

HARTFORD FINANCIAL SERVICES GROUP INC/DE

Form 10-Q

August 04, 2010

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

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-13958

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3317783

(I.R.S. Employer
Identification No.)

One Hartford Plaza, Hartford, Connecticut 06155

(Address of principal executive offices) (Zip Code)

(860) 547-5000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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

As of July 30, there were outstanding 444,324,287 shares of Common Stock, \$0.01 par value per share, of the registrant.

**THE HARTFORD FINANCIAL SERVICES GROUP, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010
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Forward-Looking Statements

Certain of the statements contained herein are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as anticipates, intends, plans, seeks, believes, estimates, expects, projects, and similar references to future. Forward-looking statements are based on our current expectations and assumptions regarding economic, competitive and legislative developments. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, the Company). Future developments may not be in line with management's expectations or have unanticipated effects. Actual results could differ materially from expectations, depending on the evolution of various factors, including those set forth in Part I, Item 1A, Risk Factors in The Hartford's 2009 Form 10-K Annual Report, Part II, Item 1A, Risk Factors of The Hartford's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as well as in Part II, Item 1A, Risk Factors of this Form 10-Q. These important risks and uncertainties include:

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

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

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

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

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

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

the uncertain effects of emerging claim and coverage issues;

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

the Company's ability to effectively price its property and casualty policies, including its ability to obtain regulatory consents to pricing actions or to non-renewal or withdrawal of certain product lines;

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

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

the potential for difficulties arising from outsourcing relationships;

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

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

the Company's ability to protect its intellectual property and defend against claims of infringement; unfavorable judicial or legislative developments; and

other factors described in such forward-looking statements.

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

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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, 2010, and the related Condensed Consolidated Statements of Operations and Comprehensive Income for the three-month and six-month periods ended June 30, 2010 and 2009 and Statements of Changes in Equity and Cash Flows for the six-month periods ended June 30, 2010 and 2009. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2009, and the related consolidated statements of operations, changes in equity, comprehensive income (loss), and cash flows for the year then ended (not presented herein); and in our report dated February 23, 2010 (which report includes an explanatory paragraph relating to the Company's change in its method of accounting and reporting for other-than-temporary impairments in 2009 and for the fair value measurement of financial instruments in 2008), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Hartford, Connecticut
August 4, 2010

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

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

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

See Notes to Condensed Consolidated Financial Statements.

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

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

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

See Notes to Condensed Consolidated Financial Statements.

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

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

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

See Notes to Condensed Consolidated Financial Statements.

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

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

See Notes to Condensed Consolidated Financial Statements.

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

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

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

Supplemental Disclosure of Cash Flow Information***Net Cash Paid (Received) During the Period For:***

Income taxes	\$ 248	\$ (468)
Interest	\$ 233	\$ 243

See Notes to Condensed Consolidated Financial Statements

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

1. Basis of Presentation and Accounting Policies

Basis of Presentation

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

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

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

Consolidation

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

Reclassifications

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

Use of Estimates

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates include those used in determining property and casualty reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on investments; living benefits required to be fair valued; goodwill impairment; valuation of investments and derivative instruments; pension and other postretirement benefit obligations; valuation allowance on deferred tax assets; and contingencies relating to corporate litigation and regulatory matters. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the Condensed Consolidated Financial Statements.

Significant Accounting Policies

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

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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)

Adoption of New Accounting Standards

Variable Interest Entities

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

Future Adoption of New Accounting Standards

Embedded Credit Derivatives

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****1. Basis of Presentation and Accounting Policies (continued)****Income Taxes**

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

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

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****2. Earnings (Loss) Per Share**

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

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

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

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

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

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

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

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

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

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

Life

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

	As Reported in the 2009 Annual Report on Form 10-K	Realignment of Mutual Fund Businesses	Movement of Non-Proprietary Product Results	Segment Results, As Revised
Revenues				
For the year ended December 31, 2009				
Global Annuity U.S. (formerly Retail)	\$ 2,132	\$ (517)	\$ (149)	\$ 1,466
Retirement	324	517		841
Life Other	58		149	207
For the year ended December 31, 2008				
Global Annuity U.S. (formerly Retail)	\$ 2,753	\$ (666)	\$ (150)	\$ 1,937
Retirement	338	666		1,004
Life Other	60		150	210
For the year ended December 31, 2007				
Global Annuity U.S. (formerly Retail)	\$ 3,055	\$ (688)	\$ (140)	\$ 2,227
Retirement	242	688		930
Life Other	67		140	207
Net Income (Loss)				
For the year ended December 31, 2009				
Global Annuity U.S. (formerly Retail)	\$ (410)	\$ (34)	\$ (444)	
Retirement	(222)	34		(188)
For the year ended December 31, 2008				
Global Annuity U.S. (formerly Retail)	\$ (1,399)	\$ (37)	\$ (1,436)	

Retirement	(157)	37	(120)
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For the year ended December 31, 2007

Global Annuity U.S. (formerly Retail)	\$	812	\$	(65)	\$	747
Retirement		61		65		126

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

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

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

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

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

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

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

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

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

Property & Casualty

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. Segment Information (continued)****Financial Measures and Other Segment Information**

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

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

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

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

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

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

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

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

Total revenues	\$ 3,336	\$ 7,637	\$ 9,655	\$ 13,031
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[1] Represents servicing revenue.

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

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

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

[1] Net of expenses related to service

business.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Fair Value Measurements – Financial Instruments Excluding Guaranteed Living Benefits

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

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

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

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

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

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

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

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

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

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

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

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

receivable that are not subject to fair value accounting.

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

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

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

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

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

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

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

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

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

Determination of fair values

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. Fair Value Measurements – Financial Instruments Excluding Guaranteed Living Benefits (continued)*****Available-for-Sale Securities, Equity Securities, Trading, and Short-term Investments***

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

Prices from third-party pricing services are often unavailable for securities that are rarely traded or are traded only in privately negotiated transactions. As a result, certain securities are priced via independent broker quotations which utilize inputs that may be difficult to corroborate with observable market based data. Additionally, the majority of these independent broker quotations are non-binding. A pricing matrix is used to price securities for which the Company is unable to obtain either a price from a third-party pricing service or an independent broker quotation, by discounting the expected future cash flows from the security by a developed market discount rate utilizing current credit spreads. Credit spreads are developed each month using market based data for public securities adjusted for credit spread differentials between public and private securities which are obtained from a survey of multiple private placement brokers.

The Company performs a monthly analysis of the prices and credit spreads received from third parties to ensure that the prices represent a reasonable estimate of the fair value. As a part of this analysis, the Company considers trading volume and other factors to determine whether the decline in market activity is significant when compared to normal activity in an active market, and if so, whether transactions may not be orderly considering the weight of available evidence. If the available evidence indicates that pricing is based upon transactions that are stale or not orderly, the Company places little, if any, weight on the transaction price and will estimate fair value utilizing an internal pricing model. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include, but are not limited to, initial and on-going review of third-party pricing services methodologies, review of pricing statistics and trends, back testing recent trades, and monitoring of trading volumes, new issuance activity and other market activities. In addition, the Company ensures that prices received from independent brokers represent a reasonable estimate of fair value through the use of internal and external cash flow models developed based on spreads, and when available, market indices. As a result of this analysis, if the Company determines that there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly. The Company's internal pricing model utilizes the Company's best estimate of expected future cash flows discounted at a rate of return that a market participant would require. The significant inputs to the model include, but are not limited to, current market inputs, such as credit loss assumptions, estimated prepayment speeds and market risk premiums.

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

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

Derivative Instruments, including embedded derivatives within investments

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

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instrument may not be classified with the same fair value hierarchy level as the associated assets and liabilities. Therefore the realized and unrealized gains and losses on derivatives reported in Level 3 may not reflect the offsetting impact of the realized and unrealized gains and losses of the associated assets and liabilities.

Valuation techniques and inputs for investments

Generally, the Company determines the estimated fair value of its AFS securities and short-term investments using the market approach. The income approach is used for securities priced using a pricing matrix, as well as for derivative instruments. For Level 1 investments, which are comprised of U.S. Treasuries, equity securities, short-term investments, and exchange traded futures and option contracts, valuations are based on observable inputs that reflect quoted prices for identical assets in active markets that the Company has the ability to access at the measurement date. For most of the Company's debt securities, the following inputs are typically used in the Company's pricing methods: reported trades, benchmark yields, bids, offers and/or estimated cash flows. For securities except U.S. Treasuries, inputs also include issuer spreads, which may utilize credit default swaps. Derivative instruments are valued using mid-market inputs that are predominantly observable in the market.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity derivatives Significant unobservable inputs may include equity volatility.

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

Separate Account Assets

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. Fair Value Measurements – Financial Instruments Excluding Guaranteed Living Benefits (continued)*****Assets and Liabilities Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)***

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

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

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

Separate accounts [5]	955	(2)		5	(2)	(19)	937	9
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Liabilities

Other policyholder
funds and benefits
payable

Institutional notes	\$	(7)	\$	9	\$	\$	\$	\$	2	\$	9
Equity linked notes		(9)		2					(7)		2

Total other
policyholder funds
and benefits
payable

		(16)		11					(5)		11
Other liabilities		(22)		6					(16)		
Consumer notes		(5)		1					(4)		1

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

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

[3] *Transfers in and/or (out) of Level 3 are primarily attributable to changes in the availability of market observable information and re-evaluation of the observability of pricing inputs.*

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

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

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

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

[3] *Transfers in and/or (out) of Level 3 are attributable to a change in the availability of market observable information and re-evaluation of the observability of pricing inputs.*

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

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

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

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

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

Consumer notes (5) 1 (4) 1

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

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

[3] *Transfers in and/or (out) of Level 3 are attributable to a change in the availability of market observable information and re-evaluation of the observability of pricing inputs.*

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

[5]

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

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

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

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

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

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

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

Financial Instruments Not Carried at Fair Value

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

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

Consumer notes [3]	448	466	1,131	1,194
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[1] *Excludes guarantees on variable annuities, group accident and health and universal life insurance contracts, including corporate owned life insurance.*

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

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

As of June 30, 2010 and December 31, 2009, included in other liabilities in the Condensed Consolidated Balance Sheets are carrying amounts of \$248 and \$273, respectively, for deposits and \$60 and \$78, respectively, for Federal Home Loan Bank advances related to Federal Trust Corporation. These carrying amounts approximate fair value. The Company has not made any changes in its valuation methodologies for the following assets and liabilities since December 31, 2009.

Fair value for policy loans and consumer notes were estimated using discounted cash flow calculations using current interest rates.

Fair values for mortgage loans were estimated using discounted cash flow calculations based on current lending rates for similar type loans. Current lending rates reflect changes in credit spreads and the remaining terms of the loans.

Fair values for other policyholder funds and benefits payable, not carried at fair value, are determined by estimating future cash flows, discounted at the current market rate.

Fair values for senior notes and junior subordinated debentures are based primarily on market quotations from independent third-party pricing services.

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4a. Fair Value Measurements – Guaranteed Living Benefits**

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

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

	December 31, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Variable annuity hedging derivatives	\$ 9	\$	\$	\$ 9

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4a. Fair Value Measurements – Guaranteed Living Benefits (continued)*****Product Derivatives***

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

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

U.S. GMWB Reinsurance Derivative

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

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

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

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

Best Estimate Claim Payments

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

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

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

- risk-free rates as represented by the Eurodollar futures, LIBOR deposits and swap rates to derive forward curve rates;

- market implied volatility assumptions for each underlying index based primarily on a blend of observed market implied volatility data;

- correlations of historical returns across underlying well known market indices based on actual observed returns over the ten years preceding the valuation date; and

- three years of history for fund indexes compared to separate account fund regression.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Credit Standing Adjustment

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

Margins

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4a. Fair Value Measurements – Guaranteed Living Benefits (continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4a. Fair Value Measurements – Guaranteed Living Benefits Program (continued)****Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the three months ended June 30, 2009**

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

International other guaranteed living benefits Level 3	(3)	6	(1)	2	3
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[1] *The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.*

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

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

*attributed fees
collected,
respectively.*

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****4a. Fair Value Measurements – Guaranteed Living Benefits Program (continued)****Roll-forward of Financial Instruments related to the Guaranteed Living Benefits Program Measured at Fair Value on a Recurring Basis for the six months ended June 30, 2009**

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

International other guaranteed living benefits Level 3	4	(2)	2	1
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[1] *The Company classifies gains and losses on GMWB reinsurance derivatives and Guaranteed Living Benefit embedded derivatives as unrealized gains (losses) for purposes of disclosure in this table because it is impracticable to track on a contract-by-contract basis the realized gains (losses) for these derivatives and embedded derivatives.*

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

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

*attributed fees
collected,
respectively.*

*[4] Disclosure of
changes in
unrealized gains
(losses) is not
required for Levels 1
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*[5] The variable annuity
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*[6] Includes both market
and non-market
impacts in deriving
realized and
unrealized gains
(losses).*

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments****Significant Investment Accounting Policies***Recognition and Presentation of Other-Than-Temporary Impairments*

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

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****Net Realized Capital Gains (Losses)**

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

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

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

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

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

Other-Than-Temporary Impairment Losses

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

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

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

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

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

[1] Represents the amount of cumulative non-credit OTTI losses recognized in OCI on securities that also had credit impairments. These losses are included in gross unrealized losses as of June 30, 2010 and December 31, 2009.

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

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

Security Unrealized Loss Aging

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

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

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

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

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

Mortgage Loans

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

[1]

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

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

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

Mortgage Loans by Region

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

*[1] Primarily
represents
multi-regional
properties.*

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****Mortgage Loans by Property Type**

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

Variable Interest Entities

The Company is involved with various special purpose entities and other entities that are deemed to be VIEs primarily as a collateral manager and as an investor through normal investment activities, as well as a means of accessing capital. A VIE is an entity that either has investors that lack certain essential characteristics of a controlling financial interest or lacks sufficient funds to finance its own activities without financial support provided by other entities.

The Company performs ongoing qualitative assessments of its VIEs to determine whether the Company has a controlling financial interest in the VIE and therefore is the primary beneficiary. The Company is deemed to have a controlling financial interest when it has both the ability to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Based on the Company's assessment, if it determines it is the primary beneficiary, the Company consolidates the VIE in the Company's Condensed Consolidated Financial Statements.

Consolidated VIEs

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)***Non-Consolidated VIEs*

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

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

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

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

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

In addition, the Company, through normal investment activities, makes passive investments in structured securities issued by VIEs for which the Company is not the manager which are included in ABS, CDOs, CMBS and RMBS in the Available-for-Sale Securities table. The Company has not provided financial or other support with respect to these investments other than its original investment. For these investments, the Company determined it is not the primary beneficiary due to the relative size of the Company's investment in comparison to the principal amount of the structured securities issued by the VIEs, the level of credit subordination which reduces the Company's obligation to

absorb losses or right to receive benefits and the Company's inability to direct the activities that most significantly impact the economic performance of the VIEs. The Company's maximum exposure to loss on these investments is limited to the amount of the Company's investment.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Investments and Derivative Instruments (continued)

Derivative Instruments

The Company utilizes a variety of over-the-counter and exchange traded derivative instruments as a part of its overall risk management strategy, as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate risk or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that would otherwise be permissible investments under the Company's investment policies. The Company also purchases and issues financial instruments and products that either are accounted for as free-standing derivatives, such as certain reinsurance contracts, or may contain features that are deemed to be embedded derivative instruments, such as the GMWB rider included with certain variable annuity products.

Cash flow hedges

Interest rate swaps

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

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

Forward rate agreements

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

Foreign currency swaps

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

Fair value hedges

Interest rate swaps

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

Foreign currency swaps

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

Non-qualifying strategies

Interest rate swaps, caps, floors, and futures

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

Foreign currency swaps, forwards and options

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

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Investments and Derivative Instruments (continued)

Japan 3Win related foreign currency swaps

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

Japanese fixed annuity hedging instruments

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

Credit derivatives that purchase credit protection

Credit default swaps are used to purchase credit protection on an individual entity or referenced index to economically hedge against default risk and credit-related changes in value on fixed maturity securities. These contracts require the Company to pay a periodic fee in exchange for compensation from the counterparty should the referenced security issuers experience a credit event, as defined in the contract.

Credit derivatives that assume credit risk

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

Credit derivatives in offsetting positions

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

Equity index swaps, options, and futures

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

Warrants

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

GMWB product derivatives

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)***GMWB reinsurance contracts*

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

GMWB hedging instruments

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

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

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

Macro hedge program

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

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

GMAB product derivatives

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

Contingent capital facility put option

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

certain fees and ordinary expenses.

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****Derivative Balance Sheet Classification**

The table below summarizes the balance sheet classification of the Company's derivative related fair value amounts, as well as the gross asset and liability fair value amounts. The fair value amounts presented do not include income accruals or cash collateral held amounts, which are netted with derivative fair value amounts to determine balance sheet presentation. Derivatives in the Company's separate accounts are not included because the associated gains and losses accrue directly to policyholders. The Company's derivative instruments are held for risk management purposes, unless otherwise noted in the table below. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and is presented in the table to quantify the volume of the Company's derivative activity. Notional amounts are not necessarily reflective of credit risk.

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)***Change in Notional Amount*

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

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

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

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

Change in Fair Value

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

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

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

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

These swaps reference a standard market basket of corporate issuers.

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge ineffectiveness are recognized in current earnings. All components of each derivative's gain or loss were included in the assessment of hedge effectiveness.

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

Derivatives in Cash Flow Hedging Relationships

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

Derivatives in Cash Flow Hedging Relationships
Gain (Loss) Reclassified from AOCI into
Income
(Effective Portion)

		Three Months		Six Months Ended	
		Ended		June 30,	
		June 30,		June 30,	
		2010	2009	2010	2009
Interest rate swaps	Net realized capital gains (losses)	\$ 4	\$ 1	\$ 4	\$ 10
Interest rate swaps	Net investment income (loss)	22	11	34	20
Foreign currency swaps	Net realized capital gains (losses)	(11)	(53)	(16)	(71)
Foreign currency swaps	Net investment income (loss)		1		2
Total		\$ 15	\$ (40)	\$ 22	\$ (39)

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

For the six months ended June 30, 2010, the before-tax deferred net gains on derivative instruments recorded in AOCI that are expected to be reclassified to earnings during the next twelve months are \$58. This expectation is based on the anticipated interest payments on hedged investments in fixed maturity securities that will occur over the next twelve months, at which time the Company will recognize the deferred net gains (losses) as an adjustment to interest income over the term of the investment cash flows. The maximum term over which the Company is hedging its exposure to the variability of future cash flows (for forecasted transactions, excluding interest payments on existing variable-rate financial instruments) is three years.

During the three and six months ended June 30, 2010, the Company had less than \$1 of net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring. For the three and six months ended June 30, 2009, the Company had \$1 of net reclassifications from AOCI to earnings resulting from the discontinuance of cash-flow hedges due to forecasted transactions that were no longer probable of occurring.

Fair Value Hedges

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

Derivatives in Fair Value Hedging Relationships**Gain (Loss) Recognized in Income [1]**

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

[1] The amounts presented do not include the

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****Non-qualifying Strategies**

For non-qualifying strategies, including embedded derivatives that are required to be bifurcated from their host contracts and accounted for as derivatives, the gain or loss on the derivative is recognized currently in earnings within net realized capital gains or losses. The following table presents the gain or loss recognized in income on non-qualifying strategies:

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

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

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

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

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

The net gain associated with the macro hedge program is primarily due to lower equity market valuation and appreciation of the Japanese yen.

The net gain on the Japanese fixed annuity hedging instruments is primarily due to the U.S. dollar weakening in comparison to the Japanese yen and the increased demand for the U.S. dollar.

The net gain for the three months ended June 30, 2010, related to the Japan 3 Win hedging derivatives is primarily due to the strengthening of the Japanese yen in comparison to the U.S. dollar, partially offset by the decrease in long-term interest rates.

The loss on the net GMWB product, reinsurance, and hedging derivatives is primarily driven by higher implied market volatility and the general decrease in long-term interest rates.

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

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

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

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

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

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

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

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk of a single entity, referenced index, or asset pool in order to synthetically replicate investment transactions. The Company will receive periodic payments based on an agreed upon rate and notional amount and will only make a payment if there is a credit event. A credit event payment will typically be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation after the occurrence of the credit event. A credit event is generally defined as a default on contractually obligated interest or principal payments or bankruptcy of the referenced entity. The credit default swaps in which the Company assumes credit risk primarily reference investment grade single corporate issuers and baskets, which include trades ranging from baskets of up to five corporate issuers to standard and customized diversified portfolios of corporate issuers. The diversified portfolios of corporate issuers are established within sector concentration limits and are typically divided into tranches that possess different credit ratings.

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

Credit Derivative type by derivative risk exposure	As of June 30, 2010			Underlying Referenced Credit Obligation(s) [1]			
	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Type	Average Offsetting Credit		Notional Offsetting Fair Value [3]
					Rating	Amount [3]	
Single name credit default swaps				Corporate Credit/ Foreign Gov.	A+	\$ 1,415	\$ (38)
Investment grade risk exposure	\$ 1,486	\$ (27)	4 years				
Below investment grade risk exposure	161	(8)	3 years	Corporate Credit	BB-	120	(10)
Basket credit default swaps [4]							
Investment grade risk exposure	1,493	(3)	4 years	Corporate Credit	BBB+	1,168	1
Investment grade risk exposure	525	(118)	7 years	CMBS Credit	A-	525	118
Below investment grade risk exposure	1,227	(549)	4 years	Corporate Credit	BBB	25	1

Credit linked notes

Investment grade risk exposure 60 59 2 years Corporate Credit BBB

Total \$ 4,952 \$ (646) \$ 3,253 \$ 72

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

5. Investments and Derivative Instruments (continued)

As of December 31, 2009							
Credit Derivative type by derivative	Notional	Fair	Weighted	Underlying		Offsetting	Offsetting
				Average	Credit Obligation(s)		
risk exposure	Amount	Value	Years to	[1])	Rating	Amount	Fair
Single name credit default swaps	[2]		Maturity	Type		[3]	Value
Investment grade risk exposure	\$ 1,226	\$ 4	4 years	Corporate	AA-	\$ 1,201	\$ (59)
Below investment grade risk exposure	156	(4)	3 years	Corporate	B+	85	(12)
Basket credit default swaps [4]							
Investment grade risk exposure	2,052	(54)	4 years	Corporate	BBB+	1,277	(21)
Investment grade risk exposure	525	(141)	7 years	CMBS	A	525	141
Below investment grade risk exposure	200	(157)	5 years	Corporate	BBB+		
Credit linked notes							
Investment grade risk exposure	87	83	2 years	Corporate	BBB+		
Total	\$ 4,246	\$ (269)				\$ 3,088	\$ 49

[1] The average credit ratings are based on availability and the midpoint of the applicable ratings among Moody's, S&P, and Fitch. If no rating is available from a rating agency, then an internally

*developed
rating is used.*

*[2] Notional
amount is equal
to the maximum
potential future
loss amount.
There is no
specific
collateral
related to these
contracts or
recourse
provisions
included in the
contracts to
offset losses.*

*[3] The Company
has entered into
offsetting credit
default swaps to
terminate
certain existing
credit default
swaps, thereby
offsetting the
future changes
in value of, or
losses paid
related to, the
original swap.*

*[4] Includes
\$2.6 billion and
\$2.5 billion as
of June 30, 2010
and
December 31,
2009,
respectively, of
standard market
indices of
diversified
portfolios of
corporate
issuers
referenced
through credit
default swaps.*

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

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

Life

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

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

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

aggregated estimated return.

