six months ended June 30, 2007 included an increase in reserves of $99, principally as a result of an adverse arbitration decision. For the comparable three and six month period ended June 30, 2006, reserve development included a reserve increase of $243 as a result of the agreement with Equitas and the Company s evaluation of the collectibility of the reinsurance recoverables and adequacy of the allowance for uncollectible reinsurance associated with older, long-term casualty liabilities reported in the Other Operations segment.

Life s net income increased for the three and six months ended June 30, 2007 as compared to the prior year comparable periods. Net income increased in all of Life s reportable operating segments for the three and six months ended June 30, 2007, except Individual Life where net income decreased in both periods and in Institutional where net income was flat for the three months ended June 30, 2007 as compared to the prior year comparable period. The increases were primarily due to the following:

Retail net income increased $33 and $46 for the three and six months ended June 30, 2007, respectively, primarily due to higher fee income from growth in variable annuity and mutual fund assets under management partially offset by increased asset based commissions and non-deferrable mutual fund commissions on increased mutual fund sales.

Group Benefits net income increased 18% and 8% for the three and six months ended June 30, 2007, respectively, due to higher earned premiums and net investment income partially offset by increased amortization of DAC due to the adoption of SOP 05-1. Also contributing to the higher net income was a gain from a renewal rights agreement associated with the medical stop loss business and a change in assumptions underlying the valuation of long term disability claims incurred in 2007.

Net income in International increased primarily driven by increased fees from an increase in assets under management of the Japan annuity business.

Retirement Plans net income increased 18% and 14% for the three and six months ended June 30, 2007, respectively, primarily driven by 401(k) fees attributable to growth in assets under management and increased partnership income, partially offset by increased trail commissions.

Institutional earnings remained flat for the three months ended June 30, 2007, but increased 22% for the six months ended June 30, 2007, driven by partnership income and the release of certain premium tax accruals in the first quarter of 2007.

Realized losses in Life Other decreased for the six months ended June 30, 2007 as compared to the prior year comparable period primarily due to net gains on sales of investment in 2007 as compared to net losses in 2006 and a decline in net losses on Japan fixed annuity hedges, partially offset by realized losses from model refinements and changes in model assumptions to reflect newly reliable market inputs for volatility in the GMWB liability valuation.

Partially offsetting the increase in Life s net income were the following:

Individual Life net income decreased 8% and 3% for the three and six months ended June 30, 2007, respectively, primarily driven by unfavorable mortality volatility in the second quarter of 2007 as compared to the prior 2006 period and favorable net DAC revisions recorded in the first and second quarter of 2006 partially offset by growth in life insurance in-force.

During the first quarter of 2006, the Company achieved favorable settlements in several cases brought against the Company by policyholders regarding their purchase of broad-based leveraged corporate owned life insurance (leveraged COLI) policies in the early to mid-1990s and therefore, released a reserve for these matters of $34, after-tax.

Realized losses in Life Other increased for the three months ended June 30, 2007 as compared to the prior year comparable period primarily due to realized losses from model refinements and changes in model assumptions to reflect newly reliable market inputs for volatility in the GMWB liability valuation.

Also included in the three and six months ended June 30, 2007 is an increase in reserve for regulatory matters of $30, after-tax, of which $21 and $9 relates to Life and Property & Casualty, respectively.

Income Taxes

The effective tax rate for the three months ended June 30, 2007 and 2006 was 25% and 21%, respectively. The effective tax rate for the six months ended June 30, 2007 and 2006 was 27% and 24%, respectively. The principal causes of the difference between the effective rate and the U.S. statutory rate of 35% were tax-exempt interest earned on invested assets and the separate account dividends received deduction (DRD).

The separate account DRD is estimated for the current year using information from the prior year-end, adjusted for current year equity market performance. The estimated DRD is generally updated in the third quarter for the provision-to-filed-return adjustments, and in the fourth quarter based on current year ultimate mutual fund distributions and fee income from the Company s variable insurance products. 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 distributions from these mutual funds, the utilization of capital loss carry forwards at the mutual fund level and appropriate levels of taxable income.

The Company receives a foreign tax credit (FTC) against its U.S. tax liability for foreign taxes paid by the Company including payments from its separate account assets. The separate account FTC is estimated for the current year using information from the most recent filed return, adjusted for the change in the allocation of separate accounts investments to the international equity markets during the current year. The actual current year FTC can vary from the estimates due to actual FTCs passed through by the mutual funds.

Organizational Structure

The Hartford is organized into two major operations: Life and Property & Casualty. Within the Life and Property & Casualty operations, The Hartford conducts business principally in ten reportable operating segments. Additionally, Corporate primarily includes the Company s debt financing and related interest expense, as well as certain capital raising and purchase accounting adjustment activities.

Life is organized into six reportable operating segments: Retail Products Group (Retail), Retirement Plans, Institutional Solutions Group (Institutional), Individual Life, Group Benefits and International.

Property & Casualty is organized into four reportable operating segments: the underwriting segments of Business Insurance, Personal Lines, and Specialty Commercial (collectively Ongoing Operations); and the Other Operations segment.

For a further description of each operating segment, see Note 3 of Notes to Consolidated Financial Statements and Item 1, Business both of which are in The Hartford s 2006 Form 10-K Annual Report.

Segment Results

The following is a summary of net income for each of Life s segments, Total Property & Casualty, Ongoing Operations, Other Operations, and Corporate.

Net Income (Loss)

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Life						
Retail	$ 199	$ 166	20%	$ 388	$ 342	13%
Retirement Plans	26	22	18%	49	43	14%
Institutional	29	29		62	51	22%
Individual Life	44	48	(8%)	90	93	(3%)
Group Benefits	87	74	18%	153	142	8%
International	59	52	13%	113	98	15%
Other	(126)	(83)	(52%)	(99)	(115)	14%
Total Life	**318**	**308**	**3%**	**756**	**654**	**16%**
Property & Casualty						
Ongoing Operations	384	340	13%	813	729	12%
Other Operations	(40)	(124)	68%	(8)	(89)	91%
Total Property & Casualty	**344**	**216**	**60%**	**805**	**640**	**26%**
Corporate	(35)	(48)	27%	(58)	(90)	36%
Net income	**$ 627**	**$ 476**	**32%**	**$1,503**	**$1,204**	**25%**

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Net income is the measure of profit or loss used in evaluating the performance of Total Life, Total Property & Casualty and the Ongoing Operations and Other Operations segments. Within Ongoing Operations, the underwriting segments of Business Insurance, Personal Lines 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 investment income, net realized capital gains and losses, net servicing and other income, other expenses, and related income taxes is net income. The following is a summary of Ongoing Operations underwriting results by segment.

Underwriting Results (before-tax)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Business Insurance	$134	$197	(32%)	$258	$331	(22%)
Personal Lines	84	126	(33%)	214	232	(8%)
Specialty Commercial	(1)	(43)	98%	38	4	NM
Total Ongoing Operations	**$217**	**$280**	**(23%)**	**$510**	**$567**	**(10%)**

Outlook

The Hartford provides projections and other forward-looking information in the Outlook section of each segment discussion within MD&A. The Outlook sections 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 in the introduction to MD&A above. Actual results are likely to differ materially from those forecast by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in each Outlook section, in Item 1A, Risk Factors in The Hartford s 2006 Form 10-K Annual Report, and in Part II, Item 1A of the Hartford s Form 10-Q Quarterly Report for the quarter ended March 31, 2007.

LIFE

Executive Overview

Life is organized into six reportable operating segments: Retail, Retirement Plans, Institutional, Individual Life, Group Benefits and International. Life provides investment and retirement products, such as variable and fixed annuities, mutual funds and retirement plan services and other institutional investment products, such as structured settlements; individual and private-placement life insurance and products including variable universal life, universal life, interest sensitive whole life and term life; and group benefit products, such as group life and group disability insurance.

The following provides a summary of the significant factors used by management to assess the performance of the business. For a complete discussion of these factors, see MD&A in The Hartford s 2006 Form 10-K Annual Report.

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Performance Measures

Fee Income

Fee income is largely driven from amounts collected as a result of contractually defined percentages of assets under management on investment type contracts. These fees are generally collected on a daily basis. For individual life insurance products, fees are contractually defined as percentages based on levels of insurance, age, premiums and deposits collected and contract holder value. Life insurance fees are generally collected on a monthly basis. Therefore, the growth in assets under management either through positive net flows or net sales, or favorable equity market performance will have a favorable impact on fee income. Conversely, either negative net flows or net sales, or unfavorable equity market performance will reduce fee income generated from investment type contracts.