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

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

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

Property & Casualty

Changes in deferred policy acquisition costs are as follows:

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

Balance, June 30	\$	1,268	\$	1,251
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Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. Separate Accounts, Death Benefits and Other Insurance Benefit Features****U.S. GMDB, Japan GMDB/GMIB, and UL Secondary Guarantee Benefits**

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. Separate Accounts, Death Benefits and Other Insurance Benefit Features (continued)**

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

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

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

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

[2]

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

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

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

[5]

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

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

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

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

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

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

*as the
strengthening of
the Yen.*

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****8. Sales Inducements**

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

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

9. Commitments and Contingencies**Litigation**

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. Commitments and Contingencies (continued)**

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. Commitments and Contingencies (continued)****Derivative Commitments**

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings of the individual legal entity that entered into the derivative agreement as set by nationally recognized statistical rating agencies. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of June 30, 2010, is \$513. Of this \$513, the legal entities have posted collateral of \$498 in the normal course of business. Based on derivative market values as of June 30, 2010, a downgrade of one level below the current financial strength ratings by either Moody's or S&P could require approximately an additional \$29 to be posted as collateral. Based on derivative market values as of June 30, 2010, a downgrade by either Moody's or S&P of two levels below the legal entities' current financial strength ratings could require approximately an additional \$42 of assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we may be required to post is primarily in the form of U.S. Treasury bills and U.S. Treasury notes.

10. Pension Plans and Postretirement Health Care and Life Insurance Benefit Plans**Components of Net Periodic Benefit Cost**

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

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

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

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

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

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****11. Stock Compensation Plans**

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

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

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

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

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

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

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

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

12. Debt**Senior Notes**

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

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

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

13. Equity

Issuance of Common Stock

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

Issuance of Series F Preferred Stock

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

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

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

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

Adjustment to warrants previously issued to Allianz

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

Noncontrolling Interests

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****14. Goodwill**

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

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

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

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

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

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

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

Table of Contents**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS***(Dollar amounts in millions except share data unless otherwise stated)*

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

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Table of Contents**CONSOLIDATED RESULTS OF OPERATIONS**

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

Total benefits, losses and expenses**Income (loss) before income taxes**

	(7)	18	NM	528	(1,999)	NM
Income tax expense (benefit)	(83)	33	NM	133	(775)	NM

Net income (loss)	\$ 76	\$ (15)	NM	\$ 395	\$ (1,224)	NM
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Supplemental Operating Data

Diluted earnings (loss) per common share	\$ 0.14	\$ (0.06)	NM	\$ (0.24)	\$ (3.80)	94%
Total revenues, excluding net investment income on equity securities, trading	5,985	5,114	17%	11,603	11,232	3%
DAC Unlock benefit (charge), after-tax	(230)	360	NM	(145)	(1,134)	87%

Summary of Financial Condition

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

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

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

[1] Net of expenses related to service

business.

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

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

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

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

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

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

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OUTLOOKS

Outlooks

The Hartford provides projections and other forward-looking information in the following discussions, which contain many forward-looking statements, particularly relating to the Company's future financial performance. These forward-looking statements are estimates based on information currently available to the Company, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are subject to the precautionary statements set forth on pages 3-4 of this Form 10-Q. Actual results are likely to differ, and in the past have differed, materially from those forecast by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in each discussion below and in Part I, Item 1A, Risk Factors in The Hartford's 2009 Form 10-K Annual Report, Part II, Item 1A, Risk Factors of The Hartford's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, as well as in Part II, Item 1A, Risk Factors of this Form 10-Q.

Life

Global Annuity U.S.

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

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

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

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

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

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

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Global Annuity International

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

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

Retirement

Retirement Plans

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

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

Mutual Funds

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

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

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

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

Individual Life

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

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

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

Group Benefits

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

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

Institutional

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

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

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

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

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

Table of Contents***Property & Casualty******Personal Lines***

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

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

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

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

assessments in 2009.

Small Commercial

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

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

Middle Market

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

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

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

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

Specialty Commercial

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

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

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

Investment Income

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

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CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ, and in the past has differed, from those estimates.

The Company has identified the following estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability: property and casualty reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; evaluation of other-than-temporary impairments on available-for-sale securities and valuation allowances on investments; living benefits required to be fair valued; goodwill impairment; valuation of investments and derivative instruments; pension and other postretirement benefit obligations; valuation allowance on deferred tax assets and contingencies relating to corporate litigation and regulatory matters. Certain of these estimates are particularly sensitive to market conditions, and deterioration and/or volatility in the worldwide debt or equity markets could have a material impact on the Condensed Consolidated Financial Statements. In developing these estimates management makes subjective and complex judgments that are inherently uncertain and subject to material change as facts and circumstances develop. Although variability is inherent in these estimates, management believes the amounts provided are appropriate based upon the facts available upon compilation of the financial statements. The Hartford s critical accounting estimates are discussed in Part II, Item 7 MD&A in The Hartford s 2009 Form 10-K Annual Report. The following discussion updates certain of The Hartford s critical accounting estimates for June 30, 2010 results.

Property and Casualty Reserves, Net of Reinsurance

Based on the results of the quarterly reserve review process, the Company determines the appropriate reserve adjustments, if any, to record. Recorded reserve estimates are changed after consideration of numerous factors, including but not limited to, the magnitude of the difference between the actuarial indication and the recorded reserves, improvement or deterioration of actuarial indications in the period, the maturity of the accident year, trends observed over the recent past and the level of volatility within a particular line of business. In general, changes are made more quickly to more mature accident years and less volatile lines of business.

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

Table of Contents**Reserve Rollforwards and Development**

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

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

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

*adjustment
expenses to
earned
premiums.*

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

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

adjustment expenses-gross

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

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

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

Table of Contents**Prior accident years development recorded in 2010**

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

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

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

[2] Includes reserve discount

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

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

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

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

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

reduced its reserve estimate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*adjustment
expenses to
earned
premiums.*

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

Prior accident years development recorded in 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the second quarter of 2009, the Company completed its annual ground up asbestos reserve evaluation. As part of this evaluation, the Company reviewed all of its open direct domestic insurance accounts exposed to asbestos liability, as well as assumed reinsurance accounts and its London Market exposures for both direct insurance and assumed reinsurance. Based on this evaluation, the Company increased its net asbestos reserves by \$138. For certain direct policyholders, the Company experienced increases in claim severity, expense and costs associated with litigating asbestos coverage matters. Increases in severity and expense were most prevalent among certain, peripheral defendant insureds. The Company also experienced unfavorable development on its assumed reinsurance accounts driven largely by the same factors experienced by the direct policyholders. During the second quarter of 2009, the Company completed its annual evaluation of the collectibility of the reinsurance recoverables and the adequacy of the allowance for uncollectible reinsurance associated with older, long-term casualty liabilities reported in the Other Operations segment. Based on this evaluation, the Company reduced its allowance for uncollectible reinsurance for Other Operations by \$20, principally to reflect decreased reinsurance recoverable dispute exposure and favorable commutation activity since the last evaluation.

Table of Contents**Other Operations Claims****Reserve Activity**

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

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

Other Operations Losses and Loss Adjustment Expenses

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

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

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

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

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

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

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

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

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

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

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

Structured Settlements are those accounts where the Company has reached an agreement with the insured as to the amount and timing of the claim payments to be made to the insured.

The Wellington subcategory includes insureds that entered into the Wellington Agreement dated June 19, 1985. The Wellington Agreement provided terms and conditions for how the signatory asbestos producers would access their coverage from the signatory insurers.

The Other Major Asbestos Defendants subcategory represents insureds included in Tiers 1 and 2, as defined by Tillinghast that are not Wellington signatories and have not entered into structured settlements with The Hartford. The Tier 1 and 2 classifications are meant to capture the insureds for which there is expected to be significant exposure to asbestos claims.

Accounts with future expected exposures greater or less than \$2.5 include accounts that are not major asbestos defendants.

The Unallocated category includes an estimate of the reserves necessary for asbestos claims related to direct insureds that have not previously tendered asbestos claims to the Company and exposures related to liability claims that may not be subject to an aggregate limit under the applicable policies.

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

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

Summary of Gross Asbestos Reserves

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

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

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

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

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

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

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

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

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

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

*unallocated
IBNR.*

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

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

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

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

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

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

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

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

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

Uncertainties Regarding Adequacy of Asbestos and Environmental Reserves

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

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

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

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

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

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

The most significant EGP based balances are as follows:

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

Unlocks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*2009 being
significantly
below our
aggregated
estimated
return.*

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

Goodwill Impairment

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

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

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

Table of Contents**THE HARTFORD S OPERATIONS OVERVIEW**

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

Life Operations

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

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

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

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

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

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

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

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

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

Definitions of Non-GAAP measures and ratios for Life Operations***After-tax Margin***

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

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

Table of Contents*DAC amortization ratio*

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

Net Investment Spread

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

Return on Assets (ROA)

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

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

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Property & Casualty Operations

Property & Casualty is organized into five reporting segments: the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial (collectively Ongoing Operations), and the Other Operations segment. Through its Ongoing Operations segment, the Company provides a number of coverages, as well as insurance-related services, to businesses throughout the United States, including workers compensation, property, automobile, liability, umbrella, specialty casualty, marine, livestock, fidelity and surety, professional liability and director s and officer s liability coverages. Property & Casualty also provides automobile, homeowners, and home-based business coverage to individuals throughout the United States, as well as insurance-related services to businesses. Through its Other Operations segment, Property & Casualty is responsible for managing property and casualty operations of The Hartford that have discontinued writing new or renewal business, as well as managing the claims related to asbestos and environmental exposures.

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 the AARP Health program.

Definitions of Non-GAAP measures and ratios for Property & Casualty Operations

Written and earned premiums

Written premium is a statutory accounting financial measure which represents the amount of premiums charged for policies issued, net of reinsurance, during a fiscal period. Earned premium is a U.S. GAAP and statutory measure. Premiums are considered earned and are included in the financial results on a pro rata basis over the policy period. Management believes that written premium is a performance measure that is useful to investors as it reflects current trends in the Company s sale of property and casualty insurance products. Written and earned premium are recorded net of ceded reinsurance premium.

Underwriting results

Underwriting results is a before-tax measure that represents earned premiums less incurred losses, loss adjustment expenses, underwriting expenses and policyholder dividends. The Hartford believes that underwriting results provides investors with a valuable measure of before-tax profitability derived from underwriting activities, which are managed separately from the Company s investing activities. Within Ongoing Operations, the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial are evaluated by management primarily based upon underwriting results.

Table of Contents**KEY PERFORMANCE MEASURES AND RATIOS****Life**

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. The Company uses the return on assets for the Global Annuity, Retirement and Institutional businesses for evaluating profitability. In Group Benefits and Individual Life, after-tax margin is a key indicator of overall profitability.

Ratios	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Global Annuity				
U.S. ROA [1]	(45.9) bps	89.8bps	9.9bps	(128.7) bps
Effect of net realized gains (losses), net of tax and DAC on ROA	(10.0) bps	(62.1) bps	(5.3) bps	10.5bps
Effect of DAC Unlock on ROA [2]	(77.2) bps	120.9bps	(25.8) bps	(168.8) bps
ROA excluding realized gains (losses) and DAC Unlock	41.3bps	31.0bps	41.0bps	29.6bps
International Japan ROA				
Effect of net realized gains (losses) excluding net periodic settlements, net of tax and DAC on ROA [3]	(14.1) bps	(54.4) bps	(34.0) bps	71.0bps
Effect of DAC Unlock on ROA [2]	(45.8) bps	217.7bps	(10.5) bps	(142.0) bps
ROA excluding realized gains (losses) and DAC Unlock	68.1bps	49.5bps	65.0bps	17.6bps
Retirement [1]				
Retirement Plans ROA	12.4bps	(42.8) bps	3.6bps	(67.5) bps
Effect of net realized gains (losses), net of tax and DAC on ROA	4.8bps	(51.3) bps	(5.7) bps	(42.2) bps
Effect of DAC Unlock on ROA [2]	(4.4) bps	1.0bps	(1.9) bps	(29.5) bps
ROA excluding realized gains (losses) and DAC Unlock	12.0bps	7.5bps	11.2bps	4.2bps
Mutual Funds ROA [4]	9.9bps	4.9bps	10.8bps	3.5bps
Effect of net realized gains (losses), net of tax and DAC on ROA	0.4bps	(1.2) bps	0.2bps	bps
ROA excluding realized gains (losses)	9.5bps	6.1bps	10.6bps	3.5bps
Individual Life [1]				
After-tax margin	24.9%	6.3%	16.7%	(0.3%)
Effect of net realized gains (losses), net of tax and DAC on after-tax margin	8.8%	(8.1%)	1.3%	(7.1%)
Effect of DAC Unlock on after-tax margin [2]	(1.3%)	0.8%		(4.6%)
	17.4%	13.6%	15.4%	11.4%

After-tax margin excluding realized gains
(losses) and DAC Unlock

Group Benefits

After-tax margin (excluding buyouts)	4.0%	1.2%	4.2%	3.5%
Effect of net realized gains (losses), net of tax on after-tax margin (excluding buyouts)	1.1%	(2.3%)	0.6%	(1.0%)
After-tax margin (excluding buyouts) excluding realized gains (losses)	2.9%	3.5%	3.6%	4.5%

Institutional [1]

Institutional ROA	(0.7) bps	(44.1) bps	(31.9) bps	(80.5) bps
Effect of net realized losses, net of tax and DAC on ROA	(4.1) bps	(41.4) bps	(31.4) bps	(72.8) bps
ROA excluding realized losses and DAC Unlock	3.4bps	(2.7) bps	(0.5) bps	(7.7) bps

[1] *Proprietary mutual fund assets are included in Mutual Funds and those same assets are also included in Global Annuity U.S., Retirement Plans, and Individual Life as those same assets generate earnings for each of these segments.*

[2] *See Unlocks within the Critical Accounting Estimates section of the MD&A.*

[3] *Included in the net realized capital gain (losses) are amounts that*

*represent the net
periodic
accruals on
currency rate
swaps used in
the risk
management of
Japan fixed
annuity
products.*

*[4] Includes assets
attributed to the
transfer of
Proprietary
mutual funds,
Investment-Only
mutual funds,
Canada
Operations, and
529 college
savings plans
effective
January 1, 2010.*

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

Global Annuity U.S. ROA, excluding realized gains (losses) and DAC Unlock, increased primarily due to improved net investment income on limited partnerships and other alternative investments, a lower DAC amortization rate and improved operating expenses.

For the three months ended June 30, 2010 the increase in Global Annuity International's Japan ROA, excluding realized gains (losses) and DAC Unlock, is driven by reduced DAC amortization and lower expenses associated with the restructuring of Japan's operations.

For the six months ended June 30, 2010 Global Annuity International's Japan ROA, excluding realized gains (losses) and DAC Unlock, increased primarily due to 3 Win charges recognized in the first quarter of 2009 of \$40, after-tax. Excluding the effects of the 3 Win charge, ROA, excluding realized gains (losses) and DAC Unlock, DAC amortization would have been 41.2 bps for the six months ended June 30, 2009. For the six months ended June 30, 2010 the increase in ROA, excluding 3 Win charge, is driven by reduced DAC amortization and lower expenses associated with the restructuring of Japan's operations.

The increase in Retirement Plans ROA, excluding realized gains (losses) and DAC Unlock, was primarily driven by improved performance on limited partnerships and other alternative investments.

The increase in Mutual Funds ROA, excluding realized gains (losses) and DAC Unlock, was driven by improvement in the equity markets, which enabled this business to partially return to scale, and the impact of lower operating expenses, partially offset by the addition of Proprietary mutual fund assets to this line of business which has a lower ROA.

The increase in Individual Life's after-tax margin, excluding realized gains (losses) and DAC Unlock, was primarily due to lower DAC amortization in 2010.

The decrease in Group Benefits after-tax margin, excluding realized gains (losses), was primarily due to a higher loss ratio from unfavorable morbidity for the three months ended June 30, 2010. The decrease for six months ended June 30, 2010 was primarily due to a higher expense ratio from higher commission expense on experience rated financial institution business.

The increases in Institutional's ROA, excluding realized losses and DAC Unlock, is primarily due to improved performance on limited partnerships and other alternative investments. For the three and six months ended June 30, 2010, limited partnerships and other alternative investments added 8 bps and 4 bps, respectively, to Institutional's ROA, while for the same periods in 2009, it decreased ROA by 8 bps and 13 bps, respectively.

Table of Contents**Property & Casualty**

The Company considers several measures and ratios to be the key performance indicators for the property and casualty underwriting businesses. 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, 2010 and 2009. 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 Personal Lines, Small Commercial, Middle Market 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,	
	2010	2009	2010	2009
Ongoing Operations earned premium growth				
Personal Lines	1%	1%	1%	
Small Commercial	1%	(6%)	(1%)	(5%)
Middle Market	(9%)	(6%)	(9%)	(7%)
Specialty Commercial	(10%)	(10%)	(12%)	(8%)
Total Ongoing Operations	(3%)	(4%)	(3%)	(4%)
Ongoing Operations combined ratio				
Combined ratio before catastrophes and prior year development	93.5	90.4	92.8	90.2
Catastrophe ratio				
Current year	9.5	5.8	6.4	4.2
Prior years	0.3	(0.2)	0.1	
Total catastrophe ratio	9.8	5.6	6.4	4.2
Non-catastrophe prior year development	(6.5)	(2.3)	(5.0)	(2.6)
Combined ratio	96.8	93.7	94.2	91.8
Other Operations net loss	\$ (73)	\$ (49)	\$ (54)	\$ (48)

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

Ongoing Operations earned premium growth

Personal Lines

The 1% earned premium growth for both the three- and six-month periods in 2010 was primarily due to new business growth on both AARP and Agency, partially offset by lower average renewal earned premium on Agency auto business.

Small Commercial

The change from a 6% earned premium decline in the three months ended June 30, 2009 to 1% growth in the three months ended June 30, 2010 and the smaller earned premium decline for the six-month period was primarily attributable to a smaller year-over-year decrease in earned audit premiums for the three and six months ended June 30, 2010.

Middle Market

The steeper earned premium decline in 2010 for both the three- and six-month periods was primarily driven by the effect of non-renewals outpacing new business over the last twelve months in all lines of business and a decrease in earned audit premiums.

**Specialty
Commercial**

The steeper earned premium decline in 2010 for the six-month period was primarily due to the effects of the economic slowdown, reinsurance program changes and earned pricing decreases in professional liability, fidelity and surety.

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Ongoing Operations combined ratio

**Combined ratio
before
catastrophes
and prior
accident years
development**

For the three-month period, the 3.1 point increase in the combined ratio before catastrophes and prior accident year development was primarily due to a 2.0 point increase in the current accident year loss and loss adjustment expense ratio before catastrophes and a 1.2 point increase in the expense ratio. For the six-month period, the 2.6 point increase in the combined ratio before catastrophes and prior accident year development was primarily due to a 1.7 point increase in the current accident year loss and loss adjustment expense ratio before catastrophes and a 1.2 point increase in the expense ratio.

Among other factors, the increase in the current accident year loss and loss adjustment expense ratio before catastrophes for the three- and six-month periods was driven by an increase for Personal Lines auto and homeowners business.

The increase in the expense ratio for the three- and six-month periods includes the effects of the decrease in earned premiums, increased IT and compensation-related costs and, for the six-month period, includes the effect of a \$14 reduction in TWIA assessments recognized in 2009 related to hurricane Ike.

Catastrophes

The catastrophe ratio increased 4.2 points and 2.2 points for the three- and six-month periods, respectively, due to more severe windstorm events, particularly from hail.

**Non-catastrophe
prior accident
years
development**

Favorable reserve development for the three- and six-month periods in 2010 included, among other reserve changes, the release of reserves for directors and officers claims, the release of reserves for Personal Lines auto liability claims and the release of reserves for general liability umbrella claims. See Reserve Rollforwards and Development in the Critical Accounting Estimates Section of the MD&A for a discussion of prior accident year reserve development in 2010.

Other Operations net income (loss)

Other Operations reported lower net income for the three and six months ended June 30, 2010 as compared to the respective prior year periods, primarily due to an increase in net unfavorable prior accident year reserve development, partially offset by an increase in net realized capital gains for the three-month period and a change from net realized capital losses to net realized capital gains for the six-month period.

Table of Contents**Investment Results****Composition of Invested Assets**

The Company's primary investment objective is to maximize economic value, consistent with acceptable risk parameters, including the management of credit risk and interest rate sensitivity of invested assets, while generating sufficient after-tax income to meet policyholder and corporate obligations. Investment strategies are developed based on a variety of factors including business needs, regulatory requirements and tax considerations.

	June 30, 2010		December 31, 2009	
	Amount	Percent	Amount	Percent
Fixed maturities, AFS, at fair value	\$ 77,132	78.8%	\$ 71,153	76.3%
Equity securities, AFS, at fair value	1,103	1.1%	1,221	1.3%
Mortgage loans	4,673	4.8%	5,938	6.4%
Policy loans, at outstanding balance	2,182	2.2%	2,174	2.3%
Limited partnerships and other alternative investments	1,774	1.8%	1,790	1.9%
Other investments [1]	2,293	2.4%	602	0.7%
Short-term investments	8,731	8.9%	10,357	11.1%
Total investments excluding equity securities, trading	97,888	100.0%	93,235	100.0%
Equity securities, trading, at fair value [2]	30,183		32,321	
Total investments	\$ 128,071		\$ 125,556	

[1] Primarily relates to derivative instruments.

[2] These assets primarily support the Global Annuity-International variable annuity business. Changes in these balances are also reflected in the respective liabilities.

Total investments increased since December 31, 2009 primarily due to increases in fixed maturities and other investments, partially offset by declines in equity securities, trading, short-term investments and mortgage loans. The increase in fixed maturities was largely the result of improved security valuations due to declining interest rates, as well as the reinvestment of short-term investment proceeds, which contributed to the decline in short-term investments. The increase in other investments primarily related to increases in value related to derivatives. The decline in equity securities, trading, was the result of an increase of net outflows and deteriorations in market performance of the underlying investment funds supporting the Japanese variable annuity product, partially offset by exchange rates. The decline in mortgage loans resulted primarily from sales.

Net Investment Income (Loss)

Three Months Ended June 30,		Six Months Ended June 30,	
2010	2009	2010	2009

<i>(Before-tax)</i>	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]	Amount	Yield [1]
Fixed maturities [2]	\$ 887	4.5%	\$ 929	4.6%	\$ 1,761	4.4%	\$ 1,882	4.6%
Equity securities, AFS	13	4.3%	25	7.4%	27	4.3%	52	7.3%
Mortgage loans	67	5.4%	79	4.9%	138	5.2%	158	4.9%
Policy loans	35	6.4%	36	6.6%	68	6.2%	72	6.5%
Limited partnerships and other alternative investments	86	20.0%	(93)	(17.5%)	92	10.5%	(302)	(27.1%)
Other [3]	91		70		176		128	
Investment expense	(26)		(25)		(49)		(49)	
Total net investment income excl. equity securities, trading	1,153	4.8%	1,021	4.2%	2,213	4.5%	1,941	3.9%
Equity securities, trading	(2,649)		2,523		(1,948)		1,799	
Total net investment income (loss)	\$ (1,496)		\$ 3,544		\$ 265		\$ 3,740	

[1] Yields
calculated using
annualized
investment
income before
investment
expenses
divided by the
monthly average
invested assets
at cost,
amortized cost,
or adjusted
carrying value,
as applicable,
excluding
securities
lending
collateral and
consolidated
variable interest
entity

*noncontrolling
interests.*

*Included in the
fixed maturity
yield is Other,
which primarily
relates to fixed
maturities (see
footnote [3]
below).*

*Included in the
total net
investment
income yield is
investment
expense.*

*[2] Includes net
investment
income on
short-term
investments.*

*[3] Includes income
from derivatives
that qualify for
hedge
accounting and
hedge fixed
maturities.*

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

Total net investment income decreased largely due to equity securities, trading, resulting from deteriorations in market performance of the underlying investment funds supporting the Japanese variable annuity product. Total net investment income, excluding equity securities, trading, increased primarily due to improved performance of limited partnerships and other alternative investments primarily within real estate and private equity funds, partially offset by lower income on fixed maturities resulting from a decline in average short-term interest rates.