Product/Key Indicator Information

	As of and For the Three Months Ended June 30,		As of and For the Six Months Ended June 30,	
	2007	2006	2007	2006
United States Individual Variable Annuities				
Account value, beginning of period	$115,330	$108,695	$114,365	$105,314
Net flows	(419)	(638)	(1,002)	(1,466)
Change in market value and other	6,618	(1,833)	8,166	2,376
Account value, end of period	$121,529	$106,224	$121,529	$106,224
Retail Mutual Funds				
Assets under management, beginning of period	$ 40,921	$ 31,988	$ 38,536	$ 29,063
Net sales	1,749	1,389	3,634	2,917
Change in market value and other	2,974	(766)	3,474	631
Assets under management, end of period	$ 45,644	$ 32,611	$ 45,644	$ 32,611
Retirement Plans				
Account value, beginning of period	$ 24,732	$ 20,465	$ 23,575	$ 19,317
Net flows	300	541	1,077	1,395
Change in market value and other	1,223	(266)	1,603	28
Account value, end of period	$ 26,255	$ 20,740	$ 26,255	$ 20,740
Individual Life Insurance				
Variable universal life account value, end of period	$ 7,206	$ 6,053	$ 7,206	$ 6,053

Total life insurance in-force	$171,803	$156,392	$171,803	$156,392
Japan Annuities				
Account value, beginning of period	$ 32,871	$ 28,241	$ 31,343	$ 26,104
Net flows	1,279	952	2,476	2,798
Change in market value and other	(442)	(203)	(111)	88
Account value, end of period	$ 33,708	$ 28,990	$ 33,708	$ 28,990
S&P 500 Index				
Period end closing value	1,503	1,270	1,503	1,270
Daily average value	1,497	1,281	1,461	1,282

Increases in U.S. variable annuity account values as of June 30, 2007 can be primarily attributed to market growth over the past four quarters.

Mutual fund net sales increased over the prior year period as a result of focused wholesaling efforts and continued favorable fund performance. In addition to positive net sales, market appreciation over the past four quarters contributed to Retail s mutual funds assets under management growth.

Retirement Plans account values increased due to positive net flows and market appreciation over the past four quarters.

Individual Life variable universal life account values increased primarily due to market appreciation and positive net flows. Life insurance in-force increased from the prior periods due to business growth.

Japan annuity account values continue to grow as a result of positive net flows and market growth, partially offset by the effects of foreign currency throughout the past four quarters.

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Net Investment Income and Interest Credited

Certain investment type contracts such as fixed annuities and other spread-based contracts generate deposits that the Company collects and invests to earn investment income. These investment type contracts use this investment income to credit the contract holders an amount of interest specified in the respective contract; therefore, management evaluates performance of these products based on the spread between net investment income and interest credited. Net investment income and interest credited 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 income is driven primarily by prepayments on securities and earnings on partnership investments. In addition, insurance type contracts such as those sold by Group Benefits (discussed below) collect and invest premiums to pay for losses specified in the particular insurance contract and those sold by Institutional, collect and invest premiums for certain life contingent benefits. For these insurance products, the investment spread is reflected in net investment income and policyholder benefits. Finally, the return generated by the funds underlying the Japan variable annuities is reported in net investment income in Other with an offsetting amount credited to those contract holders in interest credited. The net investment income and interest credited from the Japan variable annuities is volatile due to the market performance of the funds and, similar to returns on U.S. separate account assets, accrues to the benefit of the policyholders, not the Company.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Investment Income				
Retail	$ 200	$ 215	$ 397	$ 431
Retirement Plans	90	80	178	160
Institutional	308	248	599	473
Individual Life	89	80	176	159
Group Benefits	117	103	235	204
International	35	31	68	59
Other	1,279	(936)	1,527	(445)
Total net investment income	**$2,118**	**$(179)**	**$3,180**	**$1,041**
Interest Credited on General Account Assets				
Retail	$ 149	$ 160	$ 303	$ 323
Retirement Plans	56	52	112	102
Institutional	171	127	325	242
Individual Life	61	56	124	116
International	6	5	12	10
Other	1,264	(945)	1,497	(458)
Total interest credited on general account assets	**$1,707**	**$(545)**	**$2,373**	**$ 335**

Net investment income and interest credited in Other increased for the three and six months ended June 30, 2007 due to an increase in the mark-to-market effects of trading account securities supporting the Japanese variable annuity business.

Net investment income and interest credited on general account assets in Retail declined for the three and six months ended June 30, 2007 due to transfers within variable annuity products from the general account option to separate account funds as well as, lower assets under management from surrenders of market value adjusted (MVA) fixed annuity products at the end of their guarantee period.

Net investment income for Group Benefits increased due to a higher investment asset base from growth in the business over 2006, increased interest income on allocated surplus and a higher overall earned rate.

Net investment income in Institutional is comprised of net investment income from investment contracts (contracts without mortality risk), and net investment income from limited pay contracts (contracts with mortality risk). Interest credited in Institutional is comprised of interest credited only on investment contracts. Net investment income and interest credited on investment contracts in Institutional increased for the three and six months ended June 30, 2007 as a result of the Company s funding agreement backed Investor Notes program.

Interest spread for International is the net of net investment income, interest credited and realized capital gains and losses. Realized capital losses for the three and six months ended June 30, 2007 were $20 and $38, respectively. Realized capital losses for the three and six months ended June 30, 2006 were $16 and $30, respectively.

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Premiums

As discussed above, traditional insurance type products, such as those sold by Group Benefits, collect premiums from policyholders in exchange for financial protection of the policyholder from a specified insurable loss, such as death or disability. These premiums together with net investment income earned from the overall investment strategy are used to pay the contractual obligations under these insurance contracts. Two factors impacting premium growth are sales and persistency. Sales can increase or decrease in a given year based on a number of factors, including but not limited to, customer demand for the Company s product offerings, pricing competition, distribution channels and the Company s reputation and ratings. A majority of sales correspond with the open enrollment periods of employers benefits, typically January 1 or July 1. Persistency is the percentage of insurance policies remaining in-force from year to year as measured by premiums.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Group Benefits				
Premiums and other considerations	$1,092	$1,028	$2,176	$2,060
Fully insured ongoing sales (excluding buyouts)	$ 119	$ 134	$ 505	$ 575

Premiums and other considerations include $15 and $1 in buyout premiums for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, premiums and other considerations for buyouts were $26 and $5, respectively. The increase in premiums and other considerations for Group Benefits in 2007 compared to 2006 was driven by sales and persistency over the last twelve months.

Fully insured ongoing sales, excluding buyouts, declined primarily due to fewer large national account sales, and the small case competitive environment remained intense. In addition, there was an anticipated reduction in association life sales from an unusually high first half of last year. The Company also completed a renewal rights arrangement associated with its medical stop loss business during the second quarter of 2007 causing a decrease in sales related to this business.

Expenses

There are three major categories for expenses: benefits and losses, insurance operating costs and expenses, and amortization of deferred policy acquisition costs and the present value of future profits.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Retail				
General insurance expense ratio (individual annuity)	18.7bps	17.7bps	17.4bps	16.7bps
DAC amortization ratio (individual annuity)	45.7%	51.6%	46.3%	50.5%
Insurance expenses, net of deferrals	$ 310	$ 256	$ 584	$ 484
Individual Life				
Death benefits	$ 74	$ 63	$ 144	$ 132
Insurance expenses, net of deferrals	50	46	97	88
Group Benefits				
Total benefits, losses and loss adjustment expenses	$ 793	$ 740	$1,599	$1,507

Loss ratio (excluding buyout premiums)	72.2%	72.0%	73.2%	73.1%
Insurance expenses, net of deferrals	$ 275	$ 277	$ 563	$ 538
Expense ratio (excluding buyout premiums)	27.2%	27.9%	27.8%	27.2%
International Japan				
General insurance expense ratio	45.7bps	47.5bps	43.7bps	49.4bps
DAC amortization ratio	37.8%	37.8%	37.6%	38.3%
Insurance expenses, net of deferrals	$ 44	$ 37	$ 86	$ 74

The ratio of individual annuity DAC amortization over income before taxes and DAC amortization declined for the three and six months ended June 30, 2007 as a result of the DAC unlock in the fourth quarter of 2006 reducing future amortization expense for the block of business covered by the unlock.

Retail insurance expenses, net of deferrals, increased due to increasing trail commissions on growing variable annuity assets as well as increasing non-deferrable commissions on strong mutual fund deposits.

Retail s general insurance expense ratio increased due to investments in service technology.

Individual Life death benefits increased for the three and six months ended June 30, 2007 primarily due to a larger insurance in-force and also reflect unfavorable mortality volatility in the second quarter of 2007.

Group Benefits expense ratio, excluding buyouts, for the three and six months ended June 30, 2007 decreased primarily due to the recognition of a $6 after-tax gain from a renewal rights agreement associated with the Company s medical stop loss business and

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lower operating expenses, partially offset by higher DAC amortization resulting from a shorter amortization period following the adoption of SOP 05-1. The Group Benefits expense ratio, excluding buyouts, for the six months ended June 30, 2007 increased primarily due to increased commission expenses largely in the financial institution business that is experience rated and higher DAC costs, partially offset by the gain from the medical stop loss business.

International s general insurance expense ratio declined as Japan further leveraged the existing infrastructure as it attains economies of scale. Although the Company expects Japan to continue to achieve economies of scale over the long-term, Japan s general insurance expense ratio may increase from period to period depending on investments in infrastructure to support the business.

Profitability

Management evaluates the rates of return various businesses can provide as an input in determining where additional capital should be invested to increase net income and shareholder returns. Specifically, because of the importance of its individual annuity products, the Company uses the return on assets for the individual annuity business for evaluating profitability. In Group Benefits, after-tax margin, excluding buyouts, is a key indicator of overall profitability.

Ratios

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Retail				
Individual annuity return on assets (ROA)	57.4 bps	52.8 bps	56.0 bps	54.4 bps
Individual Life				
After-tax margin	15.2%	17.5%	15.7%	17.0%
Group Benefits				
After-tax margin (excluding buyouts)	8.1%	7.2%	7.1%	6.9%
International Japan				
International ROA	75.7 bps	75.5 bps	76.2 bps	74.1 bps

Individual annuity s ROA increased due to the decline in the DAC amortization rate discussed above.

Individual Life s after-tax margin decreased for the three and six months ended June 30, 2007 due primarily to favorable net DAC amortization revisions in the three and six months ended June 30, 2006 and unfavorable mortality volatility in the second quarter of 2007 compared to the second quarter of 2006.

The increase in the Group Benefits after-tax margin, excluding buyouts, for the three and six months ended June 30, 2007 was due to higher net investment income partially offset by higher DAC amortization. Additionally, for the three months ended June 30, 2007, favorable expenses contributed to the increase as a result of the gain from a renewal rights agreement associated with the Company s medical stop loss business.

International s ROA increased for the three and six months ended June 30, 2007 compared to the prior year period as a result of the favorable expense variances discussed above.

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Operating Summary

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Change	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006	Change
Earned premiums	$ 1,245	$ 1,081	15%	$ 2,453	$ 2,354	4%
Fee income	1,341	1,156	16%	2,619	2,274	15%
Net investment income						
Securities, available-for-sale and other	884	791	12%	1,736	1,557	11%
Equity securities, held for trading [1]	1,234	(970)	NM	1,444	(516)	NM
Total net investment income	2,118	(179)	NM	3,180	1,041	NM
Net realized capital losses	(221)	(150)	(47%)	(198)	(276)	28%
Total revenues	**4,483**	**1,908**	**135%**	**8,054**	**5,393**	**49%**
Benefits, losses and loss adjustment expenses [1]	2,958	508	NM	4,826	2,646	82%
Amortization of deferred policy acquisition costs and present value of future profits	309	306	1%	653	605	8%
Insurance operating costs and other expenses	801	701	14%	1,568	1,294	21%
Total benefits, losses and expenses	**4,068**	**1,515**	**169%**	**7,047**	**4,545**	**55%**
Income before income taxes	**415**	**393**	**6%**	**1,007**	**848**	**19%**
Income tax expense	97	85	14%	251	194	29%
Net income	**$ 318**	**$ 308**	**3%**	**$ 756**	**$ 654**	**16%**

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

adjustment expenses.

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

The increase in Life s net income was due to the following:

- Net income in Retail increased 20% and 13% for the three and six months ended June 30, 2007, respectively, principally driven by higher fee income from growth in the variable annuity and mutual fund businesses as a result of higher assets under management as compared to the prior year period, partially offset by increased asset based commissions and non-deferrable mutual fund commissions on increased mutual fund sales.
- Retirement Plans net income increased 18% and 14% for the three and six months ended June 30, 2007, respectively, primarily driven by 401(k) fees attributable to growth in assets under management and increased partnership income offset by increased trail commissions.
- Institutional earnings remained flat for the three months ended June 30, 2007, respectively, but increased by 22% for the six months ended June 30, 2007, driven by partnership income and the release of certain premium tax accruals in the first quarter of 2007.
- Group Benefits net income increased 18% and 8% for the three and six months ended June 30, 2007, respectively, due to higher earned premiums and net investment income partially offset by increased amortization of DAC due to the adoption of SOP 05-1. Also contributing to the higher net income was a gain from a renewal rights agreement associated with the medical stop loss business and a change in assumptions underlying the valuation of long term disability claims incurred in 2007.
- Net income in International increased 13% and 15% for the three and six months ended June 30, 2007, respectively, primarily driven by increased fees from an increase in assets under management of the Japan annuity business.

Partially offsetting the increase in net income were the following:

- Individual Life net income decreased 8% and 3% for the three and six months ended June 30, 2007, respectively, primarily driven by unfavorable mortality volatility in the second quarter of 2007 as compared to the prior 2006 period and favorable net DAC amortization revisions recorded in the first and second quarter of 2006 partially offset by growth in life insurance in-force.
- During the first quarter of 2006, the Company achieved favorable settlements in several cases brought against the Company by policyholders regarding their purchase of broad-based leveraged corporate owned life insurance (leveraged COLI) policies in the early to mid-1990s and therefore, released a reserve for these matters of $34, after-tax.
- The Company recorded a reserve for regulatory matters of $21 in the Other segment for the three and six months ended June 30, 2007.

Net realized capital losses were higher for the three months ended June 30, 2007 and lower for the six months ended June 30, 2007 compared to the respective prior year periods. The change in net losses for the three months ended June 30, 2007 compared to the prior year period was primarily the result of larger net losses associated with the GMWB derivative. The components that drove the change for the six months ended June 30, 2007, were the net gains on sales of fixed maturity securities, net losses associated with Japanese fixed annuity contract hedges, other net losses and impairments, offset by the net losses on GMWB derivatives. The circumstances giving rise to these changes are as follows:

- The net gains on fixed maturity sales for the six months ended June 30, 2007 were primarily the result of tighter credit spreads on

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certain issuers since the date of security purchase. For further discussion of gross gains and losses, see below.

The lower net losses associated with the Japanese fixed annuity contract hedges for the six months ended June 30, 2007 resulted from a less significant increase in Japanese interest rates compared to the respective prior year period.

Other, net losses in both 2007 and 2006 were primarily driven from the change in value of non-qualifying derivatives due to fluctuations in interest rates and foreign currency exchange rates.

See the Other-Than-Temporary Impairments section that follows for information on impairment losses.

The net losses on GMWB derivatives for 2007 were primarily the result of liability model assumption updates and model refinements. Liability model assumption updates were made during the second quarter to reflect newly reliable market inputs for volatility.

RETAIL

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Fee income	$781	$670	17%	$ 1,511	$ 1,318	15%
Earned premiums	(14)	(18)	22%	(35)	(35)	
Net investment income	200	215	(7%)	397	431	(8%)
Net realized capital gains (losses)	(2)			(4)	3	NM
Total revenues	**965**	**867**	**11%**	**1,869**	**1,717**	**9%**
Benefits, losses and loss adjustment expenses	203	207	(2%)	399	414	(4%)
Insurance operating costs and other expenses	310	256	21%	584	484	21%
Amortization of deferred policy acquisition costs and present value of future profits	207	208		411	406	1%
Total benefits, losses and expenses	**720**	**671**	**7%**	**1,394**	**1,304**	**7%**
Income before income taxes	**245**	**196**	**25%**	**475**	**413**	**15%**
Income tax expense	46	30	53%	87	71	23%
Net income	**$199**	**$166**	**20%**	**$ 388**	**$ 342**	**13%**

Assets Under Management			
Individual variable annuity account values	$121,529	$106,224	14%
Individual fixed annuity and other account values	9,891	10,036	(1%)
Other retail products account values	639	417	53%
Total account values [1]	**132,059**	**116,677**	**13%**
Retail mutual fund assets under management	45,644	32,611	40%
Other mutual fund assets under management	1,883	1,203	57%

Total mutual fund assets under management	**47,527**	**33,814**	**41%**
Total assets under management	**$179,586**	**$150,491**	**19%**

[1] Includes policyholder balances for investment contracts and reserves for future policy benefits for insurance contracts.

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income in Retail increased for the three and six months ended June 30, 2007, principally driven by higher fee income growth in the variable annuity and mutual fund businesses as a result of higher assets under management as compared to the prior year period, partially offset by increased asset based commissions and non-deferrable mutual fund commissions on increased mutual fund sales. A more expanded discussion of earnings growth is presented below:

The increase in fee income in the variable annuity business for the three and six months ended June 30, 2007, occurred primarily as a result of growth in average account values. The year-over-year increase in average account values can be attributed to market appreciation of $18 billion over the past four quarters. Variable annuities had net outflows of $2.7 billion over the past four quarters. Net outflows for the past four quarters were driven by surrender activity due to increased sales competition, particularly as it relates to guaranteed living benefits.

Mutual fund fee income increased 21% and 18% for the three and six months ended June 30, 2007, respectively, due to increased assets under management driven by net sales of $6.4 billion and market appreciation of $6.8 billion during the past four quarters. These net sales were primarily attributable to focused wholesaling efforts and favorable fund performance.

Net investment income has declined for the three and six months ended June 30, 2007 due to a decrease in the account values in the fixed option of variable annuities. The decrease in these account values can be attributed to a combination of transfers into separate accounts and surrender activity. Over the same period, there is a corresponding decrease in benefits, losses and loss adjustment expenses due to a decline in interest credited on these account values.

Throughout Retail, insurance operating costs and other expenses increased. Mutual Fund commissions increased for the three and six months ended June 30, 2007 due to growth in net sales of 26% and 25%, respectively. In addition, variable annuity asset based commissions increased for the three and six months ended June 30, 2007 due to a 14% growth in assets under management over the past year, as well as an increase in the number of contracts reaching anniversaries when trail commission payments begin.