Table of Contents**Net Realized Capital Gains (Losses)**

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

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

The circumstances giving rise to the Company's net realized capital gains and losses are as follows:

Gross gains and losses on sales

Gross gains on sales for the three and six months ended June 30, 2010 were predominantly from investment grade corporate securities and U.S. Treasuries in order to take advantage of attractive market opportunities. Gross losses on sales resulted from real estate related and subordinated financial investments due to efforts to reduce portfolio risk.

Gross gains and losses on sales for the three and six months June 30, 2009 were predominantly within financial services, structured and government securities due to efforts to reduce portfolio risk while simultaneously reallocating the portfolio to securities with more

favorable risk/return profiles.

Net OTTI losses For further information, see Other-Than-Temporary Impairments within the Investment Credit Risk section of the MD&A.

Valuation allowances on mortgage loans For further information, see Valuation Allowances on Mortgage Loans within the Investment Credit Risk section of the MD&A.

Variable annuity hedge program The loss on GMWB derivatives, net, for the three and six months ended June 30, 2010 was primarily due to losses on higher implied market volatility of \$196 and \$82, respectively, and losses due to a general decrease in long-term interest rates of \$192 and \$214, respectively. The net gain on the macro hedge program was primarily the result of lower equity market valuation and appreciation of the Japanese yen.

The gain on GMWB derivatives, net, for the three months ended June 30, 2009 was primarily due to the relative outperformance of the underlying actively managed funds as compared to their respective indices of \$239, lower implied market volatility of \$232, an increase on long-term interest rates of \$185, and liability model changes and assumption updates of \$118. The gain on GMWB derivatives, net, for the six months ended June 30, 2009 was primarily due to liability model changes and assumption updates of \$631, outperformance of the underlying actively managed funds as compared to their respective indices of \$391, lower implied market volatility of \$216, and an increase in long-term interest rates of \$164. For more information, see Note 4a of the Notes to Condensed Consolidated Financial Statements. The net losses on the macro hedge program for the three and six months ended June 30, 2009 were primarily the result of a higher equity market valuation, lower implied market volatility and time decay.

Other, net Other, net losses for the three and six months ended June 30, 2010 were primarily due to losses of \$121 and \$117, respectively, from a change in spot rates related to transactional foreign currency adjustments predominantly on the internal reinsurance of the Japan variable annuity business, which is offset in AOCI. Also included are losses of \$38 and \$87, respectively, related to the Japan 3Win foreign currency swaps driven by a decrease in U.S. interest rates. These losses are partially offset by gains of \$56 and \$74, respectively, related to other foreign currency strategies. Additional net gains of \$48 for the six months ended June 30, 2010, were related to credit derivatives due to credit spreads widening.

Other, net losses for the three and six months ended June 30, 2009 primarily resulted from net losses of approximately \$300 related to contingent obligations associated with the Allianz transaction and losses of \$106 and \$283, respectively, on credit derivatives. Also included for the six months ended June 30, 2009 were gains of \$180 from the change in spot rates related to transactional foreign currency adjustments and \$70 related to the change in value of the Allianz warrants.

Table of Contents**GLOBAL ANNUITY U.S.**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	2009	Change	2010	2009	Change
Fee income and other	\$ 382	\$ 319	20%	\$ 758	\$ 730	4%
Earned premiums	56	(4)	NM	85	(2)	NM
Net investment income	216	184	17%	416	368	13%
Net realized capital gains (losses)	(83)	(8)	NM	(131)	462	NM
Total revenues	571	491	16%	1,128	1,558	(28%)
Benefits, losses and loss adjustment expenses	385	90	NM	616	946	(35%)
Insurance operating costs and other expenses	132	124	6%	263	247	6%
Amortization of deferred policy acquisition costs and present value of future profits	264	39	NM	266	1,326	(80%)
Total benefits, losses and expenses	781	253	NM	1,145	2,519	(55%)
Income (loss) before income taxes	(210)	238	NM	(17)	(961)	98%
Income tax expense (benefit)	(103)	50	NM	(63)	(403)	84%
Net income (loss)	\$ (107)	\$ 188	NM	\$ 46	\$ (558)	NM
Assets Under Management						
Variable annuity account values				\$ 75,961	\$ 75,613	
Fixed MVA annuity and other account values [4]				12,579	11,949	5%
Total account values [1]				\$ 88,540	\$ 87,562	1%
Account Value and Assets Under Management Roll Forward						
Variable Annuities						
Account value, beginning of period	\$ 85,320	\$ 68,166		\$ 84,679	\$ 74,578	
Net flows	(2,454)	(1,596)		(4,773)	(3,560)	
Change in market value and other	(6,905)	9,043		(3,945)	4,595	
	\$ 75,961	\$ 75,613		\$ 75,961	\$ 75,613	

Account value, end of period

Net Investment Spread	56bps	22bps	48bps	2bps
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Expense Ratios**Individual Annuities**

General insurance expense ratio	20.6bps	23.4bps	19.6bps	22.6bps
DAC amortization ratio [2]	236.1%	14.0%	97.1%	363.3%
DAC amortization ratio, excluding realized gains (losses) and DAC Unlocks [2] [3]	52.6%	71.0%	53.8%	68.0%

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

[2] Excludes the effects of realized gains and losses.

[3] See Critical Accounting Estimates in the MD&A.

[4] Includes \$683 attributed to the transfer of Single Premium Immediate Annuity from Institutional effective January 1, 2010.

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

Net income declined for the three months ended June 30, 2010 primarily related to the second quarter 2010 DAC Unlock charge of \$180, after-tax, compared to a benefit of \$253, after-tax, in second quarter 2009. The 2010 DAC

Unlock charge was driven by equity market declines in the later half of the quarter compared to market improvements in the second quarter of 2009 and the impact of increased hedging costs in 2010.

Net income improved significantly for the six months ended June 30, 2010 driven by first quarter improvements in equity markets which resulted in a DAC Unlock benefit compared to a significant Unlock charge in the first quarter 2009. The 2010 improvement was partially offset by net realized capital losses, compared to gains in the first half of 2009, primarily as a result of the Company's hedging activities.

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For further discussion of the 2010 and 2009 Unlocks, see Unlocks within the Critical Accounting Estimates section of the MD&A. The following other factors contributed to the changes in net income (loss):

Fee income and other Fee income and other increased as a result of higher average account values year over year. Average variable annuity account values increased by approximately \$8.2 billion for the three months ended June 30, 2010, and \$10.3 billion for the six months ended June 30, 2010 as compared to the respective prior year periods driven by improvements in equity markets partially offset by net outflows which remain high as deposit activity has declined driven by increased competition, particularly competition related to guaranteed living benefits.

Net investment income For the three and six month periods ended June 30, 2010, net investment income increased primarily as a result of improved performance on limited partnership and other alternative investments of \$35 and \$68, respectively, in 2010 partially offset by a decrease in income on fixed maturities of \$5 and \$18, respectively due to a decline in short-term interest rates.

Net investment spread Net investment spread increased primarily as a result of higher earned rates driven primarily by improved performance on limited partnerships and other alternative investments in 2010 which added 75 bps of return for the three months ended June 30, 2010, and 72 bps of return for the six months ended June 30, 2010 as compared to the prior year, partially offset by lower returns on fixed maturities of 35 bps for the three months ended June 30, 2010, and 20 bps for the six months ended June 30, 2010 as compared to the prior year and lower returns on mortgage loans of 13 bps for the three months ended June 30, 2010, and 10 bps for the six months ended June 30, 2010 as compared to the prior year.

Net realized capital gains (losses) For the three month period ended June 30, 2010, the change in net realized capital gains (losses) is primarily related to GMWB dynamic hedging program losses of \$387, as compared to gains of \$621 in the comparable prior year period, offset by gains in the macro hedge program in 2010, as compared to losses in 2009.

For the six month period ended June 30, 2010, the change in net realized capital gains (losses) is primarily related to GMWB dynamic hedging program losses of \$273, as compared to gains of \$1,215 in the comparable prior year period, offset by gains in the macro hedge program in 2010, as compared to losses in 2009. Partially offsetting these losses were net realized gains on sales of securities of \$71 in 2010 compared with net losses on sales of securities of \$238 in 2009.

Benefits, losses and loss adjustment expenses For the three month period ended June 30, 2010, benefits, losses and loss adjustment expenses increased as a result of the impact of the 2010 and 2009 Unlocks which resulted in a charge of \$90 in 2010 compared with a benefit of \$179 in 2009.

For the six month period ended June 30, 2010, benefits, losses and loss adjustment expenses declined as a result of the impact of the 2010 and 2009 Unlocks which resulted in a charge of \$59 in 2010 compared with a charge of \$399 in 2009.

Insurance operating costs and other expenses For the three and six months ended June 30, 2010, insurance operating costs and other expenses have increased as compared to 2009 as an increase in trail commissions driven by increases in assets under management as a result of improved equity markets was largely offset by lower operating and wholesaling expenses driven by management's active efforts to reduce expenses and lower sales levels.

General insurance expense ratio

The general insurance expense ratio declined as a result of management's efforts to reduce expenses while the improving equity markets compared to 2009 have driven an increase in the average asset base.

Amortization of DAC

For the three and six months ended June 30, 2010, amortization of DAC changed on a comparative period basis primarily as a result of the Unlocks.

DAC amortization ratio, excluding realized gains (losses) and DAC Unlocks

For the three and six months ended June 30, 2010, the DAC amortization ratio decreased due to rising gross profits driven by equity market appreciation, and improved returns from limited partnerships and other alternative investments, as previously discussed.

Income tax expense (benefit)

For the three and six months ended June 30, 2010, the effective tax rate differs from the statutory rate of 35% primarily due to permanent differences for the separate account DRD. The six months ended June 30, 2010 and 2009 include separate account DRD benefits of \$60 and \$61, respectively. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**GLOBAL ANNUITY INTERNATIONAL**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Fee income	\$ 205	\$ 199	3%	\$ 417	\$ 383	9%
Earned premiums	(2)	(1)	(100%)	(4)	(3)	(33%)
Net investment income	48	52	(8%)	81	96	(16%)
Net realized capital gains (losses)	(18)	(28)	36%	(91)	218	NM
Total revenues	233	222	5%	403	694	(42%)
Benefits, losses and loss adjustment expenses	115	(115)	NM	149	515	(71%)
Insurance operating costs and other expenses	50	81	(38%)	100	165	(39%)
Amortization of deferred policy acquisition costs and present value of future profits	65	49	33%	115	245	(53%)
Total benefits, losses and expenses	230	15	NM	364	925	(61%)
Income (loss) before income taxes	3	207	(99%)	39	(231)	NM
Income tax expense (benefit)	1	88	(99%)	14	(57)	NM
Net income (loss)	\$ 2	\$ 119	(98%)	\$ 25	\$ (174)	NM
Assets Under Management						
Japan						
Japan variable annuity account values				\$ 28,888	\$ 29,272	(1%)
Japan fixed annuity and other account values				4,488	4,437	1%
Total assets under management Japan				\$ 33,376	\$ 33,709	(1%)
Account Value and Assets Under Management Roll Forward						
Japan Annuities						
Account value, beginning of period	\$ 34,673	\$ 30,946		\$ 34,886	\$ 34,495	
Net flows	(420)	(228)		(935)	(357)	
Change in market value and other	(2,704)	2,230		(2,271)	1,508	

Effect of currency translation	1,827	761	1,696	(1,937)
Account value, end of period	\$ 33,376	\$ 33,709	\$ 33,376	\$ 33,709

Expense Ratios**Global Annuity****International Japan**

General insurance expense ratio	29.4bps	45.8bps	28.7bps	44.6bps
DAC amortization ratio [1]	80.6%	(11.8%)	64.8%	736.4%
DAC amortization ratio excluding realized gains (losses) and DAC Unlocks [1] [2]	38.4%	44.2%	40.1%	48.1%

[1] Excludes the effects of realized gains and losses except for net periodic settlements. Included in the net realized capital gain (losses) are amounts that represent the net periodic accruals on currency rate swaps used in the risk management of Japan fixed annuity products.

[2] Excludes the effects of 3 Wins related charges for the six months ended June 30, 2009, of \$62, pre-tax, on net income. Including the effects of 3 Wins

related charges
DAC
amortization
ratio would
have been
68.9%.

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

Net income declined for the three months ended June 30, 2010 as a result of a second quarter Unlock charge in 2010 compared to an Unlock benefit in 2009, partially offset by favorable expenses due to realignment of the organization and reduction of expense structure.

Net income increased for the six months ended June 30, 2010 on a comparable period basis primarily driven by larger Unlock charges in 2009 as compared to 2010, and by favorable expenses due to realignment of the organization and reduction of expense structure. The 2010 improvement was partially offset by net realized capital losses, compared to gains in the first half of 2009.

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For further discussion on the Unlocks, see Unlocks within the Critical Accounting Estimates section of the MD&A. The following other factors contributed to the changes in net income (loss):

Fee income	For the three and six months ended June 30, 2010 fee income increased primarily as a result of an increase of Japan's average variable annuity account values. Average variable annuity account value increased due to yen appreciation partially offset by net outflows, due to the suspension of new sales in the second quarter of 2009, and market depreciation.
Net realized capital gains (losses)	<p>For the three months ended June 30, 2010 the decrease in net realized capital losses is related to a number of drivers, including; favorable change in Macro hedges and currency gains predominantly on the internal reinsurance of the Japan variable annuity business, which is entirely offset in AOCI, partially offset increases in the fair value of the Company's GMWB derivatives and Japan 3Win contract hedges.</p> <p>For the six months ended June 30, 2010 the change in net realized capital gains (losses) is related to a numbers of drivers, including; unfavorable change in currency losses predominantly on the internal reinsurance of the Japan variable annuity business, which is entirely offset in AOCI, increases in the fair value of the Company's GMWB derivatives and hedges related to the fixed annuity business partially offset by favorable change in Macro and the Japan 3Win contract hedges.</p>
Benefits, losses and loss adjustment expenses	<p>For the three months ended June 30, 2010, benefits, losses and loss adjustment expense increased as a result of Unlock charges of \$58 recognized in 2010 compared to an Unlock benefit of \$180 in 2009.</p> <p>For the six months ended June 30, 2010, benefits, losses and loss adjustment expense decreased because of financial impacts associated with the improvement of the equity markets since the first quarter of 2009. In the first quarter of 2009, depressed equity markets caused a higher GMDB net amount at risk, higher claims costs and 3 Win related charges of \$60. Additionally, in 2010 there was an Unlock charge of \$38 compared to an Unlock charge in 2009 of \$332.</p>
Insurance operating costs and other expenses	For the three and six months ended June 30, 2010 insurance operating costs and other expenses decreased due to expense savings associated with the restructuring of the Global Annuity International operations.
General insurance expense ratio	For the three and six months ended June 30, 2010 Japan general insurance expense ratio decreased due to the restructuring of Japan's operations and active expense management.
Amortization of DAC	For the three and six months ended June 30, 2010, amortization of DAC changed on a comparative period basis primarily as a result of the Unlocks.
DAC amortization ratio, excluding realized gains	For the three and six months ended June 30, 2010, the DAC amortization ratio decreased due to rising gross profits driven by equity market appreciation and expense management.

**(losses) and
DAC Unlocks**

**Income tax
expense
(benefit)**

The effective tax rate in 2010 differs from the statutory rate of 35% primarily due to varying tax rates by country. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**RETIREMENT**

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Operating Summary	2010	2009	Change	2010	2009	Change
Fee income and other	\$ 261	\$ 204	28%	\$ 519	\$ 384	35%
Earned premiums	2	1	100%	4	2	100%
Net investment income	91	74	23%	170	147	16%
Net realized capital gains (losses)	6	(80)	NM	(9)	(139)	94%
Total revenues	360	199	81%	684	394	74%
Benefits, losses and loss adjustment expenses	70	68	3%	133	142	(6%)
Insurance operating costs and other expenses	202	180	12%	403	347	16%
Amortization of deferred policy acquisition costs and present value of future profits	37	10	NM	57	105	(46%)
Total benefits, losses and expenses	309	258	20%	593	594	
Income (loss) before income taxes	51	(59)	NM	91	(200)	NM
Income tax expense (benefit)	14	(23)	NM	34	(78)	NM
Net income (loss)	\$ 37	\$ (36)	NM	\$ 57	\$ (122)	NM

Assets Under Management**Retirement Plans**

403(b)/457 account values	\$ 11,017	\$ 9,955	11%
401(k) account values	16,926	13,535	25%
401(k)/403(b) mutual funds	15,848	15,342	3%

Total Retirement Plans assets under management

	43,791	38,832	13%
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Mutual Funds

Mutual fund assets under management [1] [2]	88,161	35,693	147%
Total assets under management	\$ 131,952	\$ 74,525	77%

Total assets under administration 401(k)

	\$ 5,348	\$ 5,372
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Account Value and Assets Under Management Roll Forward**Retirement Plans Group Annuities**

Account value, beginning of period	\$ 29,278	\$ 21,852	\$ 27,258	\$ 22,198
Net flows	539	(585)	1,469	46
Transfers in of Maturity Funding			194	
Change in market value and other	(1,874)	2,223	(978)	1,246
Account value, end of period [3]	\$ 27,943	\$ 23,490	\$ 27,943	\$ 23,490

401(k) / 403(b) Mutual Funds

Assets under management, beginning of period	\$ 17,186	\$ 14,144	\$ 16,704	\$ 14,838
Net sales/(redemptions)	(300)	(697)	(535)	(640)
Change in market value and other	(1,038)	1,895	(321)	1,144
Assets under management, end of period	\$ 15,848	\$ 15,342	\$ 15,848	\$ 15,342

Non Proprietary Mutual Funds [4]

Assets under management, beginning of period	\$ 53,299	\$ 29,543	\$ 44,031	\$ 32,710
Transfer in of Investment-Only and Canadian mutual funds			5,617	
Net sales	896	1,157	2,362	690
Change in market value and other [1]	(5,436)	4,993	(3,251)	2,293
Assets under management, end of period [1]	\$ 48,759	\$ 35,693	\$ 48,759	\$ 35,693

Proprietary Mutual Funds [5]

Assets under management, beginning of period	\$ 44,403	\$	\$	\$
Transfers in of insurance product mutual funds			43,890	
Net sales	(1,140)		(2,464)	
Change in market value and other	(3,861)		(2,024)	
Assets under management, end of period	\$ 39,402	\$	\$ 39,402	\$

Net Investment Spread

Retirement Plans	135bps	59bps	128bps	53bps
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[1] Includes amount attributed to the transfer of Investment-Only mutual funds and Canada Operations effective January 1, 2010.

[2] Includes Proprietary mutual funds effective January 1, 2010.

[3] Includes policyholder balances for investment contracts and reserves for future policy benefits for

*insurance
contracts.*

*[4] Includes Retail
mutual funds,
Investment-Only
mutual funds,
Canadian
mutual funds and
529 college
savings plan
assets.*

*[5] Includes mutual
funds sponsored
by the Company
which are owned
by the separate
accounts of the
Company to
support
insurance and
investment
products sold by
the Company.*

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

For the three month period ended June 30, 2010 as compared to 2009, net income in Retirement increased due to increases in fee income, and net realized capital gains compared to net realized capital losses.

For the six month period ended June 30, 2010 as compared to 2009, net income increased due to increases in fee income, lower net realized capital losses and lower DAC amortization as a result of the first quarter 2009 unlock.

For further discussion of the Unlock, see Unlocks within the Critical Accounting Estimates section of the MD&A. The following other factors contributed to the changes in net income:

Fee income and other

For the three month period ended June 30, 2010, the increase in fee income and other is primarily due to the inclusion of the Investment-Only and Proprietary mutual funds and Canadian Operations, which have contributed \$27 of fee income, along with the improvements in equity markets on a year-over-year basis and increased deposit activity.

For the six month period ended June 30, 2010, fee income and other increased primarily due to increases in average assets under management resulting from improvements in equity markets and increased deposit activity as equity market improvements created an environment where investors were willing to re-enter the capital markets. Over the past 12 months, \$2.6 billion of net flows and \$4.2 billion of market activity have increased retail mutual funds fee income by \$57 over the prior year. In addition, the inclusion of the Investment-Only and Proprietary mutual funds and Canadian Operations has contributed \$55 of fee income.

Net investment income

For the three and six month periods ended June 30, 2010, net investment income increased primarily due to improved performance on limited partnerships and other alternative investments.

Net investment spread

Net investment spread increased primarily as a result of higher earned rates driven primarily by improved performance on limited partnerships and other alternative investments in 2010 which added 55 bps of return for the three months ended June 30, 2010, and 60 bps of return for the six months ended June 30, 2010 as compared to the prior year along with lower crediting rates of 20 bps for the three months ended June 30, 2010, and 17 bps for the six months ended June 30, 2010 as compared to the prior year.

Net realized capital gains (losses)

The change in net realized capital gains (losses) for the three months ended June 30, 2010 is driven by higher losses on derivatives and impairments in the second quarter of 2009.

For the six months ended June 30, 2010, net realized capital losses were lower due to higher losses on derivatives, trading losses and impairments in the first and second quarter of 2009.

Insurance operating costs and other expenses

For the three and six months ended June 30, 2010, insurance operating costs and other expenses increased primarily due to higher trail commissions driven by higher average account value as a result of improvements in equity markets, and the inclusion of expenses of \$15 and \$32, respectively, associated with Investment-Only and Proprietary mutual funds and Canadian Operations.

Amortization of DAC

For the three months ended June 30, 2010, amortization of DAC increased due to higher gross profits in the second quarter of 2010 compared to 2009.

For the six months ended June 30, 2010 amortization of DAC decreased on a comparative period prior year basis as a result of the DAC Unlock in the first quarter of 2009 partially offset by higher gross profits in the first half of 2010.