Individual annuity s DAC amortization rate as a percentage of pre-tax, pre-amortization profits has declined slightly for the three and six months ended June 30, 2007, as a result of the DAC unlock that occurred in the fourth quarter of 2006. For the six months ended June 30, 2007, this was offset by higher amortization of acquisition costs incurred for mutual funds. Mutual fund deferrable costs are amortized on a straight-line basis over the contingent deferred sales charge period. Net sales have increased significantly over the past several quarters, which has resulted in a higher deferred cost balances, and consequently higher amortization for the three and six months ended June 30, 2007.

Outlook

Management believes the market for retirement products continues to 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. Competition has increased substantially in the variable annuities market with most major variable annuity writers offering living benefits such as lifetime GMWB riders. The Company s strategy in 2007 revolves around driving acceptance for our lifetime withdrawal benefit options introduced in August 2006 while continually evaluating the portfolio of products currently offered.

The retail mutual fund business has seen a substantial increase in net sales and assets over the past year as a result of focused wholesaling efforts as well as strong investment performance. Net sales can vary significantly depending on market conditions. As this 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 to current and future mutual fund shareholders.

Based on the results to date, management s current full year projections are as follows:

- Variable annuity sales of $13.6 billion to $14.4 billion
- Fixed annuity sales of $750 to $1.25 billion
- Retail mutual fund sales of $13.75 billion to $14.75 billion
- Variable annuity outflows of $2.8 billion to $2.0 billion
- Fixed annuity outflows of $750 to $250
- Retail mutual fund net sales of $5.75 billion to $6.75 billion
- Individual annuity return on assets of 55 to 57 basis points
- Other retail return on assets of 13 to 15 basis points

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RETIREMENT PLANS
Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Change	2007	2006	Change
Fee income	$ 59	$ 48	23%	$ 113	$ 91	24%
Earned premiums	1	2	(50%)	3	16	(81%)
Net investment income	90	80	13%	178	160	11%
Net realized capital gains (losses)		1	(100%)	(1)	1	NM
Total revenues	**150**	**131**	**15%**	**293**	**268**	**9%**
Benefits, losses and loss adjustment expenses	62	59	5%	124	128	(3%)
Insurance operating costs and other expenses	44	35	26%	84	66	27%
Amortization of deferred policy acquisition costs and present value of future profits	8	8		17	16	6%
Total benefits, losses and expenses	**114**	**102**	**12%**	**225**	**210**	**7%**
Income before income taxes	**36**	**29**	**24%**	**68**	**58**	**17%**
Income tax expense	10	7	43%	19	15	27%
Net income	**$ 26**	**$ 22**	**18%**	**$ 49**	**$ 43**	**14%**
Assets Under Management						
403(b)/457 account values				$12,197	$10,458	17%
401(k) account values				14,058	10,282	37%
Total account values				**26,255**	**20,740**	**27%**
Mutual fund assets under management				**1,329**	**1,040**	**28%**
Total assets under management				**$27,584**	**$21,780**	**27%**

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income in Retirement Plans increased for the three and six months ended June 30, 2007 driven by higher earnings across its business. A more expanded discussion of earnings growth is presented below:

Fee income for 401(k) increased $11 or 31%, and $19 or 28%, for the three and six months ended June 30, 2007, respectively, due to an increase in average account values. This growth is primarily driven by positive net flows of $2.0 billion over the past four quarters resulting from strong sales and increased ongoing deposits. Market appreciation contributed an additional $1.8 billion to assets under management over the past year.

General account spread increased $5 and $8, respectively, for the three and six months ended June 30, 2007, for 403(b)/457 business due to growth in general account assets along with an increase in partnership income.

Benefits, losses and loss adjustment expenses and earned premiums decreased for the six months ended June 30, 2007 due to a large case annuitization in the 401(k) business of $12 which occurred in the first quarter of 2006.

Insurance operating costs and other expenses increased for the three and six months ended June 30, 2007, primarily attributable to greater assets under management resulting in higher trail commissions. Also contributing to higher insurance operating costs for the three and six months ended June 30, 2007 were higher service and technology costs.

Outlook

The future profitability of this segment will depend on Life s ability to increase assets under management across all businesses and maintain its investment spread earnings on the general account products sold largely in the 403(b)/457 business. As the baby boom generation approaches retirement, management believes these individuals, as well as younger individuals, will contribute more of their income to retirement plans due to the uncertainty of the Social Security system and the increase in average life expectancy. In 2007, Life has begun selling mutual fund based products in the 401(k) market that will increase Life s ability to grow assets under management in the medium size 401(k) market. Life has also begun selling mutual fund based products in the 403(b) market as we look to grow assets in a highly competitive environment primarily targeted at health and education workers. Disciplined expense management will continue to be a focus; however, as Life looks to expand its reach in these markets, additional investments in service and technology will occur.

Based on the results to date, management s current full-year projections are as follows:

Deposits of $5.8 billion to $6.5 billion

Net flows of $2.0 billion to $2.6 billion

Return on assets of 36 to 38 basis points

INSTITUTIONAL

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Operating Summary

	Three Months Ended June 30, 2007	2006	Change	Six Months Ended June 30, 2007	2006	Change
Fee income	$ 53	$ 28	89%	$ 114	$ 55	107%
Earned premiums	191	92	108%	359	359	
Net investment income	308	248	24%	599	473	27%
Net realized capital losses	(4)	(1)	NM	(7)	(2)	NM
Total revenues	**548**	**367**	**49%**	**1,065**	**885**	**20%**
Benefits, losses and loss adjustment expenses	474	299	59%	891	762	17%
Insurance operating costs and other expenses	30	19	58%	68	35	94%
Amortization of deferred policy acquisition costs and present value of future profits	2	8	(75%)	17	16	6%
Total benefits, losses and expenses	**506**	**326**	**55%**	**976**	**813**	**20%**
Income before income taxes	**42**	**41**	**2%**	**89**	**72**	**24%**
Income tax expense	13	12	8%	27	21	29%
Net income	**$ 29**	**$ 29**		**$ 62**	**$ 51**	**22%**

Assets Under Management	2007	2006	Change
Institutional investment product account values [1]	$24,127	$19,730	22%
Private placement life insurance account values [1]	29,053	24,629	18%
Mutual fund assets under management	2,956	2,107	40%
Total assets under management	**$56,136**	**$46,466**	**21%**

[1] Includes policyholder balances for investment contracts and

reserves for future policy benefits for insurance contracts.

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income in Institutional increased for the six months ended June 30, 2007, and was flat for the three months ended June 30, 2007. For the six months ended June 30, 2007, higher earnings were driven by both institutional investment products (IIP) and private-placement life insurance (PPLI). A more expanded discussion of earnings growth is presented below:

Fee income increased for the three months and six months ended June 30, 2007 primarily driven by PPLI s higher assets under management due to net flows and change in market appreciation of $2.8 billion and $1.8 billion, respectively, over the past four quarters. In addition, PPLI collects front-end loads recorded in fee income to subsidize premium tax payments. Premium taxes are recorded as an expense in insurance operating costs and other expenses. During the six months ended June 30, 2007, PPLI had deposits of $2.2 billion, which resulted in an increase in fee income of $45, offset by a corresponding increase in insurance operating costs and other expenses.

In addition, PPLI s net income increased for the six months ended June 30, 2007 primarily due to a one-time adjustment of $4, after tax, consisting mainly of a true up of premium tax accruals in the first quarter of 2007.

For the three months ended June 30, 2007, earned premiums increased as a result of increased structured settlement life contingent sales. This increase in earned premiums was offset by a corresponding increase in benefits, losses and loss adjustment expenses.

General account spread is the main driver of net income for IIP. An increase in spread income for the three and six months ended June 30, 2007 was driven by higher assets under management in IIP resulting from positive net flows of $2.4 billion during the past four quarters. Net flows for IIP were favorable primarily as a result of the Company s funding agreement backed Investor Notes program. Investor Notes deposits for the four quarters ended June 30, 2007 were $2.6 billion. General account spread also increased for the three and six months ended June 30, 2007 due to improved returns on certain high risk portions of IIP s investment portfolio. For the three months ended June 30, 2007 and 2006, income related to partnership investments was $10 and $6, after-tax, respectively. For the six months ended June 30, 2007 and 2006, income related to partnership investments was $18 and $7 after-tax, respectively.

For the three and six months ended June 30, 2007, IIP experienced mortality losses of $2 and $1, after-tax, respectively. For the comparable three and six month periods in 2006, IIP experienced mortality gains of $2 and $3, after-tax, respectively.

Outlook

The future net income of this segment will depend on Institutional s ability to increase assets under management across all businesses, and specifically for the IIP products, maintenance of its investment spreads and business mix. These products are highly competitive from a pricing perspective, and a small number of cases often account for a significant portion of deposits. Therefore, the Company may not be able to sustain the level of assets under management growth attained in 2006. Hartford Income Notes and other structured notes products provide the Company with continued opportunity for future growth. These products provide access to both a multi-billion dollar retail market, and a nearly trillion dollar institutional market. These markets are highly competitive and the Company s success depends in part on the level of credited interest rates and the Company s credit rating.

As the baby boom generation approaches retirement, management believes these individuals will seek investment and insurance vehicles that will give them steady streams of income throughout retirement. IIP has launched new products in 2006 and 2007 to provide solutions that deal specifically with longevity risk. Longevity risk is defined as the likelihood of an individual outliving their assets. IIP is also designing innovative solutions to corporations defined benefit liabilities.