**Income tax
expense
(benefit)**

The effective tax rate for 2010 differs from the statutory rate of 35% primarily due to permanent tax differences for DRD that are partially offset by a valuation allowance on deferred tax benefits related to certain realized losses recorded in the six months ended June 30, 2010. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**INDIVIDUAL LIFE**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Fee income and other	\$ 239	\$ 238		\$ 481	\$ 530	(9%)
Earned premiums	(23)	(20)	(15%)	(45)	(39)	(15%)
Net investment income	104	84	24%	197	163	21%
Net realized capital gains (losses)	61	(47)	NM	33	(80)	NM
Total revenues	381	255	49%	666	574	16%
Benefits, losses and loss adjustment expenses	152	147	3%	317	311	2%
Insurance operating costs and other expenses	46	46		92	94	(2%)
Amortization of deferred policy acquisition costs and present value of future profits	42	41	2%	89	180	(51%)
Total benefits, losses and expenses	240	234	3%	498	585	(15%)
Income (loss) before income taxes	141	21	NM	168	(11)	NM
Income tax expense (benefit)	46	5	NM	57	(9)	NM
Net income (loss)	\$ 95	\$ 16	NM	\$ 111	\$ (2)	NM
Account Values						
Variable universal life insurance				\$ 5,507	\$ 5,049	9%
Universal life insurance [1]				5,873	5,510	7%
Total account values				\$ 11,380	\$ 10,559	8%
Life Insurance In-Force						
Variable universal life insurance				\$ 76,445	\$ 76,946	(1%)
Universal life insurance [1]				56,571	54,084	5%
Term life				72,625	67,010	8%
Total life insurance in-force				\$ 205,641	\$ 198,040	4%
Net Investment Spread	176bps	88bps		153bps	77bps	

Death Benefits	\$ 82	\$ 78	\$ 175	\$ 172
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*[1] Includes
Universal Life,
Interest
Sensitive Whole
Life, Modified
Guaranteed Life
Insurance and
other.*

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

Net income increased as a result of net realized capital gains, improved net investment income and the impacts of the DAC Unlocks. For further discussion of the DAC Unlock, see Unlocks within the Critical Accounting Estimates section of the MD&A. The following other factors contributed to the changes in net income (loss):

Fee income and other	Fee income and other decreased for the six months ended June 30, 2010 primarily due to the impact of the DAC Unlock in the first six months of 2009.
Earned premiums	Earned premiums, which include premiums for ceded reinsurance, decreased compared to the prior year periods primarily due to higher ceded reinsurance premiums due to the aging of the life insurance in-force.
Net investment income	Net investment income increased primarily due to improved performance of limited partnerships and other alternative investments and fixed maturities.
Net investment spread	Net investment spread increased for the three and six months ended June 30, 2010 primarily related to improved performance of limited partnerships and other alternative investments of 59 bps and 62 bps, respectively, improved performance of fixed maturities of 42 bps and 33 bps, respectively, and lower average credited rates of 22 bps and 18 bps, respectively.
Amortization of DAC	Amortization of DAC decreased for the six months ended June 30, 2010 primarily as a result of the Unlock charge of \$98 in the first six months of 2009. DAC amortization had a partial offset in amortization of deferred revenues, which drove the decrease in fee income noted above.
Income tax expense (benefit)	The effective tax rate for 2010 differs from the statutory rate of 35% primarily due to the recognition of separate account DRD partially offset by a valuation allowance on deferred tax benefits related to certain realized losses recorded in the six months ended June 30, 2010. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**GROUP BENEFITS**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Premiums and other considerations	\$ 1,074	\$ 1,074		\$ 2,176	\$ 2,212	(2%)
Net investment income	110	102	8%	217	193	12%
Net realized capital gains (losses)	23	(41)	NM	32	(38)	NM
Total revenues	1,207	1,135	6%	2,425	2,367	2%
Benefits, losses and loss adjustment expenses	846	822	3%	1,689	1,682	
Insurance operating costs and other expenses	281	287	(2%)	564	551	2%
Amortization of deferred policy acquisition costs	15	15		31	29	7%
Total benefits, losses and expenses	1,142	1,124	2%	2,284	2,262	1%
Income before income taxes	65	11	NM	141	105	34%
Income tax expense (benefit)	17	(3)	NM	42	22	91%
Net income	\$ 48	\$ 14	NM	\$ 99	\$ 83	19%
Earned Premiums and Other						
Fully insured ongoing premiums	\$ 1,041	\$ 1,066	(2%)	\$ 2,093	\$ 2,192	(5%)
Buyout premiums	21			58		
Other	12	8	50%	25	20	25%
Total earned premiums and other	\$ 1,074	\$ 1,074		\$ 2,176	\$ 2,212	(2%)
Fully insured ongoing sales, excluding buyouts	\$ 101	\$ 89		\$ 397	\$ 489	
Ratios, excluding buyouts						
Loss ratio	78.3%	76.5%		77.0%	76.0%	
Loss ratio, excluding financial institutions	84.1%	81.8%		82.6%	80.2%	
Expense ratio	28.1%	28.1%		28.1%	26.2%	
Expense ratio, excluding financial institutions	23.5%	23.4%		23.3%	22.4%	

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

Net income increased as a result of net realized capital gains and improved net investment income, partially offset by higher claim costs.

The following factors contributed to the changes in net income:

Premiums and other considerations	Premiums and other considerations decreased for the six months ended June 30, 2010 due to lower sales and reductions in covered lives within our customer base.
Net investment income	Net investment income increased due to higher weighted average portfolio yields primarily due to improved performance on limited partnerships and other alternative investments.
Benefits, losses and loss adjustment expenses/Loss ratio	The segment's loss ratio (defined as benefits, losses and loss adjustment expenses as a percentage of premiums and other considerations excluding buyouts) was higher compared to the prior year periods due primarily to unfavorable morbidity experience from higher incidence and lower claim terminations.
Expense ratio and insurance operating costs and other expenses	The segment's expense ratio, excluding buyouts, increased for the six months ended June 30, 2010 compared to the prior year period primarily due to higher commission expense on the experience rated financial institution business and higher acquisition costs.
Income tax expense (benefit)	The effective tax rate for 2010 differs from the statutory rate of 35% primarily due to permanent differences related to investments in tax exempt securities. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**INSTITUTIONAL**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Fee income and other	\$ 44	\$ 38	16%	\$ 87	\$ 78	12%
Earned premiums	3	74	(96%)	13	282	(95%)
Net investment income	234	220	6%	455	414	10%
Net realized capital losses	(8)	(95)	92%	(84)	(334)	75%
Total revenues	273	237	15%	471	440	7%
Benefits, losses and loss adjustment expenses	253	323	(22%)	519	770	(33%)
Insurance operating costs and other expenses	16	17	(6%)	29	44	(34%)
Amortization of deferred policy acquisition costs	8	2	NM	16	7	129%
Total benefits, losses and expenses	277	342	(19%)	564	821	(31%)
Loss before income taxes	(4)	(105)	96%	(93)	(381)	76%
Income tax benefit	(3)	(39)	92%	(4)	(141)	97%
Net loss	\$ (1)	\$ (66)	98%	\$ (89)	\$ (240)	63%
Assets Under Management						
Institutional account values [1][2]				\$ 19,950	\$ 23,928	(17%)
Private Placement Life Insurance account values [2][3]				35,049	32,594	8%
Mutual fund assets under management [4]					3,654	(100%)
Total assets under management				\$ 54,999	\$ 60,176	(9%)
Net Investment Spread						
Stable Value (GICs, Funding Agreements, Funding Agreement Backed Notes and Consumer Notes)	(24) bps	(31) bps		(50) bps	(54) bps	

Expense Ratios

General insurance expense ratio	7.9bps	10.7bps	7.5bps	10.7bps
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[1] *Single Premium Immediate Annuity and Maturity Funding were transferred to Global Annuity U.S. and Retirement, respectively, from Institutional effective January 1, 2010.*

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

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

[4] *Investment-Only mutual funds were transferred to Retirement effective January 1, 2010.*

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

For the three and six month periods ending June 30, 2010, the net loss in Institutional decreased primarily due to lower net realized capital losses and improved net investment spread due to improved performances on limited partnerships and other alternative investments, as compared to prior periods. Further discussion of the net loss is presented below:

Fee income and other	Fee income and other, for the three and six months ended June 30, 2010, increased as a result of the net transfers of the Leveraged PPLI and Investment-Only mutual funds.
Earned premiums	Earned premiums, for the three and six months ended June 30, 2010, decreased compared to the prior year due to management's decision to suspend sales. The decrease in earned premiums was offset by a decrease in benefits, losses and loss adjustment expenses.
Net investment income	Net investment income, for the three and six months ended June 30, 2010, increased primarily due to the improved performance on limited partnerships and other alternative investments, and the inclusion of net investment income associated with the transfer of Leveraged PPLI from Life Other effective January 1, 2010. This increase is partially offset by lower yield on fixed maturity assets driven by the decline in short term interest rates.
Net investment spread	Stable Value net investment spreads, for the three and six months ended June 30, 2010, were less unfavorable due to improved performance on limited partnership and other alternative investments of 72 bps and 85 bps, respectively, and a decline in interest credited due to the Company opting to accelerate the repayment of principal for certain stable value products of 75 bps and 44 bps, respectively. The variance is partially offset by a decline in yields on fixed maturity assets of 140 bps and 125 bps, respectively.
Net realized capital losses	Net realized capital losses, for the three and six months ended June 30, 2010, were lower due to significantly less impairments on investment securities.
Benefits, losses and loss adjustment expenses	Benefits, losses and loss adjustment expenses, for the three and six months ended June 30, 2010, were lower driven by the Company's execution on its call and buyback strategy associated with stable value products, which reduced the related liabilities, and a decrease in earned premiums associated with management's decision to suspend sales.
Insurance operating costs and expenses and general insurance expense ratio	Insurance operating costs and other expenses decreased, for the three and six months ended June 30, 2010, primarily due to active expense management efforts and the transition of expenses associated with products aligned to other segments.
Income tax benefit	The effective tax rate for the six months ended June 30, 2010 differs from the statutory rate of 35% primarily due to a 2010 valuation allowance on deferred tax benefits related to certain realized losses. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**LIFE OTHER**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Fee income and other [1]	\$ 47	\$ 51	(8%)	\$ 90	\$ 98	(8%)
Net investment income (loss):						
Securities available-for sale and other	4	23	(83%)	15	47	(68%)
Equity securities, trading [2]	(2,649)	2,523	NM	(1,948)	1,799	NM
Total net investment income (loss)	(2,645)	2,546	NM	(1,933)	1,846	NM
Net realized capital losses	(6)	(30)	80%	(11)	(53)	79%
Total revenues	(2,604)	2,567	NM	(1,854)	1,891	NM
Benefits, losses and loss adjustment expenses	(20)	19	NM	(39)	47	NM
Benefits, losses and loss adjustment expenses returns credited on International variable annuities [2]	(2,649)	2,523	NM	(1,948)	1,799	NM
Insurance operating costs and other expenses [1]	49	109	(55%)	91	148	(39%)
Amortization of deferred policy acquisition costs and present value of future profits	(1)			(1)		
Total benefits, losses and expenses	(2,621)	2,651	NM	(1,897)	1,994	NM
Income (loss) before income taxes	17	(84)	NM	43	(103)	NM
Income tax expense (benefit)	3	(25)	NM	18	(34)	NM
Net income (loss)	\$ 14	\$ (59)	NM	\$ 25	\$ (69)	NM

[1] Includes the fee income and commission expense associated with the sales of non-proprietary insurance products in the Company's broker-dealer subsidiaries.

[2] Includes investment income and mark-to-market

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

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

Net realized capital losses Net realized capital losses were lower due to less impairments on investment securities on a three and six month comparative basis.

Net investment income (loss) securities available for sale and other Declines in net investment income are reflective of the transfer of Leveraged PPLI to the Institutional segment effective January 1, 2010, partially offset by higher earnings on limited partnerships and other alternative investments.

Benefits losses and loss adjustment expenses Benefits losses and loss adjustment expense declined from the comparable prior period due to the transfer of Leveraged PPLI. The 2010 amounts are reflective of intersegment eliminations.

Insurance operating costs and other expenses Lower insurance operating costs and other expenses for the three and six months ended June 30, 2010 are due to restructuring costs, such as severance benefits and other costs associated with the suspension of sales in International's Japan and European operations, recognized in the second quarter of 2009. See Note 17 of the Notes to Consolidated Financial Statements in The Hartford's 2009 Form 10-K Annual Report for further details on the Company's restructuring, severance and other costs.

Income tax expense (benefit) For the six months ended June 30, 2010, the effective rate differs from the statutory rate of 35% primarily due to the recognition of a deferred tax benefit valuation allowance related to certain realized losses. For further discussion, see Income Taxes within Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**PERSONAL LINES**

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Underwriting Summary	2010	2009	Change	2010	2009	Change
Written premiums	\$ 1,033	\$ 1,045	(1%)	\$ 1,974	\$ 1,989	(1%)
Change in unearned premium reserve	39	60	(35%)	(15)	25	NM
Earned premiums	994	985	1%	1,989	1,964	1%
Losses and loss adjustment expenses						
Current accident year before catastrophes	685	649	6%	1,351	1,276	6%
Current accident year catastrophes	146	110	33%	187	152	23%
Prior accident years	(5)			(12)	10	NM
Total losses and loss adjustment expenses	826	759	9%	1,526	1,438	6%
Amortization of deferred policy acquisition costs	168	168		336	334	1%
Insurance operating costs and expenses	73	68	7%	146	127	15%
Underwriting results	\$ (73)	\$ (10)	NM	\$ (19)	\$ 65	NM

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Written Premiums	2010	2009	Change	2010	2009	Change
<i>Business Unit</i>						
AARP	\$ 752	\$ 763	(1%)	\$ 1,423	\$ 1,444	(1%)
Agency	267	268		525	517	2%
Other	14	14		26	28	(7%)
Total	\$ 1,033	\$ 1,045	(1%)	\$ 1,974	\$ 1,989	(1%)
<i>Product Line</i>						
Automobile	\$ 719	\$ 742	(3%)	\$ 1,413	\$ 1,449	(2%)
Homeowners	314	303	4%	561	540	4%
Total	\$ 1,033	\$ 1,045	(1%)	\$ 1,974	\$ 1,989	(1%)
Earned Premiums						
<i>Business Unit</i>						
AARP	\$ 716	\$ 709	1%	\$ 1,431	\$ 1,412	1%
Agency	264	261	1%	530	522	2%
Other	14	15	(7%)	28	30	(7%)

Total	\$ 994	\$ 985	1%	\$ 1,989	\$ 1,964	1%
<i>Product Line</i>						
Automobile	\$ 710	\$ 711		\$ 1,422	\$ 1,415	
Homeowners	284	274	4%	567	549	3%
Total	\$ 994	\$ 985	1%	\$ 1,989	\$ 1,964	1%

Premium Measures	2010	2009	2010	2009
Policies in-force end of period				
Automobile			2,341,594	2,375,240
Homeowners			1,479,749	1,471,287
Total policies in-force end of period			3,821,343	3,846,527
New business written premium				
Automobile	\$ 82	\$ 124	\$ 175	\$ 239
Homeowners	\$ 30	\$ 40	\$ 60	\$ 71
Policy count retention				
Automobile	84%	86%	84%	86%
Homeowners	85%	86%	85%	86%
Renewal written pricing increase				
Automobile	6%	3%	6%	3%
Homeowners	9%	5%	9%	5%
Renewal earned pricing increase				
Automobile	4%	4%	4%	4%
Homeowners	7%	6%	6%	6%

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Ratios and Supplemental Data	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	68.9	65.9	(3.0)	67.9	65.0	(2.9)
Current accident year catastrophes	14.6	11.2	(3.4)	9.4	7.7	(1.7)
Prior accident years	(0.4)		0.4	(0.6)	0.5	1.1
Total loss and loss adjustment expense ratio	83.1	77.0	(6.1)	76.7	73.2	(3.5)
Expense ratio	24.3	24.0	(0.3)	24.2	23.5	(0.7)
Combined ratio	107.4	101.0	(6.4)	100.9	96.7	(4.2)
Catastrophe ratio						
Current year	14.6	11.2	(3.4)	9.4	7.7	(1.7)
Prior years	0.5	0.8	0.3	0.2	1.0	0.8
Total catastrophe ratio	15.1	12.0	(3.1)	9.5	8.7	(0.8)
Combined ratio before catastrophes	92.3	89.0	(3.3)	91.4	88.0	(3.4)
Combined ratio before catastrophes and prior accident years development	93.2	89.8	(3.4)	92.2	88.4	(3.8)
Other revenues [1]	\$ 41	\$ 35	17%	\$ 83	\$ 72	15%

[1] Represents servicing revenues.

Combined Ratios	Three Months Ended June 30,			Six Months Ended June 30,		
	2010	2009	Change	2010	2009	Change
Automobile	98.7	95.6	(3.1)	96.2	92.4	(3.8)
Homeowners	128.8	114.9	(13.9)	112.9	107.6	(5.3)
Total	107.4	101.0	(6.4)	100.9	96.7	(4.2)

Underwriting results, premium measures and ratios**Three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009**

For the three- and six-month periods, underwriting results decreased by \$63 and \$84, respectively, with a corresponding increase in the combined ratio of 6.4 points and 4.2 points, respectively.

Earned premiums

Earned premiums grew by \$9 and \$25 for the three- and six-month periods, respectively, with earned premium growth in both AARP and Agency.

AARP earned premiums grew \$7 and \$19, respectively, for the three- and six-month periods, due primarily to new business written premium growth through the third quarter of 2009 driven by increased direct marketing spend, higher auto policy conversion rates and cross-selling homeowners insurance to insureds who have auto policies. Partly offsetting the growth was the effect of a decrease in new business and policy count retention since the third quarter of 2009 for both auto and homeowners.

Agency earned premiums increased by \$3 and \$8, respectively, for the three- and six-month periods, due primarily to new business written premium growth through the first quarter of 2010 driven by an increase in the number of agency appointments and the number of policy quotes. Partly offsetting the growth was the effect of a decrease in average renewal earned premium per policy for auto business.

Auto earned premiums were relatively flat for the three-month period and increased by \$7 for the six-month period as new business written premium growth through the fourth quarter of 2009 was largely offset by a decrease in average renewal earned premium per policy and a decrease in new business and policy count retention in the first six months of 2010. Despite 4% auto earned pricing increases for the three- and six-month periods, average renewal earned premium per policy for auto declined in the first six months of 2010 due to a shift to more preferred market segment business and a greater concentration of business in states and territories with lower average premium. Homeowners earned premiums grew by \$10 and \$18, respectively, for the three- and six-month periods due primarily to new business written premium growth through the fourth quarter of 2009 and the effect of increases in earned pricing, partially offset by a decrease in new business and policy count retention in the first six months of 2010.

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New business written premium Auto new business written premium decreased by \$42, or 34%, and by \$64, or 27%, for the three- and six-month periods respectively, due primarily to the effect of written pricing increases and underwriting actions that lowered the policy issue rate on direct marketing responses and agency business quotes. Homeowners new business written premium decreased by \$10, or 25%, and by \$11, or 15%, for the three- and six- month periods respectively, as the effect of pricing and underwriting actions lowering the policy issue rate on direct marketing responses and agency business quotes was partially offset by an increase in the cross-sale of homeowners insurance to insureds who have auto policies.

Policy count retention Policy count retention for auto decreased by 2% in both the three and six months ended June 30, 2010 driven by the effect of 6% renewal written pricing increases and underwriting actions. Policy count retention for homeowners decreased 1% in both the three and six months ended June 30, 2010, driven by the effect of 9% renewal written pricing increases and underwriting actions, partially offset by the effect of the Company's non-renewal of Florida homeowners Agency business in 2009.

Renewal earned pricing increase For both the three and six months ended June 30, 2010, auto renewal earned pricing increased 4% due to rate increases and the effect of policyholders purchasing newer vehicle models in place of older models. Homeowners renewal earned pricing increased by 7% in the three-month period and by 6% in the six-month period due to rate increases and increased coverage amounts reflecting higher rebuilding costs. For both auto and home, the Company has increased rates in certain states for certain classes of business to maintain profitability in the face of rising loss costs.

Policies in-force Compared to June 30, 2009, the number of policies in-force as of June 30, 2010 decreased by 1% in auto, driven by a decrease in AARP policy retention, and was relatively flat for homeowners.

Losses and loss adjustment expenses

Current accident year losses and loss adjustment expenses before catastrophes

For the three- and six-month periods, Personal Lines current accident year losses and loss adjustment expenses before catastrophes increased by \$36 and \$75, respectively, primarily due to the increase in the current accident year loss and loss adjustment expense ratio before catastrophes and, to a lesser extent for the six-month period, the increase in earned premium.

The current accident year loss and loss adjustment expense ratio before catastrophes increased by 3.0 points for the three-month period, driven by a 2.8 point increase for auto and a 4.2 point increase for home, and by 2.9 points for the six-month period, driven by a 3.5 point increase for auto and a 1.9 point increase for home. The increase for auto was primarily due to higher auto physical damage emerged frequency and higher expected auto liability loss costs relative to average premium per policy. The increase for home was due to increased expected ultimate severity and, for the six-month period, increased frequency of non-catastrophe weather claims. While claim frequency for home would typically be lower given the shift to more preferred market segment business and a greater concentration of business in states and territories with lower average premium, frequency was up in the six-month period and was flat in the three-month period given an increase in non-catastrophe weather claims.

Current accident year catastrophes

Current accident year catastrophes were up \$36 and \$35, respectively, for the three- and six-month periods due to more severe windstorm events in the second quarter of 2010, particularly from hail. Catastrophe losses in the three- and six-month periods in 2010 primarily included losses from tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast and, in the six-month period, losses from winter storms in the Mid-Atlantic and Northeast. Catastrophe losses in the three- and six-month periods in 2009 primarily included losses from

windstorms in Texas and the Midwest.

Prior accident year reserve development

For the three-month period, prior accident year reserve development improved from no prior accident year reserve development in 2009 to a net favorable \$5 of prior accident year reserve development in 2010. For the six-month period, prior accident year reserve development improved from \$10 of net unfavorable prior accident year reserve development in 2009 to \$12 of net favorable prior accident year reserve development in 2010. Net favorable reserve development in 2010 included, among other reserve changes, releases of AARP and Agency auto liability reserves of \$24 and \$41 for the three- and six-month periods, respectively, primarily related to the 2007 through 2009 accident years, largely offset by strengthening of AARP and Agency homeowners reserves of \$9 and \$24, respectively. Net unfavorable reserve development in 2009 included \$43 of reserve strengthenings, including an \$18 strengthening of reserves for homeowners business, largely offset by \$33 of releases of reserves for auto liability claims, primarily related to accident years 2005 to 2007.

Operating expenses

For the three-month period, the expense ratio increased by 0.3 points due largely to an increase in IT costs. For the six-month period, the expense ratio increased by 0.7 points due largely to a \$7 reduction of TWIA assessments recognized in 2009, a \$4 legal settlement in 2010 and an increase in IT and compensation-related costs.

Table of Contents**SMALL COMMERCIAL**

Underwriting Summary	Three Months Ended			Six Months Ended		
	2010	2009	Change	2010	2009	Change
Written premiums	\$ 662	\$ 643	3%	\$ 1,356	\$ 1,336	1%
Change in unearned premium reserve	14			71	41	73%
Earned premiums	648	643	1%	1,285	1,295	(1%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	349	340	3%	715	702	2%
Current accident year catastrophes	45	23	96%	66	29	128%
Prior accident years	(16)	10	NM	(34)	15	NM
Total losses and loss adjustment expenses	378	373	1%	747	746	
Amortization of deferred policy acquisition costs	156	155	1%	310	312	(1%)
Insurance operating costs and expenses	52	41	27%	83	76	9%
Underwriting results	\$ 62	\$ 74	(16%)	\$ 145	\$ 161	(10%)

Premium Measures	2010	2009	2010	2009
New business premium	\$ 126	\$ 120	\$ 256	\$ 239
Policy count retention	83%	81%	84%	81%
Renewal written pricing increase	3%		2%	
Renewal earned pricing decrease				
Policies in-force end of period			1,107,779	1,060,482

Ratios	Three Months Ended			Six Months Ended		
	2010	2009	Change	2010	2009	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	53.7	52.8	(0.9)	55.6	54.2	(1.4)
Current accident year catastrophes	6.9	3.6	(3.3)	5.1	2.3	(2.8)
Prior accident years	(2.4)	1.5	3.9	(2.6)	1.2	3.8
Total loss and loss adjustment expense ratio	58.2	58.0	(0.2)	58.0	57.6	(0.4)
Expense ratio	32.1	30.4	(1.7)	31.5	29.8	(1.7)

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Policyholder dividend ratio	0.1	0.2	0.1	(0.8)	0.1	0.9
Combined ratio	90.4	88.6	(1.8)	88.7	87.6	(1.1)
Catastrophe ratio						
Current year	6.9	3.6	(3.3)	5.1	2.3	(2.8)
Prior years		(0.3)	(0.3)	(0.2)	(0.1)	0.1
Total catastrophe ratio	6.9	3.3	(3.6)	4.9	2.2	(2.7)
Combined ratio before catastrophes	83.5	85.3	1.8	83.7	85.4	1.7
Combined ratio before catastrophes and prior accident years development	85.9	83.4	(2.5)	86.2	84.1	(2.1)

Underwriting results, premium measures and ratios

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

Underwriting results decreased by \$12 and \$16, with a corresponding 1.8 point and 1.1 point increase in the combined ratio for the three and six months ended June 30, 2010, respectively.

Earned premiums

Earned premiums for the Small Commercial segment increased by \$5 for the three-month period and decreased by \$10 for the six-month period. The increase in earned premiums for the three-month period was primarily due to an increase in earned premiums for workers' compensation business. For the six-month period, the decrease in earned premium was primarily due to lower earned audit premium on workers' compensation business and the effect of non-renewals outpacing new business over the last twelve months for all lines of business. While the Company has focused on increasing new business from its agents and expanding writings in certain territories, the effects of the economic downturn have contributed to the decrease in earned premiums in the first six months of 2010.

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New business premium

New business written premium was up \$6, or 5%, and \$17 or 7% for the three and six months ended June 30, 2010, respectively, primarily driven by an increase in package business and the impact from the rollout of a new business owners policy product during 2009.

Policy count retention

Policy count retention increased in both the three-and six-month periods in all lines of business, as the trend in mid-term cancellations improved in 2010.

Renewal earned pricing decrease

For both the three-and six-month periods, renewal earned pricing was flat as an increase in renewal earned pricing for package business was offset by a decrease for workers compensation. The earned pricing changes were primarily a reflection of written pricing changes over the last year. In addition to the effect of written pricing decreases in workers compensation in 2009, average premium per policy in Small Commercial has declined due to a reduction in the payrolls of workers compensation insureds.

Policies in-force

The number of policies-in-force increased by 4% from June 30, 2009 to June 30, 2010. While earned premiums have increased by 1% for the three-month period, earned premiums have decreased by 1% for the six-month period, reflecting the decrease in average premium per policy. The growth in policies in-force does not correspond directly with the change in earned premiums due to the effect of changes in earned pricing and changes in the average premium per policy.

Losses and loss adjustment expenses

Current accident year losses and loss adjustment expenses before catastrophes

Small Commercial's current accident year losses and loss adjustment expenses before catastrophes increased by \$9 and \$13, respectively, for three and six months ended June 30, 2010, primarily due to an increase in the current accident year loss and loss adjustment expense ratio before catastrophes. The increase in the current accident year loss and loss adjustment expense ratio before catastrophes for both the three- and six-month periods was primarily due to a higher loss and loss adjustment expense ratio on package business and workers compensation. The higher loss and loss adjustment expense ratio for package business and workers compensation was primarily driven by less favorable expected loss costs due to less favorable expected claim severity for package business and less favorable expected claim frequency for workers compensation.

Current accident year catastrophes

Current accident year catastrophe losses increased by \$22 and \$37, respectively, for the three and six months ended June 30, 2010, as losses in 2010 from tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast were higher than catastrophe losses in 2009 from windstorms and tornadoes in the Midwest.

Prior accident year reserve development

Prior accident year development changed from net unfavorable development of \$10 and \$15, respectively, for the three and six months ended June 30, 2009 to net favorable development of \$16 and \$34, respectively, for the three and six months ended June 30, 2010. There were no significant prior accident year reserve developments in the first quarter of 2010. Net favorable prior accident year development of \$16 and \$34, respectively, for the three and six months ended June 30, 2010 included, among other reserve changes, a \$12 release of reserves for commercial auto claims.

Net unfavorable prior accident year development of \$10 for the three months ended June 30, 2009 included a \$20 strengthening of reserves for package business related to accident years 2007 and 2008. Net unfavorable prior accident year development of \$15 for the six months ended June 30, 2009 included \$36 of strengthening of reserves for

package business, partially offset by a \$13 release of workers' compensation reserves.

Operating expenses

Insurance operating costs and expenses increased by \$11 and \$7, respectively, for the three and six months ended June 30, 2010. The increase in the three-month period was primarily due to an increase in taxes, licenses and fees driven by \$9 of reserve strengthening for other state funds and taxes. The increase in the six-month period was primarily driven by \$9 of reserve strengthening for other state funds and taxes, a \$5 reduction in TWIA assessments recognized in 2009 and an increase in compensation-related costs, largely offset by a \$12 decrease in the estimated amount of dividends payable to certain workers' compensation policyholders as a result of fewer dividend policies being sold.

Table of Contents**MIDDLE MARKET**

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Underwriting Summary	2010	2009	Change	2010	2009	Change
Written premiums	\$ 446	\$ 482	(7%)	\$ 956	\$ 1,008	(5%)
Change in unearned premium reserve	(41)	(56)	27%	(32)	(78)	59%
Earned premiums	487	538	(9%)	988	1,086	(9%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	311	331	(6%)	642	690	(7%)
Current accident year catastrophes	38	8	NM	53	24	121%
Prior accident years	(7)	(22)	68%	(23)	(80)	71%
Total losses and loss adjustment expenses	342	317	8%	672	634	6%
Amortization of deferred policy acquisition costs	116	123	(6%)	233	248	(6%)
Insurance operating costs and expenses	51	42	21%	93	79	18%
Underwriting results	\$ (22)	\$ 56	NM	\$ (10)	\$ 125	NM
Premium Measures	2010	2009		2010	2009	
New business premium	\$ 99	106		\$ 218	\$ 221	
Policy count retention	78%	76%		80%	77%	
Renewal written pricing decrease		(1%)			(2%)	
Renewal earned pricing decrease	(1%)	(4%)		(1%)	(5%)	
Policies in-force as of end of period				96,535	96,574	

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Ratios	2010	2009	Change	2010	2009	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	63.9	61.6	(2.3)	65.0	63.6	(1.4)
Current accident year catastrophes	7.8	1.6	(6.2)	5.4	2.2	(3.2)
Prior accident years	(1.4)	(4.2)	(2.8)	(2.4)	(7.4)	(5.0)
Total loss and loss adjustment expense ratio	70.3	59.1	(11.2)	68.0	58.4	(9.6)
Expense ratio	33.9	29.8	(4.1)	32.6	29.5	(3.1)
Policyholder dividend ratio	0.4	0.6	0.2	0.4	0.5	0.1

Combined ratio	104.6	89.5	(15.1)	101.0	88.5	(12.5)
Catastrophe ratio						
Current year	7.8	1.6	(6.2)	5.4	2.2	(3.2)
Prior years	0.8	(0.8)	(1.6)	0.2	(0.9)	(1.1)
Total catastrophe ratio	8.6	0.8	(7.8)	5.6	1.3	(4.3)
Combined ratio before catastrophes	96.0	88.7	(7.3)	95.5	87.2	(8.3)
Combined ratio before catastrophes and prior accident years development	98.2	92.1	(6.1)	98.0	93.7	(4.3)

Underwriting results, premium measures and ratios***Three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009***

Underwriting results decreased by \$78 and \$135 with corresponding increases in the combined ratio of 15.1 points and 12.5 points for the three and six months ended June 30, 2010, respectively.

Earned premiums

Earned premiums for the Middle Market segment decreased by \$51 and \$98, respectively for the three- and six-month periods, primarily driven by the effect of non-renewals outpacing new business over the last twelve months in all lines of business, a decrease in audit premiums and a decrease in earned pricing in general liability, workers compensation and marine.

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New business premium

New business written premium decreased by \$7 and \$3 for the three- and six-month periods, respectively. The decrease in new business written premium for the three-month period was primarily due to a decrease in new business written premium for workers' compensation and marine. For the six-month period, a decrease in new business written premium for marine and general liability was partially offset by an increase in new business for workers' compensation. Despite continued pricing competition, the Company has increased new business for workers' compensation for the six-month period by targeting business in selected industries and regions of the country where attractive new business opportunities remain.

Policy count retention

For the three-month period, policy count retention increased in all lines of business except for workers' compensation. For the six-month period, policy count retention increased in all lines of business.

Renewal earned pricing decrease

For the three- and six-month periods, earned pricing decreased in all lines of business except for property. The earned pricing changes were primarily a reflection of written pricing changes over the last year. A number of carriers have continued to compete fairly aggressively on price, particularly on larger accounts within Middle Market. Beginning in the second quarter of 2009, however, written pricing decreases moderated for all lines of business with workers' compensation and property trending flat to slightly positive.

Policies in-force

The number of policies in-force remained flat, while earned premiums declined by 9% for both the three- and six-month periods.

Losses and loss adjustment expenses

Current accident year losses and loss adjustment expenses before catastrophes

Middle Market current accident year losses and loss adjustment expenses before catastrophes decreased by \$20 and \$48 for the three- and six-month periods, respectively, primarily due to a decrease in earned premium, partially offset by an increase in the current accident year loss and loss adjustment expense ratio before catastrophes. The current accident year loss and loss adjustment expense ratio before catastrophes increased, primarily due to a higher loss and loss adjustment expense ratio on property, general liability and workers' compensation business. For the three- and six-month periods, the higher loss and loss adjustment expense ratio on property was driven by higher severity while the higher ratio on general liability and workers' compensation business was primarily due to higher frequency.

Current accident year catastrophes

Current accident year catastrophe losses increased by \$30 and \$29 for the three- and six-month periods, respectively, due to more severe windstorm events, particularly from hail. Catastrophe losses in 2010 included losses from tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast and from winter storms in the Mid-Atlantic and Northeast. Catastrophe losses in 2009 included losses from ice storms, windstorms and tornadoes across many states.

Prior accident year reserve development

Net favorable prior accident year reserve development decreased by \$15 and \$57 for the three and six months ended June 30, 2010, respectively. Net favorable prior accident year reserve development of \$7 and \$23 for the three and six months ended June 30, 2010, respectively, included general liability reserve releases of \$27 and \$37, respectively, and \$21 of reserve strengthening for general liability allocated loss adjustment expenses. Net favorable reserve development of \$22 and \$80 for the three and six months ended June 30, 2009, respectively included general liability reserve releases of \$33 and \$71, respectively, primarily related to accident years 2004 to 2007.

Operating expenses

Insurance operating costs and expenses increased by \$9 and \$14 for the three- and six-month periods, respectively, primarily due to an increase in taxes, licenses and fees driven by \$9 of reserve strengthening for other state funds and taxes in the second quarter of 2010. Amortization of deferred policy acquisition costs decreased by \$7 and \$15 for the three- and six-month periods, respectively, largely due to the decrease in earned premiums. For the three- and six-month periods, the expense ratio increased by 4.1 points and 3.1 points, respectively, as insurance operating costs and expenses other than dividends to policyholders did not decrease commensurate with the decrease in earned premiums.

Table of Contents**SPECIALTY COMMERCIAL**

	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Underwriting Summary						
Written premiums	\$ 280	\$ 292	(4%)	\$ 589	\$ 587	
Change in unearned premium reserve		(19)	100%	22	(56)	NM
Earned premiums	280	311	(10%)	567	643	(12%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	193	214	(10%)	390	447	(13%)
Current accident year catastrophes		1	(100%)	2	2	
Prior accident years	(121)	(47)	(157%)	(170)	(72)	(136%)
Total losses and loss adjustment expenses	72	168	(57%)	222	377	(41%)
Amortization of deferred policy acquisition costs	68	72	(6%)	137	147	(7%)
Insurance operating costs and expenses	29	35	(17%)	45	60	(25%)
Underwriting results	\$ 111	\$ 36	NM	\$ 163	\$ 59	176%

	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Written Premiums						
Property	\$	\$		\$	\$ (16)	100%
Casualty	137	128	7%	311	278	12%
Professional Liability, Fidelity and Surety	133	148	(10%)	253	291	(13%)
Other	10	16	(38%)	25	34	(26%)
Total	\$ 280	\$ 292	(4%)	\$ 589	\$ 587	
Earned Premiums						
Property	\$	\$ 3	(100%)	\$	\$ 16	(100%)
Casualty	131	124	6%	265	254	4%
Professional Liability, Fidelity and Surety	137	165	(17%)	276	336	(18%)
Other	12	19	(37%)	26	37	(30%)
Total	\$ 280	\$ 311	(10%)	\$ 567	\$ 643	(12%)

Three Months Ended	Six Months Ended
June 30,	June 30,

Ratios	2010	2009	Change	2010	2009	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	69.9	68.7	(1.2)	69.1	69.5	0.4
Current accident year catastrophes	0.4	0.3	(0.1)	0.4	0.2	(0.2)
Prior accident years	(43.6)	(15.0)	28.6	(29.9)	(11.3)	18.6
Total loss and loss adjustment expense ratio	26.6	54.0	27.4	39.6	58.4	18.8
Expense ratio	33.5	34.5	1.0	31.3	31.9	0.6
Policyholder dividend ratio	0.5	0.1	(0.4)	0.5	0.4	(0.1)
Combined ratio	60.6	88.7	28.1	71.4	90.8	19.4
Catastrophe ratio						
Current year	0.4	0.3	(0.1)	0.4	0.2	(0.2)
Prior years		(1.7)	(1.7)	0.1	(1.0)	(1.1)
Total catastrophe ratio	0.3	(1.4)	(1.7)	0.5	(0.7)	(1.2)
Combined ratio before catastrophes	60.3	90.1	29.8	70.9	91.5	20.6
Combined ratio before catastrophes and prior accident years development	103.8	103.4	(0.4)	100.9	101.9	1.0
Other revenues [1]	\$ 79	\$ 86	(8%)	\$ 155	\$ 166	(7%)

[1] Represents servicing revenue

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Underwriting results and ratios

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

Underwriting results increased by \$75 and \$104, respectively, with a corresponding decrease in the combined ratio of 28.1 points and 19.4 points, respectively for the three and six months ended June 30, 2010.

Earned premiums

Earned premiums for the Specialty Commercial segment decreased by \$31 and \$76 for the three- and six-month periods, respectively due primarily to decreases in property and professional liability, fidelity and surety.

Property earned premiums decreased by \$3 for the three-month period and by \$16 for the six-month period, primarily due to the sale of the Company's core excess and surplus lines property business on March 31, 2009 to Beazley Group PLC. Concurrent with the sale, the in-force book of business was ceded to Beazley under a separate reinsurance agreement, whereby the Company ceded \$26 of unearned premium, net of \$10 in ceding commission. The ceding of the unearned premium was reflected as a reduction of written premium in the six months ended June 30, 2009.

Casualty earned premiums increased by \$7 and \$11, respectively, for the three-and six-month periods, primarily due to strong renewal retention in national accounts and new business growth in specialty programs. Also contributing to the increase for the six-month period was the effect of a reduction in earned audit premiums in the first quarter of 2009.

Professional liability, fidelity and surety earned premium decreased by \$28 and \$60, respectively, for the three-and six-month periods, primarily due to the economic slowdown of 2009, reinsurance program changes and earned pricing decreases. Increased market capacity, driven largely by favorable loss performance, is driving significant pricing deterioration leading to the reduction in new business and renewal pricing.

Within the Other category, earned premium decreased by \$7 and \$11, respectively, for the three- and six-month periods. The Other category of earned premiums includes premiums assumed under inter-segment arrangements.

Losses and loss adjustment expenses

Current accident year losses and loss adjustment expenses before catastrophes

For the three-and six-month periods, current accident year losses and loss adjustment expenses before catastrophes decreased by \$21 and \$57, respectively, primarily due to a decrease in earned premiums.

Prior accident year reserve development

Net favorable prior accident year reserve development of \$121 and \$170, respectively, for the three-and six-month periods in 2010 included, among other reserve changes, a release of reserves for professional liability claims of \$61 and \$83, respectively, primarily related to D&O claims, a \$30 reduction in the allowance for uncollectible reinsurance for Ongoing Operations in the second quarter of 2010 and a \$17 release of reserves for specialty programs claims in the second quarter of 2010. Net favorable prior accident year reserve development of \$47 and \$72, respectively for the three and six months ended June 30, 2009 included a release of reserves for D&O insurance claims of \$30 and \$50, respectively, related to accident years 2003 to 2007, and a \$20 release of reserves for uncollectible reinsurance.

Operating expenses

The expense ratio decreased for the three- and six-month periods by 1.0 point and 0.6 point, respectively, due to the decreases in insurance operating costs and expenses and amortization of deferred policy acquisition costs, partially offset by the decrease in earned premiums. Insurance operating costs and expenses decreased by \$6 and \$15, respectively for the three- and six-month periods, primarily due to a \$23 increase in taxes, licenses and fees recognized in the second quarter of 2009 due to a \$6 increase in the assessment for a second injury fund and \$17 reserve strengthening for other state funds and taxes, largely offset by lower ceded commissions and increased compensation-related costs. Amortization of deferred policy acquisition costs decreased by \$4 and \$10, respectively for the three- and six-month periods, primarily due to the decrease in earned premiums.

Table of Contents**OTHER OPERATIONS**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30,	Change	2010	June 30,	Change
Written premiums	\$ 1	\$ 1		\$ 2	\$ 2	
Change in unearned premium reserve				1	1	
Earned premiums	1	1		1	1	
Losses and loss adjustment expenses prior years	173	121	43%	174	121	44%
Insurance operating costs and expenses	6	4	50%	13	9	44%
Underwriting results	(178)	(124)	(44%)	(186)	(129)	(44%)
Net investment income	42	41	2%	83	81	2%
Net realized capital gains (losses)	20	2	NM	16	(32)	NM
Other expenses		(2)	100%	1	(1)	NM
Loss before income taxes	(116)	(83)	(40%)	(86)	(81)	(6%)
Income tax benefit	(43)	(34)	(26%)	(32)	(33)	3%
Net loss	\$ (73)	\$ (49)	(49%)	\$ (54)	\$ (48)	(13%)

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

Net loss for the three months ended June 30, 2010 increased \$24 compared to the prior year period primarily due to the following:

A \$54 decrease in underwriting results, primarily due to a \$52 increase in unfavorable prior year loss development. Reserve development in the three months ended June 30, 2010 included \$169 of asbestos reserve strengthening as a result of the Company's annual asbestos evaluation. For the comparable three month period ended June 30, 2009, reserve development included \$138 of asbestos reserve strengthening as a result of the Company's annual asbestos evaluation, partially offset by a decrease of \$20 in the allowance for uncollectible reinsurance as a result of the Company's annual evaluation of reinsurance recoverables.

Partially offsetting the increase in Other Operations' net loss were the following:

An \$18 increase in realized gains, as a result of fewer impairments and stabilizing market and credit conditions.

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

Net loss for the six months ended June 30, 2010 increased \$6 compared to the prior year period, driven primarily by the following:

A \$57 decrease in underwriting results, primarily due to a \$53 increase in unfavorable prior year loss development. Reserve development in the six months ended June 30, 2010 included \$169 of asbestos reserve strengthening as a result of the Company's annual asbestos reserve evaluation. For the comparable six month period ended June 30, 2009, reserve development included \$138 of asbestos reserve strengthening as a result of the Company's annual asbestos reserve evaluation, partially offset by a decrease of \$20 in the allowance for uncollectible reinsurance as a result of the Company's annual evaluation of reinsurance recoverables.

Partially offsetting the increase in Other Operations' net loss were the following:

A \$48 increase in realized gains as a result of fewer impairments and stabilizing market and credit conditions.

Table of Contents**CORPORATE**

Operating Summary	Three Months Ended			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Fee income	\$ 3	\$ 3		\$ 6	\$ 6	
Net investment income	6	2	NM	13	8	63%
Net realized capital losses		(274)	100%		(232)	100%
Total revenues	9	(269)	NM	19	(218)	NM
Interest expense	132	119	11%	252	239	5%
Goodwill impairment	153			153	32	NM
Other expenses	27	14	93%	107	29	NM
Total expenses	312	133	135%	512	300	71%
Loss before income taxes	(303)	(402)	25%	(493)	(518)	5%
Income tax benefit	(103)	(38)	(171%)	(169)	(91)	(86%)
Net loss	\$ (200)	\$ (364)	45%	\$ (324)	\$ (427)	24%

Three and six months ended June 30, 2010 compared to the three and six months ended June 30, 2009**Net realized capital losses**

The three and six months ended June 30, 2009 consisted of a net realized capital loss of approximately \$300 as a result of the contingency payment made to Allianz due to the Company's participation in the Capital Purchase Program. The loss in the three months ended June 30, 2009 was offset by a \$20 reversal in valuation allowances, and the loss in the six months ended June 30, 2009 was offset by a net realized capital gain of \$70 recorded in the first quarter of 2009 on the change in fair value of the liability related to warrants issued to Allianz.

Goodwill impairment

The Company's goodwill impairment test performed during the three months ended June 30, 2010 relating to Federal Trust Corporation resulted in a write-down of \$153. For further information, see Note 14 in the Notes to Condensed Consolidated Financial Statements.

The Company's goodwill impairment test performed during the three months ended March 31, 2009 resulted in a write-down of \$32 in Corporate related to the Institutional segment.

Other expenses

The change for the six months ended June 30, 2010 compared to the six months ended June 30, 2009 was primarily due to an accrual for a litigation settlement of \$73 in 2010, for further information, see Structured Settlement Class Action within Note 9 of the Notes to Condensed Consolidated Financial Statements.

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

Three Months Ended**Six Months Ended**

	June 30,		June 30,	
	2010	2009	2010	2009
Tax provision at U.S. Federal statutory rate	\$ (106)	\$ (141)	\$ (173)	\$ (181)
Nondeductible costs associated with contingency payment to Allianz and warrants		103		78
Goodwill impairments				11
Other	3		4	1
Provision for income taxes	\$ (103)	\$ (38)	\$ (169)	\$ (91)

Table of Contents**PROPERTY & CASUALTY UNDERWRITING RISK MANAGEMENT STRATEGY***Use of Reinsurance*

The Company has several catastrophe reinsurance programs, including reinsurance treaties that cover property and workers' compensation losses aggregating from single catastrophe events. The following table summarizes the primary catastrophe treaty reinsurance coverages that the Company has in place as of July 1, 2010:

Coverage	Treaty term	% of layer(s) reinsured	Per occurrence limit	Retention
Principal property catastrophe program covering property catastrophe losses from a single event	1/1/2010 to 1/1/2011	Varies by layer, but averages 81% across all layers	Aggregates to \$690 across all layers	\$ 250
Reinsurance with the Florida Hurricane Catastrophe Fund (FHCF) covering Florida Personal Lines property catastrophe losses from a single event	6/1/2010 to 6/1/2011	90%	\$ 170 [1]	64
Workers' compensation losses arising from a single catastrophe event	7/1/2010 to 7/1/2011	95%	300 [2]	50

[1] *The estimated per occurrence limit on the FHCF treaty is \$170 for the 6/1/2010 to 6/1/2011 treaty year based on the Company's election to purchase the required coverage from the FHCF. For the 6/1/2010 to 6/1/2011 treaty year, the Company elected not to purchase additional limits under the Temporary Increase in Coverage Limit (TICL) statutory provision.*

[2] *In addition to the limit shown above, the workers compensation reinsurance treaty includes a non-catastrophe, industrial accident layer of \$30 excess of a \$20 retention.*

Refer to the MD&A in The Hartford's 2009 Form 10-K Annual Report for further explanation of Property & Casualty's underwriting risk management strategy.

INVESTMENT CREDIT RISK

The Company has established investment credit policies that focus on the credit quality of obligors and counterparties, limit credit concentrations, encourage diversification and require frequent creditworthiness reviews. Investment activity, including setting of policy and defining acceptable risk levels, is subject to regular review and approval by senior management.

The Company primarily invests in securities which are rated investment grade and has established exposure limits, diversification standards and review procedures for all credit risks including borrower, issuer and counterparty. Creditworthiness of specific obligors is determined by consideration of external determinants of creditworthiness, typically ratings assigned by nationally recognized ratings agencies and is supplemented by an internal credit evaluation. Obligor, asset sector and industry concentrations are subject to established Company limits and are monitored on a regular basis.