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The focus of the PPLI business is variable PPLI products used primarily to fund non-qualified benefits or other post employment benefit liabilities. PPLI has experienced a surge in marketplace activity due to COLI Best Practices enacted as part of the Pension Protection Act of 2006. This act has clarified the prior legislative uncertainty relating to insurable interest under COLI policies, potentially increasing future demand in corporate owned life insurance. The market served by PPLI continues to be subject to extensive legal and regulatory scrutiny that can affect this business.

Based on the results to date, management s current full year projections are as follows:

Deposits (including mutual funds) of $10.0 billion to $11.0 billion

Net flows (excluding mutual funds) of $6.5 billion to $7.5 billion

Return on assets (including mutual funds) of 20 to 22 basis points

INDIVIDUAL LIFE

Operation Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Fee income	$216	$207	4%	$ 431	$ 410	5%
Earned premiums	(13)	(13)		(28)	(25)	(12%)
Net investment income	89	80	11%	176	159	11%
Net realized capital gains (losses)	(3)	1	NM	(5)	2	NM
Total revenues	**289**	**275**	**5%**	**574**	**546**	**5%**
Benefits, losses and loss adjustment expenses	136	120	13%	272	251	8%
Insurance operating costs and other expenses	50	46	9%	97	88	10%
Amortization of deferred policy acquisition costs and present value of future profits	41	40	3%	77	72	7%
Total benefits, losses and expenses	**227**	**206**	**10%**	**446**	**411**	**9%**
Income before income taxes	**62**	**69**	**(10%)**	**128**	**135**	(5%)
Income tax expense	18	21	(14%)	38	42	(10%)
Net income	**$ 44**	**$ 48**	**(8%)**	**$ 90**	**$ 93**	**(3%)**
Account Values						
Variable universal life insurance				$ 7,206	$ 6,053	19%
Universal life/interest sensitive whole life				4,208	3,850	9%
Modified guaranteed life and other				691	707	(2%)
Total account values				**$ 12,105**	**$ 10,610**	**14%**
Life Insurance In-force						
Variable universal life insurance				$ 75,496	$ 72,461	4%

Universal life/interest sensitive whole life	46,750	43,152	8%
Term	48,536	39,701	22%
Modified guaranteed life and other	1,021	1,078	(5%)
Total life insurance in-force	**$171,803**	**$156,392**	**10%**

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income decreased for the three and six months ended June 30, 2007. The three and six months ended June 30, 2006 included favorable net DAC amortization revisions of $3 and $7, after-tax. The following other factors contributed to the changes in earnings:

- Fee income increased for the three and six months ended June 30, 2007 primarily due to growth in the variable and universal life insurance in-force.
- Net investment income increased for the three and six months ended June 30, 2007 as a result of the growth in account values.
- Benefits, losses and loss adjustment expenses increased consistent with the growth in life insurance in-force for the six months ended June 30, 2007. The three months ended June 30, 2007 reflects unfavorable mortality volatility compared to the corresponding 2006 period.
- Insurance operating costs and other expenses increased consistently with in-force growth.

Outlook

Individual Life operates in a mature, competitive marketplace with customers desiring products with guarantees and distribution requiring highly trained insurance professionals. Individual Life continues to focus on its core distribution model of sales through financial advisors and banks, while also pursuing growth opportunities through other distribution sources such as life brokerage. In its core channels, the Company is looking to expand its sales system and internal wholesaling, take advantage of cross selling opportunities and extend its penetration in the private wealth management services areas.

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Sales results for the first six months of 2007 were strong across core distribution channels, including wirehouses/regional broker dealers and banks. The variable universal life mix remains strong at 46% of total sales in the first six months of 2007. Future sales will be driven by the Company s management of current distribution relationships and development of new sources of distribution while offering competitive and innovative new products and product features.

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 universal life providers with no-lapse guarantees. These risks may have a negative impact on Individual Life s future earnings.

Based on the results to date, management s current full year projections are as follows:

Sales of $280 to $300

Life insurance in-force increase of 8% to 10%

After-tax margin on total revenues of 15% to 16%

GROUP BENEFITS

Operating Summary

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Premiums and other considerations	$1,092	$1,028	6%	$2,176	$2,060	6%
Net investment income	117	103	14%	235	204	15%
Net realized capital losses	(2)	(2)		(3)	(3)	
Total revenues	**1,207**	**1,129**	**7%**	**2,408**	**2,261**	**7%**
Benefits, losses and loss adjustment expenses	793	740	7%	1,599	1,507	6%
Insurance operating costs and other expenses	275	277	(1%)	563	538	5%
Amortization of deferred policy acquisition costs	18	10	80%	35	20	75%
Total benefits, losses and expenses	**1,086**	**1,027**	**6%**	**2,197**	**2,065**	**6%**
Income before income taxes	**121**	**102**	**19%**	**211**	**196**	**8%**
Income tax expense	34	28	21%	58	54	7%
Net income	**$ 87**	**$ 74**	**18%**	**$ 153**	**$ 142**	**8%**

Premiums and other considerations						
Fully insured ongoing premiums	$1,068	$1,020	5%	$2,133	$2,037	5%
Buyout premiums	15	1	NM	26	5	NM
Other	9	7	29%	17	18	(6%)

Total premiums and other considerations	**$1,092**	**$1,028**	**6%**	**$2,176**	**$2,060**	**6%**
Ratios, excluding buyouts						
Loss ratio	72.2%	72.0%		73.2%	73.1%	
Loss ratio, excluding financial institutions	77.4%	76.8%		78.8%	78.0%	
Expense ratio	27.2%	27.9%		27.8%	27.2%	
Expense ratio, excluding financial institutions	22.3%	23.4%		22.5%	22.5%	

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income increased primarily due to higher earned premiums and net investment income partially offset by increased amortization of DAC due to the adoption of SOP 05-1. Also contributing to the higher net income was a gain on a renewal rights transaction associated with the Company s medical stop loss business and a change in assumptions underlying the valuation of long term disability claims incurred in 2007. Group Benefits has a block of financial institution business that is experience rated. This business comprised approximately 10% of the segment s premiums and other considerations (excluding buyouts) for the three and six months ended June 30, 2007 and 2006, and, on average, 4% to 5% of the segment s net income for both periods. A more expanded discussion of earnings is presented below:

Premiums and other considerations increased due largely to business growth driven by new sales and persistency over the last twelve months.

Net investment income increased due to a higher invested asset base, increased interest income on allocated surplus and a higher overall earned rate.

The segment s loss ratio (defined as benefits, losses and loss adjustment expenses as a percentage of premiums and other considerations excluding buyouts) for both the three and six months ended June 30, 2007, increased primarily due to mortality levels at expected levels compared to unusually favorable levels experienced in the prior year comparable period, morbidity pressure similar to the levels experienced in the comparable prior year quarter, and higher medical stop loss costs for the six month period. Partially offsetting this increase was a change in assumptions underlying the valuation of long term disability claims incurred in 2007. This change in assumptions resulted in a reserve change which was recorded as a reduction in benefits, losses and

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loss adjustment expenses, and resulted in $8, of after tax earnings, of which $4 related to reserves previously established for claims incurred in the first quarter of 2007.

The segment s expense ratio, excluding buyouts, for the three months ended June 30, 2007 decreased primarily due to the recognition of a $6 after-tax gain on a renewal rights arrangement associated with the medical stop loss business and lower operating expenses, partially offset by higher DAC amortization resulting from a shorter amortization period following the adoption of SOP 05-1. The ratio for the six months ended June 30, 2007 increased primarily due to increased commission expenses largely in the financial institution business that is experience rated and higher DAC costs, partially offset by the gain from the medical stop loss business.

Outlook

Management is committed to selling competitively priced products that meet the Company s internal rate of return guidelines and as a result, sales may fluctuate based on the competitive pricing environment in the marketplace. In 2006, the Company generated strong premium and sales growth due to the increased scale of the group life and disability operations and the expanded distribution network for its products and services. During the first half of 2007, fully insured on-going sales, excluding buyouts declined primarily due to fewer large national account sales, and the small case competitive environment remained intense. In addition, there was an anticipated reduction in association life sales from an unusually high first half last year. The Company also completed a renewal rights transaction associated with its medical stop loss business during the second quarter of 2007. Given these factors and the sales results for the first half of the year, the Company is projecting a year over year sales decline and low to mid-single digit growth in fully insured ongoing premiums. The Company anticipates relatively stable loss ratios and expense ratios based on underlying trends in the in-force business and disciplined new business and renewal underwriting. Despite the current market conditions, including rising medical costs, the changing regulatory environment and cost containment pressure on employers, the Company continues to leverage its strength in claim practices risk management, service and distribution, enabling the Company to capitalize on market opportunities. Additionally, employees continue to look to the workplace for a broader and ever expanding array of insurance products. 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 opportunities for our products and services.

Based on results to date, management s current full year projections are as follows:

Fully insured ongoing premiums (excluding buyout premiums and premium equivalents) of $4.3 billion to $4.4 billion

Sales (excluding buyout premiums and premium equivalents) of $750 to $800

Loss ratio (excluding buyout premiums) between 72% and 74%

Expense ratio (excluding buyout premiums) between 27% and 29%

After-tax margin, on premiums and other considerations (excluding buyout premiums), between 7.1% and 7.5%, which reflects the estimated impact of adopting SOP 05-1 Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts.