The Company is not exposed to any credit concentration risk of a single issuer greater than 10% of the Company's stockholders' equity other than U.S. government and government agencies backed by the full faith and credit of the U.S. government. For further discussion of concentration of credit risk, see the Concentration of Credit Risk section in Note 5 of the Notes to Consolidated Financial Statements in The Hartford's 2009 Form 10-K Annual Report.

Derivative Instruments

In the normal course of business, the Company uses various derivative counterparties in executing its derivative transactions. The use of counterparties creates credit risk that the counterparty may not perform in accordance with the terms of the derivative transaction. The Company has developed exposure policies which limit the Company's exposure to credit risk.

The derivative counterparty exposure policy establishes market-based credit limits, favors long-term financial stability and creditworthiness of the counterparty and typically requires credit enhancement/credit risk reducing agreements. The Company minimizes the credit risk of derivative instruments by entering into transactions with high quality counterparties rated A2/A or better, which are monitored and evaluated by the Company's risk management team and reviewed by senior management. In addition, the Company monitors counterparty credit exposure on a monthly basis to ensure compliance with Company policies and statutory limitations. The Company also generally requires that derivative contracts, other than exchange traded contracts, certain forward contracts, and certain embedded and reinsurance derivatives, be governed by an International Swaps and Derivatives Association Master Agreement which is structured by legal entity and by counterparty and permits right of offset.

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The Company has developed credit exposure thresholds which are based upon counterparty ratings. Credit exposures are measured using the market value of the derivatives, resulting in amounts owed to the Company by its counterparties or potential payment obligations from the Company to its counterparties. Credit exposures are generally quantified daily based on the prior business day's market value and collateral is pledged to and held by, or on behalf of, the Company to the extent the current value of derivatives exceeds the contractual thresholds. In accordance with industry standards and the contractual agreements, collateral is typically settled on the next business day. The Company has exposure to credit risk for amounts below the exposure thresholds which are uncollateralized, as well as for market fluctuations that may occur between contractual settlement periods of collateral movements.

The maximum uncollateralized threshold for a derivative counterparty for a single legal entity is \$10. The Company currently transacts over-the-counter derivatives in five legal entities and therefore the maximum combined threshold for a single counterparty over all legal entities that use derivatives is \$50. In addition, the Company may have exposure to multiple counterparties in a single corporate family due to a common credit support provider. As of June 30, 2010, the maximum combined threshold for all counterparties under a single credit support provider over all legal entities that use derivatives is \$100. Based on the contractual terms of the collateral agreements, these thresholds may be immediately reduced due to a downgrade in a counterparty's credit rating. For further discussion, see the Derivative Commitments section of Note 9 of the Notes to Condensed Consolidated Financial Statements.

For the three and six months ended June 30, 2010, the Company has incurred no losses on derivative instruments due to counterparty default.

In addition to counterparty credit risk, the Company enters into credit default swaps to manage credit exposure. Credit default swaps involve a transfer of credit risk of one or many referenced entities from one party to another in exchange for periodic payments. The party that purchases credit protection will make periodic payments based on an agreed upon rate and notional amount, and for certain transactions there will also be an upfront premium payment. The second party, who assumes credit risk, will typically only make a payment if there is a credit event and such payment will be equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation following the credit event. A credit event is generally defined as default on contractually obligated interest or principal payments or bankruptcy of the referenced entity after the occurrence of the credit event.

The Company uses credit derivatives to purchase credit protection and, to a lesser extent, assume credit risk with respect to a single entity, referenced index, or asset pool. The Company purchases credit protection through credit default swaps to economically hedge and manage credit risk of certain fixed maturity investments across multiple sectors of the investment portfolio. The Company has also entered into credit default swaps that assume credit risk as part of replication transactions. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that would otherwise be permissible investments under the Company's investment policies. These swaps reference investment grade single corporate issuers and baskets, which include trades ranging from baskets of up to five corporate issuers to standard and customized diversified portfolios of corporate issuers, which are established within sector concentration limits and are typically divided into tranches which possess different credit ratings ranging from AAA through the CCC rated first loss position.

Investments

The following table presents the Company's fixed maturities by credit quality. The ratings referenced below are based on the ratings of a nationally recognized rating organization or, if not rated, assigned based on the Company's internal analysis of such securities.

Fixed Maturities by Credit Quality

June 30, 2010			December 31, 2009		
Amortized	Fair	Percent of Total Fair Value	Amortized	Fair	Percent of Total Fair Value

United States						
Government/Government agencies	\$ 8,355	\$ 8,428	10.9%	\$ 7,299	\$ 7,172	10.1%
AAA	11,525	11,406	14.8%	11,974	11,188	15.7%
AA	15,622	15,357	19.9%	14,845	13,932	19.6%
A	19,095	19,150	24.8%	19,822	18,664	26.2%
BBB	19,215	19,018	24.7%	17,886	17,071	24.0%
BB & below	4,717	3,773	4.9%	4,189	3,126	4.4%
Total fixed maturities	\$ 78,529	\$ 77,132	100.0%	\$ 76,015	\$ 71,153	100.0%

The movement within the Company's investment ratings was primarily attributable to purchases predominantly of investment grade corporate securities and U.S. Treasuries, partially offset by rating agency downgrades across multiple sectors. Downgrades associated with commercial mortgage-backed securities (CMBS), commercial real estate (CRE) collateralized debt obligations (CDOs) and residential mortgage-backed securities (RMBS) may continue to impact the portfolio pending further collateral deterioration.

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The following table presents the Company's AFS securities by type.

Available-for-Sale Securities by Type

	June 30, 2010					December 31, 2009				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Percent of Total Fair Value
Asset-backed securities (ABS)										
Consumer loans	\$ 2,543	\$ 27	\$ (227)	\$ 2,343	3.0%	\$ 2,087	\$ 15	\$ (277)	\$ 1,825	2.6%
Small business	508		(192)	316	0.4%	548	1	(232)	317	0.4%
Other	352	31	(30)	353	0.5%	405	20	(44)	381	0.5%
CDOs										
CLOs	2,462	1	(238)	2,225	2.9%	2,727		(288)	2,439	3.5%
CREs	1,206	38	(670)	574	0.8%	1,319	21	(901)	439	0.6%
Other	21	4		25		8	6		14	
CMBS										
Agency backed										
[1]	311	16		327	0.4%	62	3		65	0.1%
Bonds	8,553	125	(1,255)	7,423	9.6%	9,600	52	(2,241)	7,411	10.4%
Interest only (IOs)	922	81	(34)	969	1.3%	1,074	59	(65)	1,068	1.5%
Corporate										
Basic industry	2,950	179	(20)	3,109	4.1%	2,642	112	(56)	2,698	3.8%
Capital goods	3,173	263	(32)	3,404	4.4%	3,085	140	(51)	3,174	4.5%
Consumer										
cyclical	1,907	132	(21)	2,018	2.6%	1,946	75	(45)	1,976	2.8%
Consumer non-cyclical	5,799	488	(12)	6,275	8.1%	4,737	281	(22)	4,996	7.0%
Energy	3,161	226	(54)	3,333	4.3%	3,070	163	(18)	3,215	4.5%
Financial										
services	8,023	238	(674)	7,587	9.8%	8,059	118	(917)	7,260	10.1%
Tech./comm.	4,097	289	(80)	4,306	5.6%	3,984	205	(75)	4,114	5.8%
Transportation	839	58	(5)	892	1.2%	698	22	(23)	697	1.0%
Utilities	6,589	442	(42)	6,989	9.1%	5,755	230	(85)	5,900	8.3%
Other	1,019	14	(112)	921	1.2%	1,342	22	(151)	1,213	1.7%
Foreign										
govt./govt. agencies	1,671	69	(24)	1,716	2.2%	1,376	52	(20)	1,408	2.0%
Municipal										
Taxable	1,200	17	(116)	1,101	1.4%	1,176	4	(205)	975	1.4%
Tax-exempt	11,201	327	(113)	11,415	14.8%	10,949	314	(173)	11,090	15.6%
RMBS										
Agency	3,223	139		3,362	4.3%	3,383	99	(6)	3,476	4.9%
Non-agency	131		(11)	120	0.2%	143		(16)	127	0.2%
Alt-A	188	4	(33)	159	0.2%	218		(58)	160	0.2%
Sub-prime	1,659	14	(542)	1,131	1.5%	1,768	5	(689)	1,084	1.5%

U.S. Treasuries	4,821	27	(109)	4,739	6.1%	3,854	14	(237)	3,631	5.1%
Total fixed maturities	78,529	3,249	(4,646)	77,132	100.0%	76,015	2,033	(6,895)	71,153	100.0%
Equity securities										
Financial services	726	7	(190)	543		836	7	(164)	679	
Other	518	56	(14)	560		497	73	(28)	542	
Total equity securities	1,244	63	(204)	1,103		1,333	80	(192)	1,221	
Total AFS securities	\$ 79,773	\$ 3,312	\$ (4,850)	\$ 78,235		\$ 77,348	\$ 2,113	\$ (7,087)	\$ 72,374	

[1] Represents securities with pools of loans by the Small Business Administration whose issued loans are backed by the full faith and credit of the U.S. government.

The Company continues to reallocate its AFS investment portfolio to securities with more favorable risk/return profiles, in particular investment grade corporate securities and U.S. Treasuries, while reducing its exposure to real estate related securities. The Company's AFS net unrealized loss position decreased primarily as a result of improved security valuations due to declining interest rates. The following sections highlight the Company's significant investment sectors.

Table of Contents**Financial Services**

While financial services companies generally continued to exhibit modest signs of stabilization, with improved earnings performance and positive asset quality trends, financial results remain significantly weaker than historical norms. Market conditions have become increasingly volatile as uncertainty surrounding the pace of a recovery, as well as concerns around the potential impact of European sovereign and bank issues have weighed on the market. Additionally, the industry is facing heightened regulatory oversight and costs as a result of the regulatory reform law. Costs related to financial reform may potentially be a significant headwind to financial services companies' future earnings.

The Company has exposure to the financial services sector predominantly through banking and insurance firms. The following table presents the Company's exposure to the financial services sector included in the AFS Securities by Type table above.

	June 30, 2010			December 31, 2009		
	Amortized		Percent	Amortized		Percent
	Cost	Fair Value	of Total Fair Value	Cost	Fair Value	of Total Fair Value
AAA	\$ 325	\$ 318	3.9%	\$ 299	\$ 290	3.7%
AA	2,229	2,226	27.4%	1,913	1,867	23.5%
A	3,932	3,646	44.8%	4,510	3,987	50.2%
BBB	1,831	1,585	19.5%	1,664	1,379	17.4%
BB & below	432	355	4.4%	509	416	5.2%
Total	\$ 8,749	\$ 8,130	100.0%	\$ 8,895	\$ 7,939	100.0%

Commercial Mortgage Loans

The following tables present the Company's exposure to CMBS bonds, CRE CDOs and CMBS IOs by current credit quality and vintage year, included in the AFS Securities by Type table above. This sector continues to face pressure from commercial real estate market fundamentals including lower rent rates in certain markets and increased delinquencies. Credit protection represents the current weighted average percentage of the outstanding capital structure subordinated to the Company's investment holding that is available to absorb losses before the security incurs the first dollar loss of principal and excludes any equity interest or property value in excess of outstanding debt.

CMBS Bonds [1]**June 30, 2010**

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	\$ 1,084	\$ 1,102	\$ 285	\$ 274	\$ 138	\$ 121	\$ 15	\$ 12	\$ 27	\$ 26	\$ 1,549	\$ 1,535
2004	550	568	49	40	60	49	33	22	6	5	698	684
2005	786	789	231	186	203	137	210	143	132	94	1,562	1,349
2006	1,790	1,659	433	354	456	329	336	216	417	300	3,432	2,858
2007	366	326	166	143	89	71	326	195	310	206	1,257	941
2008	55	56									55	56

Total **\$ 4,631** **\$ 4,500** **\$ 1,164** **\$ 997** **\$ 946** **\$ 707** **\$ 920** **\$ 588** **\$ 892** **\$ 631** **\$ 8,553** **\$ 7,423**

Credit protection 26.8% 23.3% 12.2% 12.3% 9.9% 21.8%

December 31, 2009

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	\$ 1,732	\$ 1,716	\$ 297	\$ 230	\$ 150	\$ 113	\$ 20	\$ 17	\$ 11	\$ 7	\$ 2,210	\$ 2,083
2004	639	626	82	52	52	34	15	7			788	719
2005	1,011	930	356	230	228	123	100	64	89	54	1,784	1,401
2006	1,945	1,636	430	275	536	247	323	132	231	83	3,465	2,373
2007	498	408	139	101	169	68	346	160	201	98	1,353	835
Total	\$ 5,825	\$ 5,316	\$ 1,304	\$ 888	\$ 1,135	\$ 585	\$ 804	\$ 380	\$ 532	\$ 242	\$ 9,600	\$ 7,411

Credit protection 26.5% 21.2% 13.1% 11.6% 8.7% 22.0%

[1] *The vintage year represents the year the pool of loans was originated.*

Table of Contents**CRE CDOs [1] [2]
June 30, 2010**

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	\$ 42	\$ 35	\$ 13	\$ 9	\$ 82	\$ 41	\$ 166	\$ 69	\$ 96	\$ 21	\$ 399	\$ 175
2004	1	1	7	4	33	14	101	35	26	11	168	65
2005			36	12	12	6	79	33	43	21	170	72
2006			94	50	32	16	92	36	57	37	275	139
2007			12	6	41	22	29	21	37	31	119	80
2008					10	5	11	9	23	12	44	26
2009					7	4	7	5	13	5	27	14
2010					1	1	2	1	1	1	4	3
Total	\$ 43	\$ 36	\$ 162	\$ 81	\$ 218	\$ 109	\$ 487	\$ 209	\$ 296	\$ 139	\$ 1,206	\$ 574

Credit protection	52.5%	9.2%	40.8%	25.4%	29.8%	28.5%
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December 31, 2009

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	\$ 60	\$ 41	\$ 30	\$ 15	\$ 69	\$ 26	\$ 165	\$ 44	\$ 95	\$ 14	\$ 419	\$ 140
2004	19	11	70	22	37	11	27	4	23	4	176	52
2005	17	8	72	12	35	14	49	8	26	6	199	48
2006	23	13	108	33	82	28	69	22	23	12	305	108
2007	62	33	12	3	20	5	26	9	15	10	135	60
2008	22	12			5	1	15	4	13	3	55	20
2009	15	8			2		4	1	9	2	30	11
Total	\$ 218	\$ 126	\$ 292	\$ 85	\$ 250	\$ 85	\$ 355	\$ 92	\$ 204	\$ 51	\$ 1,319	\$ 439

Credit protection	40.0%	10.5%	25.5%	34.9%	31.6%	28.1%
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[1] The vintage year represents the year that the underlying collateral in the pool was originated. Individual CRE

CDO fair value is allocated by the proportion of collateral within each vintage year.

[2] For certain CRE CDOs, the collateral manager has the ability to reinvest proceeds that become available, primarily from collateral maturities. The increase in recent vintage years represents reinvestment under these CRE CDOs.

**CMBS IOs [1]
June 30, 2010**

	AAA		A		BBB		BB and Below		Total	
	Amortized	Fair	Amortized	Fair	Amortized	Fair	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value	Cost	Value	Cost	Value	Cost	Value
2003 & Prior	\$ 262	\$ 285	\$	\$	\$	\$	\$	\$	\$ 262	\$ 285
2004	179	200							179	200
2005	252	265			1	1			253	266
2006	127	119							127	119
2007	101	99							101	99
Total	\$ 921	\$ 968	\$	\$	\$ 1	\$ 1	\$	\$	\$ 922	\$ 969

December 31, 2009

	AAA		A		BBB		BB and Below		Total	
	Amortized	Fair	Amortized	Fair	Amortized	Fair	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value	Cost	Value	Cost	Value	Cost	Value
2003 & Prior	\$ 331	\$ 352	\$	\$	\$	\$	\$	\$	\$ 331	\$ 352
2004	207	217							207	217
2005	284	275			1	2			285	277
2006	137	120	3	1			1	2	141	123
2007	110	99							110	99

Total	\$ 1,069	\$ 1,063	\$ 3	\$ 1	\$ 1	\$ 2	\$ 1	\$ 2	\$ 1,074	\$ 1,068
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[1] The vintage year represents the year the pool of loans was originated.

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In addition to CMBS, the Company has exposure to commercial mortgage loans as presented in the following table. These loans are collateralized by a variety of commercial properties and are diversified both geographically throughout the United States and by property type. These loans may be either in the form of a whole loan, where the Company is the sole lender, or a loan participation. Loan participations are loans where the Company has purchased or retained a portion of an outstanding loan or package of loans and participates on a pro-rata basis in collecting interest and principal pursuant to the terms of the participation agreement. In general, A-Note participations have senior payment priority, followed by B-Note participations and then mezzanine loan participations. As of June 30, 2010, loans within the Company's mortgage loan portfolio have had minimal extension or restructurings. The ongoing deterioration in the global real estate market, as evidenced by declining market rents and increases in property vacancy rates and delinquencies, has negatively impacted property values. Should these trends continue, additional valuation allowances may result.

Commercial Mortgage Loans

	June 30, 2010			December 31, 2009		
	Amortized Cost [1]	Valuation Allowance	Carrying Value	Amortized Cost [1]	Valuation Allowance	Carrying Value
Whole loans	\$ 3,279	\$ (40)	\$ 3,239	\$ 3,319	\$ (40)	\$ 3,279
A-Note participations	356		356	391		391
B-Note participations	478	(133)	345	701	(176)	525
Mezzanine loans	336	(144)	192	1,081	(142)	939
Total [2]	\$ 4,449	\$ (317)	\$ 4,132	\$ 5,492	\$ (358)	\$ 5,134

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

[2] Excludes agricultural and residential mortgage loans. For further information on the total mortgage loan portfolio, see Note 5 of the Notes to Condensed Consolidated Financial Statements.

Since December 31, 2009, the Company significantly reduced its exposure to B-Note participations and mezzanine loans primarily through sales and as of June 30, 2010, the Company has identified an additional \$114 of carrying

value as held-for-sale, with valuation allowances of \$32. These loans are included in the table above.

At origination, the weighted average loan-to-value (LTV) ratio of the Company's commercial mortgage loan portfolio was approximately 64%. As of June 30, 2010, the current weighted average LTV ratio was approximately 83%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan. The loan values are updated periodically through property level reviews of the portfolio. Factors considered in the property valuation include, but are not limited to, actual and expected property cash flows, geographic market data and capitalization rates.

Municipal Bonds

The Company holds investments in securities backed by states, municipalities and political subdivisions (municipal) with an amortized cost and fair value of \$12.4 billion and \$12.5 billion, respectively, as of June 30, 2010 and \$12.1 billion and \$12.1 billion, respectively, as of December 31, 2009. The Company's municipal bond portfolio is diversified across the United States and primarily consists of revenue bonds, primarily issued for essential services, and general obligation bonds. As of June 30, 2010, the largest concentrations were in California, Georgia and Massachusetts, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation securities. As of December 31, 2009, the largest concentrations were in California, Georgia and Illinois, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation securities. Certain of the Company's municipal bonds contained third-party insurance for the payment of principal and interest in the event of an issuer default.

Limited Partnerships and Other Alternative Investments

The following table presents the Company's investments in limited partnerships and other alternative investments which include hedge funds, mortgage and real estate funds, mezzanine debt funds, and private equity and other funds. Hedge funds include investments in funds of funds and direct funds. Mortgage and real estate funds consist of investments in funds whose assets consist of mortgage loans, mortgage loan participations, mezzanine loans or other notes which may be below investment grade, as well as equity real estate and real estate joint ventures. Mezzanine debt funds include investments in funds whose assets consist of subordinated debt that often incorporates equity-based options such as warrants and a limited amount of direct equity investments. Private equity and other funds primarily consist of investments in funds whose assets typically consist of a diversified pool of investments in small non-public businesses with high growth potential.

	June 30, 2010		December 31, 2009	
	Carrying Value	Percent	Carrying Value	Percent
Hedge funds	\$ 472	26.6%	\$ 596	33.3%
Mortgage and real estate funds	304	17.1%	302	16.9%
Mezzanine debt funds	142	8.0%	133	7.4%
Private equity and other funds	856	48.3%	759	42.4%
Total	\$ 1,774	100.0%	\$ 1,790	100.0%

The decline in hedge funds since December 31, 2009 was primarily attributable to redemptions, while private equity and other funds increased primarily due to the funding of prior commitments, as well as market value appreciation.

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Security Unrealized Loss Aging

As part of the Company's ongoing security monitoring process, the Company has reviewed its AFS securities in an unrealized loss position and concluded that there were no additional impairments as of June 30, 2010 and that these securities have sufficient expected future cash flows to recover the entire amortized cost basis, are temporarily depressed and are expected to recover in value as the securities approach maturity or as real estate related market spreads return to more normalized levels.

Most of the securities depressed over 20% for greater than nine months or more are real estate backed and financial services sector securities and have a weighted average current rating of BBB+. Current market spreads continue to be significantly wider for real estate backed securities, as compared to spreads at the security's respective purchase date, largely due to the continued effects of the recession and the economic and market uncertainties regarding future performance of commercial and residential real estate. The Company reviewed these securities as part of its impairment analysis. The Company's best estimate of future cash flows utilized in its impairment analysis involves both macroeconomic and security specific assumptions that may differ based on asset class, vintage year and property location including, but not limited to, historical and projected default and recovery rates, current and expected future delinquency rates, property value declines and the impact of obligor re-financing. For these securities in an unrealized loss position where a credit impairment has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the security.

The same market conditions noted above also apply to AFS securities depressed over 50% for greater than twelve months, which consist primarily of CMBS bonds and CRE CDOs. Based upon the Company's cash flow modeling and current market and collateral performance assumptions, these CMBS bonds and CRE CDOs have sufficient credit protection levels to receive contractually obligated principal and interest payments, and accordingly the Company has concluded that no credit impairment exists on these securities. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities.

For the CMBS bonds and CRE CDOs which primarily comprise the AFS securities depressed over 50% for greater than twelve months, current market pricing reflects market illiquidity and risk premiums, and for a majority of the securities, a floating coupon rate. The illiquidity and risk premiums are the result of the underlying collateral performance to-date and the potential uncertainty in the securities' future cash flows. Because of the uncertainty surrounding the future performance of commercial real estate, market participants are requiring substantially greater returns, in comparison to the securities' stated coupon rate, to assume the associated securities' credit risk. If the securities' collateral underperforms the macroeconomic and collateral assumptions in the future, the loss severity may be significant mainly due to the securities' structure. In addition, coupon amounts associated with floating rate coupon securities are typically based upon a market based rate such as LIBOR. When the floating rate on which the coupon is based declines, the valuation of the respective security may also decline. LIBOR rates have declined subsequent to the date the CMBS bonds and CRE CDOs were purchased. For further information regarding the Company's security valuation process, see Note 4 of the Notes to Condensed Consolidated Financial Statements. For further information regarding the future collateral cash flows assumptions included in the Company's impairment analysis, see Other-Than-Temporary Impairments in the Investment Credit Risk section of this MD&A. For further discussion on the Company's ongoing security monitoring process and the factors considered in determining whether a credit impairment exists, see the Recognition and Presentation of Other-Than-Temporary Impairments section in Note 5 of the Notes to Condensed Consolidated Financial Statements.

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The following table presents the Company's unrealized loss aging for AFS securities by length of time the security was in a continuous unrealized loss position.