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INTERNATIONAL

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Fee income	$203	$172	18%	$ 397	$ 338	17%
Earned premiums	(2)	(3)	33%	(5)	(3)	(67%)
Net investment income	35	31	13%	68	59	15%
Net realized capital losses	(20)	(16)	(25%)	(38)	(30)	(27%)
Total revenues	**216**	**184**	**17%**	**422**	**364**	**16%**
Benefits, losses and loss adjustment expenses	9	12	(25%)	17	24	(29%)
Insurance operating costs and other expenses	55	48	15%	110	94	17%
Amortization of deferred policy acquisition costs and present value of future profits	60	48	25%	117	97	21%
Total benefits, losses and expenses	**124**	**108**	**15%**	**244**	**215**	**13%**
Income before income taxes	**92**	**76**	**21%**	**178**	**149**	**19%**
Income tax expense	33	24	38%	65	51	27%
Net income	**$ 59**	**$ 52**	**13%**	**$ 113**	**$ 98**	**15%**
Assets Under Management Japan						
Japan variable annuity assets under management				$32,050	$27,323	17%
Japan MVA fixed annuity assets under management				1,658	1,667	(1%)
Total assets under management Japan				**$33,708**	**$28,990**	**16%**

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net income increased for the three and six months ended June 30, 2007, principally driven by higher fee income in Japan derived from an increase in assets under management. A more expanded discussion of earnings growth is presented below:

Fee income increased $31 or 18% and $59 or 17% for the three and six months ended June 30, 2007, respectively. The increase was mainly a result of growth in Japan s variable annuity assets under management. As of June 30, 2007, Japan s variable annuity assets under management were $32 billion, an increase of $5 billion or 17% from the prior year period. The increase in assets under management was driven by positive net flows of $4 billion and favorable market appreciation of $3 billion, which includes the impact of foreign currency on the Japanese customer s foreign assets, partially offset by a decline of $2 billion as a result of foreign currency exchange translation over the past four quarters due to the weakening of the Yen compared to the U.S. dollar.

The decrease in benefits, losses and loss adjustment expenses by 25% and 29% for the three and six months ended June 30, 2007, respectively, over prior year is due to the unlock of the GMDB/GMIB reserve in the fourth quarter of 2006, which caused a lower expectation of future benefit claims, resulting in a lower accrual for such costs.

Partially offsetting the positive earnings drivers discussed above were the following items:

The amount of DAC amortization increased due to higher actual gross profits consistent with the growth in the Japan operation.

Insurance operating costs and other expenses increased for the three and six months ended June 30, 2007 due to the growth in the Japan operation.

The effective tax rate increased primarily due to a cumulative benefit recorded in 2006 resulting from a change in management s intent under APB 23.

Outlook

Management continues to be optimistic about the growth potential of the retirement savings market in Japan. Several trends, such as an aging population, longer life expectancies and declining birth rates leading to a smaller number of younger workers to support each retiree, have resulted in greater need for an individual to plan and adequately fund retirement savings.

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. In addition, higher account value levels will generally reduce certain costs for individual annuities to the Company, such as guaranteed minimum death benefits (GMDB) and guaranteed minimum income benefits (GMIB). Expense management is also an important component of product profitability.

Competition has continued to increase in the Japanese market. This increase in competition could potentially impact future deposit levels. The Company continues to focus its efforts on strengthening our distribution relationships and improving our wholesaling and servicing efforts. In addition, the Company continues to evaluate product designs that meet customers needs while maintaining prudent risk management. During the first six months of 2007, the Company successfully launched a new variable annuity product called 3 Win to complement its existing variable annuity product offerings. The new product has been favorably received by the market with

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the new product accounting for 44% and 38% of Japan s sales for the three and six months ended June 30, 2007, respectively, despite the fact that the product was launched in February and thereby not on the market for the full six months.

The success of the Company s enhanced product offerings will ultimately be based on customer acceptance in an increasingly competitive environment. International continues to invest in its operations outside of Japan. In the short term, the Company expects short-term losses in operations outside of Japan in 2007 to be relatively consistent with the 2006 experience.

Based on results to date, management s full year projections for Japan are as follows (using ¥122/$1 exchange rate for 2007):

Variable annuity deposits of ¥785 billion to ¥910 billion ($6.5 billion to $7.5 billion)
Variable annuity net flows of ¥555 billion to ¥675 billion ($4.6 billion to $5.6 billion)
Return on assets of 73 to 77 basis points

OTHER

Operating Summary

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
Fee income and other	$ 19	$ 24	(21%)	$ 36	$ 44	(18%)
Net investment income						
Securities available-for sale and other	45	34	32%	83	71	17%
Equity securities, held for trading [1]	1,234	(970)	NM	1,444	(516)	NM
Total net investment income	1,279	(936)	NM	1,527	(445)	NM
Net realized capital losses	(190)	(133)	(43%)	(140)	(247)	43%
Total revenues	**1,108**	**(1,045)**	**NM**	**1,423**	**(648)**	**NM**
Benefits, losses and loss adjustment expenses [1]	1,281	(929)	NM	1,524	(440)	NM
Insurance operating costs and other expenses	37	20	85%	62	(11)	NM
Amortization of deferred policy acquisition costs and present value of future profits	(27)	(16)	(69%)	(21)	(22)	5%
Total benefits, losses and expenses	**1,291**	**(925)**	**NM**	**1,565**	**(473)**	**NM**
Loss before income taxes	**(183)**	**(120)**	**(53%)**	**(142)**	**(175)**	19%
Income tax benefit	(57)	(37)	(54%)	(43)	(60)	28%
Net loss	**$ (126)**	**$ (83)**	**(52%)**	**$ (99)**	**$(115)**	14%

[1] Includes investment income and mark-to-market effects of equity securities, held for trading,

supporting the international variable annuity business, which are classified in net investment income with corresponding amounts credited to policyholders within benefits, losses and loss adjustment expenses.

Three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Net realized capital losses were higher for the three months ended June 30, 2007 and lower for the six months ended June 30, 2007 compared to the respective prior year periods. The change in net losses for the three months ended June 30, 2007 compared to the prior year period was primarily the result of larger net losses associated with the GMWB derivative. The components that drove the change for the six months ended June 30, 2007, were the net gains on sales of fixed maturity securities, net losses associated with Japanese fixed annuity contract hedges, other net losses and impairments, partially offset by the net losses on GMWB derivatives. The circumstances giving rise to these changes are as follows:

- The net gains on fixed maturity sales for the six months ended June 30, 2007 were primarily the result of tighter credit spreads on certain issuers since the date of security purchase. For further discussion of gross gains and losses, see below.
- The lower net losses associated with the Japanese fixed annuity contract hedges for the six months ended June 30, 2007 resulted from a less significant increase in Japanese interest rates compared to the respective prior year period.
- Other, net losses in both 2007 and 2006 were primarily driven from the change in value of non-qualifying derivatives due to fluctuations in interest rates and foreign currency exchange rates.
- See the Other-Than-Temporary Impairments section that follows for information on impairment losses.
- The net losses on GMWB derivatives for 2007 were primarily the result of liability model assumption updates and model refinements. Liability model assumption updates were made during the second quarter to reflect newly reliable market inputs for volatility.

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During the first quarter of 2006, the Company achieved favorable settlements in several cases brought against the Company by policyholders regarding their purchase of broad-based leveraged corporate owned life insurance (leveraged COLI) policies in the early to mid-1990s. The Company ceased offering this product in 1996. Based on the favorable outcome of these cases, together with the Company s current assessment of the few remaining leveraged COLI cases, the Company reduced its estimate of the ultimate cost of these cases as of June 30, 2006. This reserve reduction, recorded in insurance operating costs and other expenses, resulted in an after-tax benefit of $34.

Also contributing to the increase in insurance operating costs and other expenses was $5, after-tax, of interest charged by Corporate on excess capital of the Life operations for the three months ended June 30, 2007 as well as $12, after-tax, for the six months ended June 30, 2007.

The Company recorded a reserve for market regulatory matters of $21, after tax, for the three and six months ended June 30, 2007.

PROPERTY & CASUALTY

Executive Overview

Property & Casualty is organized into four reportable operating segments: the underwriting segments of Business Insurance, Personal Lines and Specialty Commercial (collectively Ongoing Operations); and the Other Operations segment.

Property & Casualty provides a number of coverages, as well as insurance related services, to businesses throughout the United States, including workers compensation, property, automobile, liability, umbrella, specialty casualty, marine, livestock, fidelity, surety, professional liability and directors and officers liability coverages. Property & Casualty also provides automobile, homeowners and home-based business coverage to individuals throughout the United States.

Property & Casualty derives its revenues principally from premiums earned for insurance coverages provided to insureds, investment income, and, to a lesser extent, from fees earned for services provided to third parties and net realized capital gains and losses. Premiums charged for insurance coverages are earned principally on a pro rata basis over the terms of the related policies in-force.

Service fees principally include revenues from third party claims administration services provided by Specialty Risk Services and revenues from member contact center services provided through AARP s Health Care Options program.

Total Property & Casualty Financial Highlights

The following discusses Property & Casualty financial highlights for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006.

Premium revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Earned Premiums	**$2,622**	**$2,607**	**$5,245**	**$5,173**

Earned premiums grew $15, or 1%, for the three months ended June 30, 2007 and $72, or 1%, for the six months ended June 30, 2007, primarily due to:

An increase in Business Insurance earned premium of $13 and $42, respectively, for the three and six months ended June 30, 2007 as an increase in small commercial of $28 and $66, respectively, was partially offset by a decrease in middle market of $15 and $24, respectively.

Personal Lines earned premium, excluding Omni, increased $63 and $134, respectively, for the three and six months ended June 30, 2007. The growth in Personal Lines earned premium was primarily due to new business outpacing non-renewals over the last six months of 2006 and the first six months of 2007 in both auto and homeowners and to earned pricing increases in Personal Lines homeowners.

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Partially offsetting these favorable drivers were the following factors that decreased earned premium:

The sale of the Omni non-standard auto business in 2006 which accounted for earned premium of $36 and $75, respectively, for the three and six months ended June 30, 2006.

A decrease in Specialty Commercial earned premium of $26 and $31, respectively, for the three and six months ended June 30, 2007 due to a decrease in property, casualty, and other earned premiums, partially offset by an increase in professional liability, fidelity and surety earned premiums.

Net income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Underwriting results	**$ 97**	**$ 14**	**$ 366**	**$ 280**
Net servicing and other income [1]	14	12	25	30
Net investment income	446	365	859	722
Net realized capital losses	(24)	(29)	(1)	(24)
Other expenses	(58)	(76)	(118)	(128)
Income tax expense	(131)	(70)	(326)	(240)
Net income	**$ 344**	**$216**	**$ 805**	**$ 640**

[1] Net of expenses related to service business.

For the three months ended June 30, 2007 compared to the three months ended June 30, 2006

Net income increased $128, or 59%, primarily due to:

A $146 increase in underwriting results for Other Operations due to a $151 decrease in net unfavorable prior accident reserve development,

An $81 increase in net investment income,

A $21 decrease in current accident year catastrophe losses,

An $18 decrease in other expenses, primarily due to an increase in the estimated cost of legal settlements in 2006 and a reduction in the estimated cost of legal settlements in 2007, partially offset by $12 of interest charged by Corporate on the amount of capital held by the Property & Casualty operation in excess of the amount needed to support the capital requirements of the Property & Casualty operation, and

An increase in current accident year underwriting results due to the sale of the Omni non-standard auto business, which generated a current accident year underwriting loss before catastrophes of $5 in 2006.

Partially offsetting these favorable drivers were the following factors reducing net income:

Excluding Omni, a $92 decrease in Ongoing Operations current accident year underwriting results before catastrophes, primarily due to an increase in non-catastrophe property loss costs and an increase in insurance operating costs and expenses, and

A $61 increase in income tax expense, reflecting an increase in income before income taxes.

The $151 decrease in net unfavorable prior accident year development in Other Operations was primarily due to a $243 charge in 2006 to recognize the effect of the Equitas agreement and strengthening of the allowance for uncollectible reinsurance, partially offset by a $99 strengthening of reserves in 2007, primarily related to an adverse arbitration decision. See the Other Operations segment of the MD&A for further discussion of prior accident year development in each year.

Primarily driving the $81 increase in net investment income was a higher average invested assets base due to positive operating cash flows, income earned from a higher portfolio yield driven by a change in asset mix (e.g. greater investment in mortgage loans and limited partnerships) and an increase in returns on limited partnership investments.

Net investment income from limited partnerships increased by $29.

For the six months ended June 30, 2007 compared to the six months ended June 30, 2006

Net income increased $165, or 26%, primarily due to:

- A $143 increase in underwriting results for Other Operations due to a $152 decrease in net unfavorable prior accident reserve development,
- A $137 increase in net investment income,
- A $34 decrease in current accident year catastrophe losses,
- A $23 decrease in net realized capital losses,
- An increase in current accident year underwriting results due to the sale of the Omni non-standard auto business, which generated a current accident year underwriting loss before catastrophes of $12 in 2006, and

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A $10 decrease in other expenses, primarily due to an increase in the estimated cost of legal settlements in 2006 and a reduction in the estimated cost of legal settlements in 2007, partially offset by $26 of interest charged by Corporate on the amount of capital held by the Property & Casualty operation in excess of the amount needed to support the capital requirements of the Property & Casualty operation.

Partially offsetting these favorable drivers were the following factors reducing net income:

Excluding Omni, a $96 decrease in Ongoing Operations current accident year underwriting results before catastrophes, primarily due to an increase in non-catastrophe property loss costs and an increase in insurance operating costs and expenses,

An $86 increase in income tax expense, reflecting an increase in income before income taxes, and

A $5 decrease in net servicing income, primarily due to lower income generated by Specialty Risk Services.

The $152 decrease in net unfavorable prior accident year development in Other Operations was primarily due to a $243 charge in 2006 to recognize the effect of the Equitas agreement and strengthening of the allowance for uncollectible reinsurance, partially offset by a $99 strengthening of reserves in 2007, primarily related to an adverse arbitration decision. See the Other Operations segment of the MD&A for further discussion of prior accident year development in each year.

Primarily driving the $137 increase in net investment income was a higher average invested assets base due to positive operating cash flows, income earned from a higher portfolio yield driven by a change in asset mix (e.g. greater investment in mortgage loans and limited partnerships) and an increase in returns on limited partnership investments. Net investment income from limited partnerships increased by $51. The decrease in net realized capital losses was primarily due to increased net gains on the sale of fixed maturity investments and a decrease in other-than-temporary impairments of fixed maturity investments.

Key Performance Ratios and Measures

The Company considers several measures and ratios to be the key performance indicators for the property and casualty underwriting businesses. For a detailed discussion of the Company s key performance and profitability ratios and measures, see the Property & Casualty Executive Overview section of the MD&A included in The Hartford s 2006 Form 10-K Annual Report. The following table and the segment discussions include the more significant ratios and measures of profitability for the three and six months ended June 30, 2007 and 2006. Management believes that these ratios and measures are useful in understanding the underlying trends in The Hartford s property and casualty insurance underwriting business. However, these key performance indicators should only be used in conjunction with, and not in lieu of, underwriting income for the underwriting segments of Business Insurance, Personal Lines and Specialty Commercial and net income for the Property & Casualty business as a whole, Ongoing Operations and Other Operations. These ratios and measures may not be comparable to other performance measures used by the Company s competitors.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Ongoing Operations earned premium growth				
Business Insurance	1%	6%	2%	8%
Personal Lines	3%	3%	3%	3%
Specialty Commercial	(7%)	(15%)	(4%)	(16%)
Total Ongoing Operations	1%	1%	1%	2%
Ongoing Operations combined ratio				
	90.2	86.9	88.9	87.1

Combined ratio before catastrophes and prior accident year development				
Catastrophe ratio				
Current year	2.0	2.8	1.5	2.2
Prior years	0.1	(0.7)		(0.7)
Total catastrophe ratio	**2.1**	**2.1**	**1.5**	**1.5**
Non-catastrophe prior accident year development	(0.6)	0.3	(0.1)	0.4
Combined ratio	**91.7**	**89.3**	**90.3**	**89.0**
Other Operations net loss	**$ (40)**	**$ (124)**	**$ (8)**	**$ (89)**
Total Property & Casualty measures of net investment income				
Investment yield, after-tax	4.7%	4.1%	4.5%	4.1%
Average invested assets at cost	$29,507	$26,890	$29,243	$26,809

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For the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006

Ongoing Operations earned premium growth

The lower growth rate in Business Insurance was primarily attributable to a decrease in new business written premium over the last six months of 2006 and first six months of 2007 and, to a lesser extent, lower premium renewal retention.

The growth rate in Personal Lines is unchanged from 2006 to 2007, as the effect of an increase in premium renewal retention on auto and homeowners business was offset by lower new business growth in homeowners and the effect of the Company s exit from the Omni non-standard auto business. Omni, which was sold in the fourth quarter of 2006, accounted for $36 and $75, respectively, of earned premium for the three and six months ended June 30, 2006. Excluding Omni, the Personal Lines earned premium growth rate in 2007 was 7% in the three month period and 8% in the six month period.

The rate of decline in Specialty Commercial earned premium slowed in 2007, primarily due to a lower premium decrease in casualty and property, partially offset by a lower premium increase in professional liability, fidelity and surety and a larger premium decrease in other earned premium. Casualty earned premium experienced a larger decrease in 2006, primarily because of a decrease in 2006 earned premium from a single captive insured program that expired in 2005. Earned premium decreases in property were larger in 2006 than in 2007 as a result of a strategic decision in 2006 not to renew certain accounts with properties in catastrophe-prone areas. The growth rate in professional liability, fidelity and surety earned premium slowed in 2007 as written pricing decreases resulted in a decline in new business growth. Other earned premium decreased more significantly in 2007 as the Company reduced the premiums assumed by Specialty Commercial under intersegment arrangements covering certain liability claims and reduced its retention under the principal property catastrophe reinsurance program and other reinsurance programs.