	June 30, 2010				December 31, 2009			
	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	1,019	\$ 4,975	\$ 4,854	\$ (121)	1,237	\$ 11,197	\$ 10,838	\$ (359)
Greater than three to six months	174	931	886	(45)	105	317	289	(28)
Greater than six to nine months	207	1,790	1,652	(138)	311	2,940	2,429	(511)
Greater than nine to twelve months	29	152	137	(15)	134	2,054	1,674	(380)
Greater than twelve months	1,726	21,373	16,842	(4,531)	2,020	22,445	16,636	(5,809)
Total	3,155	\$ 29,221	\$ 24,371	\$ (4,850)	3,807	\$ 38,953	\$ 31,866	\$ (7,087)

The following tables present the Company's unrealized loss aging for AFS securities continuously depressed over 20% by length of time (included in the table above).

Consecutive Months	June 30, 2010				December 31, 2009			
	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	190	\$ 1,825	\$ 1,380	\$ (445)	161	\$ 951	\$ 672	\$ (279)
Greater than three to six months	33	157	117	(40)	51	55	38	(17)
Greater than six to nine months	48	253	168	(85)	159	2,046	1,397	(649)
Greater than nine to twelve months	16	26	17	(9)	86	1,398	913	(485)
Greater than twelve months	586	6,548	3,800	(2,748)	715	8,146	4,228	(3,918)
Total	873	\$ 8,809	\$ 5,482	\$ (3,327)	1,172	\$ 12,596	\$ 7,248	\$ (5,348)

The following tables present the Company's unrealized loss aging for AFS securities continuously depressed over 50% by length of time (included in the tables above).

Consecutive Months	June 30, 2010				December 31, 2009			
	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	39	\$ 196	\$ 93	\$ (103)	62	\$ 169	\$ 61	\$ (108)
Greater than three to six months	12	7	3	(4)	28	5	2	(3)
Greater than six to nine months	18	31	10	(21)	54	190	74	(116)

Greater than nine to twelve months	9	2	1	(1)	58	592	210	(382)
Greater than twelve months	175	1,620	515	(1,105)	220	2,553	735	(1,818)
Total	253	\$ 1,856	\$ 622	\$ (1,234)	422	\$ 3,509	\$ 1,082	\$ (2,427)

Other-Than-Temporary Impairments

The following table presents the Company's impairments recognized in earnings by security type.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
ABS	\$ 5	\$ 6	\$ 5	\$ 9
CDOs				
CREs	29	83	93	105
Other		1		2
CMBS				
Bonds	39	69	111	70
IOs	1	22	1	25
Corporate	6	13	6	120
Equity	4	45	5	93
Municipal		16		17
RMBS				
Non-agency	1	1	1	1
Alt-A	7	1	9	1
Sub-prime	16	55	29	93
U.S. Treasuries		2		2
Total	\$ 108	\$ 314	\$ 260	\$ 538

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For the three and six months ended June 30, 2010, impairments recognized in earnings were comprised of credit impairments of \$104 and \$255, respectively, and impairments on equity securities of \$4 and \$5, respectively.

Credit impairments were primarily concentrated in structured securities associated with commercial and residential real estate which were impaired primarily due to continued property-specific deterioration of the underlying collateral and increased delinquencies. The Company calculated these impairments utilizing both a top down modeling approach and, for certain commercial real estate backed securities, a loan by loan collateral review. The top down modeling approach used discounted cash flow models that considered losses under current and expected future economic conditions. Assumptions used over the current recessionary period included macroeconomic factors, such as a high unemployment rate, as well as sector specific factors such as property value declines, commercial real estate delinquency levels and changes in net operating income. Those assumptions included CMBS peak-to-trough property value declines, on average, of 40% and RMBS peak-to-trough property value declines, on average, of 35%. The macroeconomic assumptions considered by the Company did not materially change from the previous several quarters and, as such, the credit impairments recognized for the three and six months ended June 30, 2010 were largely driven by actual or expected collateral deterioration, largely as a result of the Company's loan-by-loan collateral review.

The loan-by-loan collateral review is performed to estimate potential future losses. This review incorporates assumptions about expected future collateral cash flows, including projected rental rates and occupancy levels that varied based on property type and sub-market. The results of the loan by loan collateral review allowed the Company to estimate the expected timing of a security's first loss, if any, and the probability and severity of potential ultimate losses. The Company then discounted these anticipated future cash flows at the security's book yield prior to impairment. The results of cash flow modeling utilized by the Company result in cumulative collateral loss rates that vary by vintage year. For the 2007 vintage year, the Company's cash flow modeling resulted in cumulative collateral loss rates for CMBS and sub-prime RMBS of approximately 13% and 42%, respectively.

In addition to the credit impairments recognized in earnings, the Company recognized non-credit impairments in other comprehensive income of \$184 and \$372, respectively, for the three and six months ended June 30, 2010, predominantly concentrated in RMBS and CRE CDOs. These non-credit impairments represent the difference between fair value and the Company's best estimate of expected future cash flows discounted at the security's effective yield prior to impairment, rather than at current market implied credit spreads. These non-credit impairments primarily represent increases in market liquidity premiums and credit spread widening that occurred after the securities were purchased. In general, larger liquidity premiums and wider credit spreads are the result of deterioration of the underlying collateral performance of the securities, as well as the risk premium required to reflect future uncertainty in the real estate market.

Future impairments may develop as the result of changes in intent to sell of specific securities or if actual results underperform current modeling assumptions, which may be the result of, but are not limited to, macroeconomic factors, changes in assumptions used and property performance below current expectations.

Three and six months ended June 30, 2009

For the three and six months ended June 30, 2009, the Company recognized \$314 and \$538, respectively, of impairments recognized in earnings. Of these losses, \$261 and \$345, respectively, represented credit impairments primarily concentrated in CRE CDOs, CMBS bonds and sub-prime RMBS. Also included were impairments on equity securities of \$45 and \$93, respectively, largely related to affiliated mutual funds, as well as debt securities for which the Company intended to sell of \$8 and \$100, respectively, mainly comprised of corporate financial services securities.

Valuation Allowances on Mortgage Loans

The following table presents additions to valuation allowances on mortgage loans.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Credit-related concerns	\$ 34	\$ 78	\$ 68	\$ 153

Held for sale					
B-note participations				22	
Mezzanine loans	1			52	
Agricultural loans	5			10	
Total	\$ 40	\$ 78	\$ 152	\$ 153	

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CAPITAL MARKETS RISK MANAGEMENT

The Company has a disciplined approach to managing risks associated with its capital markets and asset/liability management activities. Investment portfolio management is organized to focus investment management expertise on the specific classes of investments, while asset/liability management is the responsibility of a dedicated risk management unit supporting Life and Property & Casualty operations. Derivative instruments are utilized in compliance with established Company policy and regulatory requirements and are monitored internally and reviewed by senior management.

The Company utilizes a variety of over-the-counter and exchange traded derivative instruments as a part of its overall risk management strategy, as well as to enter into replication transactions. Derivative instruments are used to manage risk associated with interest rate, equity market, credit spread, issuer default, price, and currency exchange rate risk or volatility. Replication transactions are used as an economical means to synthetically replicate the characteristics and performance of assets that would otherwise be permissible investments under the Company's investment policies. For further information, see Note 5 of the Notes to Condensed Consolidated Financial Statements.

Derivative activities are monitored and evaluated by the Company's risk management team and reviewed by senior management. In addition, the Company monitors counterparty credit exposure on a monthly basis to ensure compliance with Company policies and statutory limitations. The notional amounts of derivative contracts represent the basis upon which pay or receive amounts are calculated and are not reflective of credit risk. For further information on the Company's use of derivatives, see Note 5 of the Notes to Condensed Consolidated Financial Statements.

Market Risk

The Company is exposed to market risk, primarily relating to the market price and/or cash flow variability associated with changes in interest rates, credit spreads including issuer defaults, equity prices or market indices and the related volatility, and foreign currency exchange rates. The Company is also exposed to credit and counterparty repayment risk. For further discussion of market risk, see the Capital Markets Risk Management section of the MD&A in The Hartford's 2009 Form 10-K Annual Report.

Interest Rate Risk

The Company's exposure to interest rate risk relates to the market price and/or cash flow variability associated with changes in market interest rates. The Company manages its exposure to interest rate risk by constructing investment portfolios that maintain asset allocation limits and asset/liability duration matching targets which include the use of derivatives. For further discussion of interest rate risk, see the Interest Rate Risk discussion within the Capital Markets Risk Management section of the MD&A in The Hartford's 2009 Form 10-K Annual Report.

The Company is also exposed to interest rate risk based upon the discount rate assumption associated with the Company's pension and other postretirement benefit obligations. The discount rate assumption is based upon an interest rate yield curve comprised of bonds rated Aa with maturities primarily between zero and thirty years. For further discussion of interest rate risk associated with the benefit obligations, see the Critical Accounting Estimates section of the MD&A under Pension and Other Postretirement Benefit Obligations and Note 17 of the Notes to Consolidated Financial Statements in The Hartford's 2009 Form 10-K Annual Report.

In addition, management evaluates performance of certain Life products based on net investment spread which is, in part, influenced by changes in interest rates. For further discussion, see the Global Annuity U.S., Individual Life, Retirement, and Institutional sections of the MD&A.

As interest rates decline, certain mortgage-backed securities are more susceptible to paydowns and prepayments. During such periods, the Company generally will not be able to reinvest the proceeds at comparable yields. Lower interest rates will also likely result in lower net investment income, increased hedging costs associated with variable annuities and, if declines are sustained for a long period of time, it may subject the Company to reinvestment risks, higher pension costs expense, higher ultimate claim costs on our living benefit guarantee programs, particularly in Japan, and possibly reduced profit margins associated with guaranteed crediting rates on certain Life products. Conversely, the fair value of the investment portfolio will increase when interest rates decline and the Company's interest expense will be lower on its variable rate debt obligations.

Credit Risk

The Company is exposed to credit risk within our investment portfolio and through counterparties. Credit risk relates to the uncertainty of an obligor's continued ability to make timely payments in accordance with the contractual terms of the instrument or contract. The Company manages credit risk through established investment credit policies which address quality of obligors and counterparties, credit concentration limits, diversification requirements and acceptable risk levels under expected and stressed scenarios. For further discussion of credit risk, see the Credit Risk section of the MD&A in The Hartford's 2009 Form 10-K Annual Report.

For further information on credit risk associated with derivatives, see the Investment Credit Risk section of the MD&A.

The Company is also exposed to credit spread risk related to security market price and cash flows associated with changes in credit spreads. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturities and increase the fair value of the investment portfolio resulting in lower impairment losses. Credit spread widening will reduce the fair value of the investment portfolio and increase net investment income for new purchases. For a discussion of the movement of credit spread impacts on the Company's statutory financial results as it relates to the accounting and reporting for market value fixed annuities, see the Capital Resources & Liquidity section of the MD&A.

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Foreign Currency Exchange Risk

The Company's foreign currency exchange risk is related to non-U.S. dollar denominated investments, which primarily consist of fixed maturity investments, the investment in and net income of the Japanese Life and U.K. Life operations, and non-U.S. dollar denominated liability contracts, including its GMDB, GMAB, GMWB and GMIB benefits associated with its Japanese and U.K. variable annuities, and a yen denominated individual fixed annuity product. A portion of the Company's foreign currency exposure is mitigated through the use of derivatives.

For further information on foreign currency exchange risk, see Foreign Currency Exchange Risk within the Capital Markets Risk Management section of the MD&A included in The Hartford's 2009 Annual Report on Form 10-K, as well as Life's Equity Product Risk discussion below.

Life's Equity Product Risk

The Company's Life operations are significantly influenced by the U.S., Japanese, and other global equity markets. Increases or declines in equity markets impact certain assets and liabilities related to the Company's variable products and the Company's earnings derived from those products. The Company's variable products include variable annuity contracts, mutual funds, and variable life insurance.

Generally, declines in equity markets will:

- reduce the value of assets under management and the amount of fee income generated from those assets;
- reduce the value of equity securities, trading, supporting the international variable annuities, the related policyholder funds and benefits payable, and the amount of fee income generated from those variable annuities;
- increase the liability for GMWB benefits resulting in realized capital losses;
- increase the value of derivative assets used to dynamically hedge product guarantees resulting in realized capital gains;
- increase the costs of the hedging instruments we use in our hedging program;
- increase the Company's net amount at risk for GMDB and GMIB benefits;
- decrease the Company's actual gross profits, resulting in increased DAC amortization;
- increase the amount of required assets to be held backing variable annuity guarantees to maintain required regulatory reserve levels and targeted risk based capital ratios;
- adversely affect customer sentiment toward equity-linked products, causing a decline in sales; and
- decrease the Company's estimated future gross profits. See Life Estimated Gross Profits Used in the Valuation and Amortization of Assets and Liabilities Associated with Variable Annuity and Other Universal Life-Type Contracts within the Critical Accounting Estimates section of the MD&A for further information.

Generally, increases in equity markets will reduce the value of derivative assets used to provide a macro hedge on statutory surplus, resulting in realized capital losses during periods of market appreciation.

GMWB

The majority of the Company's U.S. and U.K. variable annuities, and a small portion of Japan's variable annuities, include a GMWB rider. In the second quarter of 2009, the Company suspended all new sales in the U.K. and Japan. The Company's new variable annuity product, launched in the U.S. in October 2009 does not offer a GMWB. Declines in equity markets will generally increase the Company's liability for the in-force GMWB riders. A GMWB contract is in the money if the contract holder's guaranteed remaining benefit (GRB) is greater than their current account value. As of June 30, 2010 and December 31, 2009, 60% and 48%, respectively, of all unreinsured U.S. GMWB contracts were in the money . For U.S., U.K., and Japan GMWB contracts that were in the money , the Company's exposure to the GRB, after reinsurance, as of June 30, 2010 and December 31, 2009, was \$3.5 billion and \$2.7 billion, respectively. However, the Company expects to incur these payments in the future only if the policyholder has an in the money GMWB at their death or their account value is reduced to a specified level, through contractually permitted withdrawals and/or market declines. If the account value is reduced to the specified level, the contract holder will receive an annuity equal to the remaining GRB. For the Company's life-time GMWB products, this annuity can continue beyond the GRB. As the account value fluctuates with equity market returns on a daily basis and the life-time GMWB payments can exceed the GRB, the ultimate amount to be paid by the Company, if any, is uncertain and could be significantly more or less than \$3.5 billion. For additional information on the Company's GMWB liability, see Note 4a of Notes to Condensed Consolidated Financial Statements.

Table of Contents**GMDB and GMIB**

The majority of the Company's U.S. variable annuity contracts include a GMDB rider. Declines in the equity markets will increase the Company's liability for GMDB riders. The Company's total gross exposure (i.e., before reinsurance) to U.S. GMDB as of June 30, 2010 and December 31, 2009 is \$20.9 billion and \$18.4 billion, respectively. However, the Company will incur these payments in the future only if the policyholder has an in the money GMDB at their death. As of June 30, 2010 and December 31, 2009, 77% and 72%, respectively, of all unreinsured U.S. GMDB contracts were in the money. The Company reinsured 52% and 53% of these death benefit guarantees as of June 30, 2010 and December 31, 2009, respectively. Under certain of these reinsurance agreements, the reinsurers' exposure is subject to an annual cap. The Company's net exposure (i.e., after reinsurance), is \$10.0 billion and \$8.5 billion, as of June 30, 2010 and December 31, 2009, respectively.

In the second quarter of 2009, the Company suspended all new product sales in Japan. Prior to that, the Company offered variable annuity products in Japan with both a GMDB and a GMIB. For the in-force block of Japan business, declines in equity markets, as well as a strengthening of the Japanese yen in comparison to the U.S. dollar, the Euro and other currencies will increase the Company's liability for GMDB and GMIB riders. This increase may be significant in extreme market scenarios. The Company's total gross exposure (i.e., before reinsurance) to the GMDB and GMIB offered in Japan is \$8.9 billion and \$6.3 billion as of June 30, 2010 and December 31, 2009, respectively. In general, the GMDB riders entitle the policyholder to receive the original investment value at the date of death. For GMIB contracts, the policyholder has the right to elect to annuitize benefits, beginning (for certain products) on the tenth anniversary of contract commencement. As a result, a small percentage of the contracts will first become eligible to elect annuitization beginning in 2013. The remainder of the contracts will first become eligible to elect annuitization from 2014 to 2022. Because policyholders have various contractual rights to defer their annuitization election, the period over which annuitization election can take place is subject to policyholder behavior and therefore indeterminate. For the large majority of GMIB contracts, the policyholder is entitled to receive the original investment value over a 10- to 15-year annuitization period, even if the policyholder's account value is lower than the original investment value at the date of annuitization. In addition, upon annuitization the contractholder surrenders access to the account value. For a small percentage of GMIB contracts, the policyholder can withdraw the account value after annuitization and the Company continues to be obligated to pay the policyholder the difference between the original investment value and the account value at annuitization over the annuitization period. If the original investment value exceeds the account value upon annuitization or death then the contract is in the money. As of June 30, 2010 and December 31, 2009, 99% and 98%, respectively, of all unreinsured Japan GMDB and GMIB contracts were in the money. The Company reinsured 14% and 17% of the GMDB to a third party reinsurer as of June 30, 2010 and December 31, 2009, respectively. Under certain of these reinsurance agreements, the reinsurers' exposure is subject to an annual cap. The Company's net exposure (i.e., after reinsurance) is \$7.6 billion and \$5.2 billion as of June 30, 2010 and December 31, 2009, respectively. In addition, as of June 30, 2010, 59% of account value and 55% of retained net amount at risk is reinsured to a Hartford affiliate. For additional information on the Company's GMDB and GMIB liability, see Note 7 of the Notes to Condensed Consolidated Financial Statements.

Life's Equity Product Risk Management**Market Risk Exposures**

The following table summarizes the broad Variable Annuity Guarantees offered by the Company and the market risks to which the guarantee is most exposed from a U.S. GAAP accounting perspective.

Variable Annuity Guarantee [1]	U.S. GAAP Treatment [1]	Primary Market Risk Exposures [1]
U.S. GMDB	Accumulation of fees received less accumulation of claims paid	Equity Market Levels
Japan GMDB	Accumulation of fees received less accumulation of claims paid	Equity Market Levels / Interest Rates / Foreign Currency
GMWB	Fair Value	

		Equity Market Levels / Implied Volatility / Interest Rates
For Life Component of GMWB	Accumulation of fees received less accumulation of claims paid	Equity Market Levels
Japan GMIB	Accumulation of fees received less accumulation of claims paid	Equity Market Levels / Interest Rate / Foreign Currency
GMAB	Fair Value	Equity Market Levels / Implied Volatility / Interest Rates

[1] Each of these guarantees and the related U.S. GAAP accounting volatility will also be influenced by actual and estimated policyholder behavior.

Risk Management

The Company carefully analyzes market risk exposures arising from: GMDB, GMWB, GMIB, GMAB; equity market, interest rate risks, implied volatility, foreign currency exchange risk and correlation between these market risk exposures. The Company evaluates these risks both individually and, in the aggregate, to determine the financial risk of its products and to judge their potential impacts on U.S. GAAP earnings and statutory surplus. The Company manages the equity market, interest rate, implied volatility and foreign currency exchange risks embedded in its products through reinsurance, customized derivatives, and dynamic hedging and macro hedging programs. In addition, the Company recently launched a new variable annuity product with reduced equity risk and has increased GMWB rider fees on new sales of the Company's legacy variable annuities and the related in-force policies, as contractually permitted. Depending upon competitors' reactions with respect to products and related rider charges, the Company's strategy of reducing product risk and increasing fees has and may continue to result in a decline in market share.

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The following table depicts the type of risk management strategy being used by the Company to either partially or fully mitigate market risk exposures, displayed above, by variable annuity guarantee as of June 30, 2010:

Variable Annuity Guarantee	Reinsurance	Customized Derivative	Dynamic Hedging [1]	Macro Hedging [2]
GMDB	ü			ü
GMWB	ü	ü	ü	ü
For Life Component of GMWB				ü
GMIB				ü
GMAB				ü

[1] *Through the second quarter of 2010, the Company continued to maintain a reduced level of dynamic hedge protection on U.S. GAAP earnings while placing a greater relative emphasis on the protection of statutory surplus through the inclusion of a macro hedging program. This portion of the GMWB hedge strategy may include derivatives with maturities of up to 10 years. U.S. GAAP fair value volatility will be driven by a reduced level of dynamic hedge protection and macro program positions.*

[2]

As described below, the Company's macro hedging program is not designed to provide protection against any one variable annuity guarantee program, but rather is a broad based hedge designed to provide protection against multiple guarantees and market risks, primarily focused on statutory liability and surplus volatility.

Reinsurance

The Company uses reinsurance for a portion of contracts issued with GMWB riders prior to the third quarter of 2003 and GMWB risks associated with a block of business sold between the third quarter of 2003 and the second quarter of 2006. The Company also uses reinsurance for a majority of the GMDB issued in the U.S. and a portion of the GMDB issued in Japan.

Derivative Hedging Strategies

The Company maintains derivative hedging strategies for its product guarantee risk to meet multiple, and in some cases, competing risk management objectives, including providing protection against tail scenario market events, providing resources to pay product guarantee claims, and minimizing U.S. GAAP earnings volatility, statutory surplus volatility and other economic metrics.

Customized Derivatives

The Company holds customized derivative contracts to provide protection from certain capital market risks for the remaining term of specified blocks of non-reinsured GMWB riders. These customized derivative contracts are based on policyholder behavior assumptions specified at the inception of the derivative contracts. The Company retains the risk for differences between assumed and actual policyholder behavior and between the performance of the actively managed funds underlying the separate accounts and their respective indices.

Dynamic Hedging

The Company's dynamic hedging program uses derivative instruments to provide protection against the U.S. GAAP earnings volatility associated with variable annuity product guarantees including equity market declines, equity implied volatility, and declines in interest rates (See Market Risk on Statutory Capital below). The Company uses hedging instruments including: interest rate futures and swaps, variance swaps, S&P 500, NASDAQ and EAFE index put options and futures contracts. During the first quarter and early in the second quarter of 2010, the Company added additional volatility protection. While the Company actively manages this dynamic hedging program, increased U.S. GAAP earnings volatility may result from factors including, but not limited to: policyholder behavior, capital markets, divergence between the performance of the underlying funds and the hedging indices, changes in hedging positions

and the relative emphasis placed on various risk management objectives.

Macro Hedging

The Company's macro hedging program uses derivative instruments like options, futures, and forwards that may exist on equities, interest rates, and currencies to provide protection against the statutory tail scenario risk arising from U.S., U.K. and Japan GMWB, GMDB, GMIB and GMAB liabilities, on the Company's statutory surplus and the associated target RBC ratios (see Capital Resources and Liquidity). During the second quarter, the Company extended its equity macro hedge coverage through 2011, while maintaining the 2010 coverage, as well as added additional currency protection. The macro hedge program will result in additional U.S. GAAP earnings volatility in times of market increases as changes in the value of the macro hedge derivatives, which is designed to reduce statutory reserve and capital volatility, may not be closely aligned to changes in U.S. GAAP liabilities.

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Based on the construction of the Company's derivative hedging program (both dynamic and macro hedge), which can change based on capital market conditions, notional amounts and other factors, an independent change in the following capital market factors is likely to have the following impacts. These sensitivities do not capture the impact of elapsed time on liabilities or hedge assets. Additionally, since duration varies by hedging strategy, due to the impact of non parallel shifts in capital market factors and since the Company continues to maintain a reduced level of dynamic hedging protection U.S. GAAP volatility will increase. Each of the sensitivities set forth below is estimated individually under the indicated level of market movement and from the market levels at March 31, and June 30, 2010, and without consideration of any correlation among the key assumptions. Therefore, it would be inappropriate to take each of the sensitivities below and assume different levels of market movement, or add them together in an attempt to estimate the volatility in our variable annuity hedging program. In addition, there are other factors, including policyholder behavior and variation in underlying fund performance relative to the hedged index, which could materially impact the GMWB liability. As a result, actual net changes in the value of the GMWB liability, the related dynamic hedging program derivative assets and the macro hedge program derivative assets may vary materially from those calculated using only the sensitivities disclosed below:

Capital Market Factor	Net Impact on Net GMWB Liability and Hedging Program Pre-Tax/DAC Gain (Loss)	
	Expected for second quarter based on March 31, 2010	Expected for third quarter based on June 30, 2010
Equity markets increase / decrease 1% [1] [2]	\$ (10) / 10	\$ (17) / 17
Volatility increases / decreases 1% [3] [4]	(10) / 10	(22) / 22
Interest rates increase / decrease 1 basis point [4] [5]	2 / (2)	3 / (3)
Yen strengthens / weakens 1% vs. all other currencies [6]	7 / (7)	17 / (17)

[1] Represents the aggregate net impact of a 1% increase or decrease in broadly traded global equity indices.