Ongoing Operations combined ratio

For the three and six months ended June 30, 2007, the combined ratio increased as an increase in the combined ratio before catastrophes and prior accident year development was partially offset by the effect of a change from unfavorable to favorable prior accident year development and the effect of the sale of Omni in the fourth quarter of 2006. Omni had a higher combined ratio before catastrophes and prior accident year development than other business written by the Company.

The increase in the combined ratio before catastrophes and prior accident year development, from 86.9 to 90.2 in the three month period, and from 87.1 to 88.9 in the six month period, was primarily due to an increase in non-catastrophe property loss costs in Business Insurance and Personal Lines and a higher loss and loss adjustment expense ratio for Agency auto liability claims in Personal Lines, partially offset by an improved loss and loss adjustment expense ratio in Specialty Commercial and the effect of exiting the Omni non-standard auto business, which had a significantly higher combined ratio than other business written by the Company. Also contributing to the increase in the combined ratio before catastrophes and prior accident year development was an increase in the expense ratio as the expense ratio in 2006 included the effect of a $34 reduction of estimated Citizens assessments related to the 2005 Florida hurricanes.

For the second quarter of 2007, the increase in the loss and loss adjustment expense ratio for Personal Lines auto liability claims was due to higher expected frequency of these claims relative to 2006 and due to an increase in the estimate of reserves for AARP and Agency auto liability claims incurred in the first quarter of 2007 by $10, which represented 0.4 points of the combined ratio before catastrophes and prior accident year development in the three months ended June 30, 2007.

The catastrophe ratio was flat from year to year in both the three and six month periods as a decrease in current accident year catastrophe losses was offset by a decrease in net favorable reserve development of prior accident year catastrophe losses. In the three and six months ended June 30, 2006, the Company recognized net reserve releases related to the 2005 and 2004 hurricanes of $12 and $30, respectively.

For both the three and six month periods, net non-catastrophe prior accident year reserve development was unfavorable in 2006, but favorable in 2007. Favorable reserve development in 2007 was largely attributable to the release of reserves for small commercial business related to accident years 2003 to 2006.

Other Operations net loss

Other Operations reported a net loss of $40 in three months ended June 30, 2007 compared to a net loss of $124 for the comparable period in 2006, and a net loss of $8 for the six months ended June 30, 2007, compared to a net loss of $89 for the comparable period in 2006, primarily due to a decrease in unfavorable prior accident year reserve development. See the Other Operations segment MD&A for further discussion of prior accident year development in each year.

Investment yield and average invested assets:

For both the three and the six months ended June 30, 2007, the after-tax investment yield increased due to higher interest rates and shifting a greater share of investments to higher yielding mortgage loans and limited partnerships. The average annual invested assets at cost increased as a result of positive operating cash flows and an increase in collateral held from increased securities lending activities.

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Reserves

Reserving for property and casualty losses is an estimation process. As additional experience and other relevant claim data become available, reserve levels are adjusted accordingly. Such adjustments of reserves related to claims incurred in prior years are a natural occurrence in the loss reserving process and 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. The prior accident year development in the following table represents the ratio of reserve development to earned premiums. For a detailed discussion of the Company s reserve policies, see Notes 1, 11 and 12 of Notes to Consolidated Financial Statements and the Critical Accounting Estimates section of the MD&A included in The Hartford s 2006 Form 10-K Annual Report.

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. For information regarding reserving for asbestos and environmental claims within Other Operations, refer to the Other Operations segment discussion.

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 year reserves would be adjusted in the period the change in estimate is made.

For accident years 1973 and prior, the Company has experienced greater than expected reported losses for workers compensation claims that are no longer covered by reinsurance. The Company has also experienced favorable emergence of reported workers compensation claims in accident years 2005 and 2006. In addition, the Company has experienced an increase in reported losses for general liability claims in accident years more than 20 years old as defense costs for certain mass tort claims have been increasing. If any of these trends continues, the company may adjust its reserves accordingly.

The Company will perform its annual review of environmental liabilities in the third quarter of 2007. 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.

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A rollforward follows of Property & Casualty liabilities for unpaid losses and loss adjustment expenses by segment for the three and six months ended June 30, 2007:

	Three Months Ended June 30, 2007					
	Business Insurance	**Personal Lines**	**Specialty Commercial**	**Ongoing Operations**	**Other Operations**	**Total Property & Casualty**
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$7,961**	**$1,893**	**$6,659**	**$16,513**	**$5,474**	**$21,987**
Reinsurance and other recoverables	635	99	2,388	3,122	1,191	4,313
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**7,326**	**1,794**	**4,271**	**13,391**	**4,283**	**17,674**
Provision for unpaid losses and loss adjustment expenses						
Current year	800	660	256	1,716		1,716
Prior year [1]	(29)	4	13	(12)	116	104
Total provision for unpaid losses and loss adjustment expenses	**771**	**664**	**269**	**1,704**	**116**	**1,820**
Less: Payments	(625)	(630)	(149)	(1,404)	(118)	(1,522)
Reallocation of reserves for unallocated loss adjustment expenses [2]	(198)	(58)	131	(125)	125	
Ending liabilities for unpaid losses and loss adjustment expenses-net	**7,274**	**1,770**	**4,522**	**13,566**	**4,406**	**17,972**
Reinsurance and other recoverables	592	76	2,366	3,034	984	4,018
Ending liabilities for unpaid losses and loss adjustment expenses-gross	**$7,866**	**$1,846**	**$6,888**	**$16,600**	**$5,390**	**$21,990**
Earned premiums	$1,281	$ 967	$ 373	$ 2,621	$ 1	$ 2,622
Loss and loss expense paid ratio [3]	48.8	65.2	40.7	53.7		
Loss and loss expense incurred ratio	60.3	68.7	72.2	65.1		

Prior accident year development (pts.) [4]	(2.3)	0.3	3.7	(0.5)

[1] *Includes reserve discount accretion of $7, including $3 in Business Insurance, $2 in Specialty Commercial and $2 in Other Operations.*

[2] *Prior to the second quarter of 2007, the Company evaluated the adequacy of the reserves for unallocated loss adjustment expenses on a company- wide basis. During the second quarter of 2007, the Company refined its analysis of the reserves at the segment level, resulting in the reallocation of reserves among segments.*

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

[4] *Prior accident year*

development (pts) represents the ratio of prior accident year development to earned premium.

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Six Months Ended June 30, 2007

	Business Insurance	Personal Lines	Specialty Commercial	Ongoing Operations	Other Operations	Total Property & Casualty
Beginning liabilities for unpaid losses and loss adjustment expenses-gross	**$ 7,794**	**$ 1,959**	**$ 6,522**	**$ 16,275**	**$ 5,716**	**$ 21,991**
Reinsurance and other recoverables	650	134	2,303	3,087	1,300	4,387
Beginning liabilities for unpaid losses and loss adjustment expenses-net	**7,144**	**1,825**	**4,219**	**13,188**	**4,416**	**17,604**
Provision for unpaid losses and loss adjustment expenses						
Current year	1,593	1,270	506	3,369		3,369
Prior year [1]	(23)	8	7	(8)	134	126
Total provision for unpaid losses and loss adjustment expenses	**1,570**	**1,278**	**513**	**3,361**	**134**	**3,495**
Less: Payments	(1,242)	(1,275)	(341)	(2,858)	(269)	(3,127)
Reallocation of reserves for unallocated loss adjustment expenses [2]	(198)	(58)	131	(125)	125	
Ending liabilities for unpaid losses and loss adjustment expenses-net	**7,274**	**1,770**	**4,522**	**13,566**	**4,406**	**17,972**
Reinsurance and other recoverables	592	76	2,366	3,034	984	4,018
Ending liabilities for unpaid losses and loss adjustment expenses-gross	**$ 7,866**	**$ 1,846**	**$ 6,888**	**$ 16,600**	**$ 5,390**	**$ 21,990**
Earned premiums	$ 2,573	$ 1,920	$ 751	$ 5,244	$ 1	$ 5,245
Loss and loss expense paid ratio [3]	48.3	66.4	45.3	54.5		
	61.0	66.6	68.1	64.1		

Loss and loss expense incurred ratio				
Prior accident year development (pts.) [4]	(0.9)	0.4	1.0	(0.1)

[1] Includes reserve discount accretion of $16, including $7 in Business Insurance, $5 in Specialty Commercial and $4 in Other Operations.

[2] Prior to the second quarter of 2007, the Company evaluated the adequacy of the reserves for unallocated loss adjustment expenses on a company-wide basis. During the second quarter of 2007, the Company refined its analysis of the reserves at the segment level, resulting in the reallocation of reserves among segments.

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

[4] Prior accident year development (pts) represents the ratio of prior accident year development to earned premium.

Prior accident year development

Included within prior accident year development for the six months ended June 30, 2007 were the following reserve strengthenings (releases).

	Business Insurance	Personal Lines	Specialty Commercial	Ongoing Operations	Other Operations	Total Property & Casualty
Release of small commercial reserves for accident years 2003 to 2006	$ (30)	$	$	$ (30)	$	$ (30)
Strengthened reserves primarily as a result of an adverse arbitration decision					99	99
Other reserve reestimates, net	7	8	7	22	35	57
Total prior accident year development for the six months ended June 30, 2007	**$ (23)**	**$ 8**	**$ 7**	**$ (8)**	**$ 134**	**$ 126**