[2] Due to the structure of the macro hedging program, its sensitivity to equity markets increased as markets fell during the second quarter of 2010.

[3] *Represents the aggregate net impact of a 1% increase or decrease in blended implied volatility that is generally skewed towards longer durations for broadly traded global equity indices.*

[4] *The Company has been and continues to be under hedged with respect to volatility in its dynamic hedging program. As a result, as volatility increased during the second quarter of 2010 the Company's sensitivity to volatility also increased.*

[5] *Represents the aggregate net impact of a 1 basis point parallel shift on the global LIBOR yield curve.*

[6] *Represents the aggregate net impact of a 1% strengthening or weakening in the yen compared to all*

other currencies. The increase in currency sensitivity was primarily due to a strengthened Yen and additional purchases of currency protection during the quarter.

During the quarter ended June 30, 2010, the Company incurred a net realized pre-tax loss of \$29 on GMWB liabilities, net of reinsurance and the dynamic and macro hedging programs, driven primarily by decreases in interest rates of approximately 82 basis points and increases in volatility of approximately 7%, partially offset by decreases in U.S. equity markets of approximately 12%, a strengthened Yen of approximately 5% and 14% against USD and Euro, respectively, favorable in-force composition and a deterioration in The Hartford's own credit, as measured by market debt and credit default swap movements. The table below provides a pre-tax net realized loss calculated using the Company's sensitivities expected for the second quarter disclosed above, as compared to the actual net changes:

	Earnings Impact Three Months Ended June 30, 2010	
U.S. GMWB Net Liability and Dynamic and Global Macro Programs		
Equity markets decreased approximately 12%	\$	120
Volatility increased approximately 7%		(70)
Interest rates decreased approximately 82 basis points		(164)
Yen strengthened approximately 5% and 14% against USD and Euro		60
Total implied pre-tax net realized loss [1]	\$	(54)
Actual reported pre-tax net realized loss [1]	\$	(29)

*[1] The difference between actual reported result and the implied pre-tax net realized gain/(loss) represents the aggregate net impact of the following factors:
(i) non-parallel shifts in capital market factors,
(ii) shifts that are not equal in size to those assumed in*

*the calculation of
the sensitivities,
and (iii) other
factors, including
policyholder
behavior, variation
in underlying fund
performance
relative to the
hedged indices,
changes in the
Hartford's own
credit and changes
in Non-U.S. GMWB
fair value
liabilities. This
difference may vary
materially from
quarter-to-quarter.*

Table of Contents**Market Risk on Statutory Capital**

Statutory surplus amounts and RBC ratios may increase or decrease in any period depending upon a variety of factors and may be compounded in extreme scenarios or if multiple factors occur at the same time. At times the impact of changes in certain market factors or a combination of multiple factors on RBC ratios can be counterintuitive. Factors include:

In general, as equity market levels and interest rates decline, the amount and volatility of both our actual potential obligation, as well as the related statutory surplus and capital margin for death and living benefit guarantees associated with U.S. variable annuity contracts can be materially negatively effected, sometimes at a greater than linear rate. Other market factors that can impact statutory surplus, reserve levels and capital margin include differences in performance of variable subaccounts relative to indices and/or realized equity and interest rate volatilities. In addition, as equity market levels increase, generally surplus levels will increase. RBC ratios will also tend to increase when equity markets increase. However, as a result of a number of factors and market conditions, including the level of hedging costs and other risk transfer activities, reserve requirements for death and living benefit guarantees and RBC requirements could increase with rising equity markets, resulting in lower RBC ratios. Non-market factors, which can also impact the amount and volatility of both our actual potential obligation, as well as the related statutory surplus and capital margin, include actual and estimated policyholder behavior experience as it pertains to lapsation, partial withdrawals, and mortality.

Similarly, for guaranteed benefits (GMDB and GMIB) reinsured from our Japanese operations to our U.S. insurance subsidiaries, the amount and volatility of both our actual potential obligation, as well as the related statutory surplus and capital margin can be materially affected by a variety of factors, both market and non-market. Market factors include declines in various equity market indices and interest rates, changes in value of the Yen versus other global currencies, difference in the performance of variable subaccounts relative to indices, and increases in implied and/or realized equity, interest rate, and currency volatilities. Non-market factors include actual and estimated policyholder behavior experience as it pertains to lapsation, withdrawals, mortality, and annuitization. Risk mitigation activities, such as hedging, may also result in material and sometimes counterintuitive impacts on statutory surplus and capital margin. Notably, as changes in these market and non-market factors occur, both our potential obligation and the related statutory reserves and/or required capital can increase or decrease at a greater than linear rate.

As the value of certain fixed-income and equity securities in our investment portfolio decreases, due in part to credit spread widening, statutory surplus and RBC ratios may decrease.

As the value of certain derivative instruments that do not get hedge accounting decreases, statutory surplus and RBC ratios may decrease.

The Life company's exposure to foreign currency exchange risk exists with respect to non-U.S. dollar denominated assets and liabilities. Assets and liabilities denominated in foreign currencies are accounted for at their U.S. dollar equivalent values using exchange rates at the balance sheet date. As foreign currency exchange rates vary in comparison to the U.S. dollar, the remeasured value of those non-dollar denominated assets or liabilities will also vary, causing an increase or decrease to statutory surplus.

Our statutory surplus is also impacted by widening credit spreads as a result of the accounting for the assets and liabilities in our fixed market value adjusted (MVA) annuities. Statutory separate account assets supporting the fixed MVA annuities are recorded at fair value. In determining the statutory reserve for the fixed MVA annuities, we are required to use current crediting rates in the U.S. and Japanese LIBOR in Japan. In many capital market scenarios, current crediting rates in the U.S. are highly correlated with market rates implicit in the fair value of statutory separate account assets. As a result, the change in statutory reserve from period to period will likely substantially offset the change in the fair value of the statutory separate account assets. However, in periods of volatile credit markets, such as we are now experiencing, actual credit spreads on investment assets may increase sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value losses. As actual credit spreads are not fully reflected in the current crediting rates in the U.S. or Japanese LIBOR in Japan, the calculation of statutory reserves will not substantially offset the change in fair value of the statutory separate account assets resulting in reductions in statutory surplus. This has resulted and may continue

to result in the need to devote significant additional capital to support the product.

Most of these factors are outside of the Company's control. The Company's financial strength and credit ratings are significantly influenced by the statutory surplus amounts and RBC ratios of our insurance company subsidiaries. In addition, rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital we must hold in order to maintain our current ratings.

Derivative Instruments

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

Further downgrades to the credit ratings of The Hartford's insurance operating companies may have adverse implications for its use of derivatives including those used to hedge benefit guarantees of variable annuities. In some cases, further downgrades may give derivative counterparties the unilateral contractual right to cancel and settle outstanding derivative trades or require additional collateral to be posted. In addition, further downgrades may result in counterparties becoming unwilling to engage in additional over-the-counter (OTC) derivatives or may require collateralization before entering into any new trades. This will restrict the supply of derivative instruments commonly used to hedge variable annuity guarantees, particularly long-dated equity derivatives and interest rate swaps. Under these circumstances, The Hartford's operating subsidiaries could conduct hedging activity using available OTC derivatives, as well as a combination of cash and exchange-traded instruments.

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CAPITAL RESOURCES AND LIQUIDITY

Capital resources and liquidity represent the overall financial strength of The Hartford and the Life and Property & Casualty insurance operations and their ability to generate cash flows from each of their business segments, borrow funds at competitive rates and raise new capital to meet operating and growth needs over the next twelve months.

Liquidity Requirements and Sources of Capital

The Hartford Financial Services Group, Inc. (Holding Company)

The liquidity requirements of the holding company of The Hartford Financial Services Group, Inc. (HFSG Holding Company) have been and will continue to be met by HFSG Holding Company s fixed maturities, short-term investments and cash of \$2.1 billion at June 30, 2010, dividends from the Life and Property & Casualty insurance operations, as well as the issuance of common stock, debt or other capital securities and borrowings from its credit facilities. Expected liquidity requirements of the HFSG Holding Company for the next twelve months include interest on debt of approximately \$500, common stockholder dividends, subject to the discretion of the Board of Directors, of approximately \$90, and preferred stock dividends of approximately \$42.

Debt

On June 15, 2010, The Hartford repaid its \$275, 7.9% senior notes at maturity with funds from its capital raise in the first quarter of 2010.

On March 23, 2010, The Hartford issued \$1.1 billion aggregate principal amount of its senior notes. The issuance consisted of \$300 of 4.0% senior notes due March 30, 2015, \$500 of 5.5% senior notes due March 30, 2020 and \$300 of 6.625% senior notes due March 30, 2040. The senior notes bear interest at their respective rate, payable semi-annually in arrears on March 30 and September 30 of each year, beginning September 30, 2010. The issuance was made pursuant to the Company s shelf registration statement (Registration No. 333-142044). The Hartford used approximately \$425 of the net proceeds from the debt issuances to repurchase the Series E Preferred Stock issued to the U.S. Treasury as a part of its participation in the Capital Purchase Program, \$275 to repay senior notes at maturity in 2010, and intends to use the remaining proceeds to repay senior notes at maturity in 2011. For further discussion on the repurchase see the discussion below.

For additional information regarding debt, see Notes 12 and 14 of the Notes to Consolidated Financial Statements in The Hartford s 2009 Form 10-K Annual Report.

Common Stock Issuance

On March 23, 2010, The Hartford issued approximately 59.6 million shares of common stock at a price to the public of \$27.75 per share and received net proceeds of \$1.6 billion. The Hartford used the net proceeds from the common stock issuance to repurchase the Series E Preferred Stock issued to the U.S. Treasury as a part of its participation in the Capital Purchase Program. For further discussion on the repurchase see the discussion below.

Preferred Stock

On March 23, 2010, The Hartford issued 23 million depositary shares, each representing 1/40th interest in the Series F Preferred Stock, at a price of \$25 per depositary share and received net proceeds of \$556 under the program. The Hartford used the net proceeds from the preferred stock issuance to repurchase the Series E Preferred Stock issued to the U.S. Treasury as a part of its participation in the Capital Purchase Program. For further discussion on the repurchase see the discussion below.

Dividends

On May 20, 2010, The Hartford s Board of Directors declared a quarterly dividend of \$0.05 per common share payable on July 1, 2010 to common shareholders of record as of June 1, 2010 and a dividend of \$19.7361 on each share of Series F preferred stock payable on July 1, 2010 to shareholders of record as of June 15, 2010.

On July 22, 2010, The Hartford s Board of Directors declared a quarterly dividend of \$0.05 per common share payable on October 1, 2010 to common shareholders of record as of September 1, 2010 and a dividend of \$18.125 on each share of Series F preferred stock payable on October 1, 2010 to shareholders of record as of September 15, 2010.

Pension Plans and Other Postretirement Benefits

While the Company has significant discretion in making voluntary contributions to its U. S. qualified defined benefit pension plan (the Plan), the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006 and further amended by the Worker, Retiree, and Employer Recovery Act of 2008, and Internal Revenue

Code regulations mandate minimum contributions in certain circumstances. The Company does not have a required minimum funding contribution for the U.S. qualified defined benefit pension plan for 2010 and the funding requirements for all of the pension plans are expected to be immaterial. The Company contributed approximately \$120 to its pension plans and other postretirement plans in July 2010, and presently anticipates contributing approximately \$80 during the remainder of 2010, based upon certain economic and business assumptions. These assumptions include, but are not limited to, equity market performance, changes in interest rates and the Company's other capital requirements.

Table of Contents*Dividends from Insurance Subsidiaries*

Dividends to the HFSG Holding Company from its insurance subsidiaries are restricted. The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner. The insurance holding company laws of the other jurisdictions in which The Hartford's insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances somewhat more restrictive) limitations on the payment of dividends. Dividends paid to HFSG Holding Company by its insurance subsidiaries are further dependent on cash requirements of HLI and other factors. The Company's property-casualty insurance subsidiaries are permitted to pay up to a maximum of approximately \$1.4 billion in dividends to HFSG Holding Company in 2010 without prior approval from the applicable insurance commissioner. Statutory dividends from the Company's life insurance subsidiaries in 2010 require prior approval from the applicable insurance commissioner. The aggregate of these amounts, net of amounts required by HLI, is the maximum the insurance subsidiaries could pay to HFSG Holding Company in 2010. For the six months ended June 30, 2010, HFSG Holding Company and HLI received no dividends from the life insurance subsidiaries. For the six months ended June 30, 2010, HFSG Holding Company received \$626 in dividends from its property-casualty insurance subsidiaries.

Other Sources of Capital for the HFSG Holding Company

The Hartford endeavors to maintain a capital structure that provides financial and operational flexibility to its insurance subsidiaries, ratings that support its competitive position in the financial services marketplace (see the Ratings section below for further discussion), and shareholder returns. As a result, the Company may from time to time raise capital from the issuance of stock, debt or other capital securities and is continuously evaluating strategic opportunities. The issuance of common stock, debt or other capital securities could result in the dilution of shareholder interests or reduced net income due to additional interest expense.

Capital Purchase Program

On March 31, 2010, the Company repurchased all 3.4 million shares of Series E Preferred Stock issued to the U.S. Treasury (the Treasury) for an aggregate purchase price of \$3.4 billion. The Hartford used approximately \$425 of the net proceeds from the debt issuance, \$1.6 billion from the common stock issuance, \$556 from the preferred stock issuance together with available funds at the HFSG Holding Company to repurchase the Series E Preferred Stock. The Company recorded a \$440 charge to retained earnings representing the acceleration of the accretion of the remaining discount on the preferred stock. Treasury continues to hold warrants to purchase approximately 52 million shares of the Company's common stock at an exercise price of \$9.79 per share. During the Company's participation in the Capital Purchase Program (CPP), the Company was subject to numerous additional regulations, including restrictions on the ability to increase the common stock dividend, limitations on the compensation arrangements for senior executives and additional corporate governance standards. As a result of the redemption of Series E Preferred Stock, the Company believes it is no longer subject to these regulations other than certain reporting and certification obligations to U.S. regulating agencies.

Shelf Registrations

The Hartford's automatic shelf registration statement (Registration No. 333-142044) expired on April 11, 2010, and the Company intends to file for a new automatic shelf registration with the Securities and Exchange Commission in 2010.

Contingent Capital Facility

On February 12, 2007, The Hartford entered into a put option agreement (the Put Option Agreement) with Glen Meadow ABC Trust, a Delaware statutory trust (the ABC Trust), and LaSalle Bank National Association, as put option calculation agent. The Put Option Agreement provides The Hartford with the right to require the ABC Trust, at

any time and from time to time, to purchase The Hartford's junior subordinated notes in a maximum aggregate principal amount not to exceed \$500.

Table of Contents**Commercial Paper and Revolving Credit Facility**

The table below details the Company's short-term debt programs and the applicable balances outstanding.

Description	Effective Date	Expiration Date	Maximum Available As of		Outstanding As of	
			June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Commercial Paper						
The Hartford	11/10/86	N/A	\$ 2,000	\$ 2,000	\$	\$
Revolving Credit Facility						
5-year revolving credit facility	8/9/07	8/9/12	1,900	1,900		
Total Commercial Paper and Revolving Credit Facility			\$ 3,900	\$ 3,900	\$	\$

While The Hartford's maximum borrowings available under its commercial paper program are \$2.0 billion, the Company is dependent upon market conditions to access short-term financing through the issuance of commercial paper to investors. As of June 30, 2010, the Company has no commercial paper outstanding.

The revolving credit facility provides for up to \$1.9 billion of unsecured credit through August 9, 2012, which excludes a \$100 commitment from an affiliate of Lehman Brothers. Of the total availability under the revolving credit facility, up to \$100 is available to support letters of credit issued on behalf of The Hartford or other subsidiaries of The Hartford. Under the revolving credit facility, the Company must maintain a minimum level of consolidated net worth of \$12.5 billion. At June 30, 2010, the consolidated net worth of the Company as calculated in accordance with the terms of the credit facility was \$22.0 billion. The definition of consolidated net worth under the terms of the credit facility, excludes AOCI and includes the Company's outstanding junior subordinated debentures and perpetual preferred securities, net of discount. In addition, the Company must not exceed a maximum ratio of debt to capitalization of 40%. At June 30, 2010, as calculated in accordance with the terms of the credit facility, the Company's debt to capitalization ratio was 18%. Quarterly, the Company certifies compliance with the financial covenants for the syndicate of participating financial institutions. As of June 30, 2010, the Company was in compliance with all such covenants.

The Hartford's Life Japan operations also maintain a line of credit in the amount of \$57, or ¥5 billion, which expires January 4, 2011 in support of the subsidiary operations.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings of the individual legal entity that entered into the derivative agreement as set by nationally recognized statistical rating agencies. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of June 30, 2010, is \$513. Of this \$513, the legal entities have posted collateral of \$498 in the normal course of business. Based on derivative market values as of June 30, 2010, a downgrade of one level below the current financial strength ratings by either Moody's or S&P could require approximately an additional \$29 to be posted as collateral. Based on derivative market values as of June 30, 2010, a downgrade by either Moody's or S&P of two levels below the legal entities' current financial strength ratings could require approximately an additional \$42 of

assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we may be required to post is primarily in the form of U.S. Treasury bills and U.S. Treasury notes. The table below presents the aggregate notional amount and fair value of derivative relationships that could be subject to immediate termination in the event of further rating agency downgrades.

	As of June 30, 2010	
	Notional Amount	Fair Value
Ratings levels		
Either BBB+ or Baa1[1]	\$ 14,825	\$ 803

[1] *The notional and fair value amounts include a customized GMWB derivative with a notional amount of \$4.7 billion and a fair value of \$258, for which the Company has a contractual right to make a collateral payment in the amount of approximately \$52 to prevent its termination.*

Table of Contents**Insurance Operations**

Current and expected patterns of claim frequency and severity or surrenders may change from period to period but continue to be within historical norms and, therefore, the Company's insurance operations' current liquidity position is considered to be sufficient to meet anticipated demands over the next twelve months. For a discussion and tabular presentation of the Company's contractual obligations by period, refer to Off-Balance Sheet Arrangements and Aggregate Contractual Obligations within the Capital Resources and Liquidity section of the MD&A included in The Hartford's 2009 Form 10-K Annual Report.

The principal sources of operating funds are premiums, fees earned from assets under management and investment income, while investing cash flows originate from maturities and sales of invested assets. The primary uses of funds are to pay claims, claim adjustment expenses, commissions and other underwriting expenses, to purchase new investments and to make dividend payments to the HFSG Holding Company.

Property & Casualty

Property & Casualty holds fixed maturity securities, short-term investments (securities with maturities of one year or less at the time of purchase) and cash, as depicted below, to meet liquidity needs.

	As of June 30, 2010
Fixed maturities [1]	\$ 24,196
Short-term investments	1,548
Cash	363
Less: Derivative collateral	(124)
Total	\$ 25,983

[1] Includes \$440 of
U.S. Treasuries.

Liquidity requirements that are unable to be funded by Property & Casualty's short-term investments would be satisfied with current operating funds, including premiums received or through the sale of invested assets. A sale of invested assets could result in significant realized losses.

Life

Life's total general account contractholder obligations are supported by Life's total general account invested assets and cash of \$70.4 billion, which includes fixed maturities, short-term investments, as depicted below, to meet liquidity needs.

	As of June 30, 2010
Fixed maturities [1]	\$ 52,652
Short-term investments	5,356
Cash	2,632
Less: Derivative collateral	(1,978)
Cash associated with Japan variable annuities	(803)
Total	\$ 57,859

[1] Includes
\$4.0 billion of
U.S. Treasuries.

Capital resources available to fund liquidity, upon contract holder surrender, are a function of the legal entity in which the liquidity requirement resides. Generally, obligations of Group Benefits will be funded by Hartford Life and Accident Insurance Company; Global Annuity U.S. and Individual Life obligations will be generally funded by both Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company; obligations of Retirement and Institutional will be generally funded by Hartford Life Insurance Company; and obligations of Global Annuity International will be generally funded by the legal entity in the country in which the obligation was generated.

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	As of June 30, 2010
Contractholder Obligations	
Total Life contractholder obligations	\$ 250,419
Less: Separate account assets [1]	(154,883)
International statutory separate accounts [1]	(30,161)
General account contractholder obligations	\$ 65,375
 Composition of General Account Contractholder Obligations	
Contracts without a surrender provision and/or fixed payout dates [2]	\$ 31,348
Global Annuity U.S. fixed MVA annuities [3]	10,859
Global Annuity International fixed MVA annuities	2,610
Guaranteed investment contracts (GIC) [4]	1,108
Other [5]	19,450
General account contractholder obligations	\$ 65,375

[1] *In the event customers elect to surrender separate account assets or international statutory separate accounts, Life will use the proceeds from the sale of the assets to fund the surrender, and Life's liquidity position will not be impacted. In many instances Life will receive a percentage of the surrender amount as compensation for early surrender (surrender charge), increasing*

Life's liquidity position. In addition, a surrender of variable annuity separate account or general account assets (see below) will decrease Life's obligation for payments on guaranteed living and death benefits.

[2] Relates to contracts such as payout annuities or institutional notes, other than guaranteed investment products with an MVA feature (discussed below) or surrenders of term life, group benefit contracts or death and living benefit reserves for which surrenders will have no current effect on Life's liquidity requirements.

[3] Relates to annuities that are held in a statutory separate account, but under U.S. GAAP are recorded in the

general account as Fixed MVA annuity contract holders are subject to the Company's credit risk. In the statutory separate account, Life is required to maintain invested assets with a fair value equal to the MVA surrender value of the Fixed MVA contract. In the event assets decline in value at a greater rate than the MVA surrender value of the Fixed MVA contract, Life is required to contribute additional capital to the statutory separate account. Life will fund these required contributions with operating cash flows or short-term investments. In the event that operating cash flows or short-term investments are not sufficient to fund required contributions, the Company may have to sell other invested

assets at a loss, potentially resulting in a decrease in statutory surplus. As the fair value of invested assets in the statutory separate account are generally equal to the MVA surrender value of the Fixed MVA contract, surrender of Fixed MVA annuities will have an insignificant impact on the liquidity requirements of Life.

[4] GICs are subject to discontinuance provisions which allow the policyholders to terminate their contracts prior to scheduled maturity at the lesser of the book value or market value. Generally, the market value adjustment reflects changes in interest rates and credit spreads. As a result, the market value adjustment feature in the GIC serves to

protect the Company from interest rate risks and limit Life's liquidity requirements in the event of a surrender.

[5] *Surrenders of, or policy loans taken from, as applicable, these general account liabilities, which include the general account option for Global Annuity U.S.'s individual variable annuities and Individual Life's variable life contracts, the general account option for Retirement's annuities and universal life contracts sold by Individual Life may be funded through operating cash flows of Life, available short-term investments, or Life may be required to sell fixed maturity investments to fund the surrender payment. Sales of fixed maturity investments*

could result in the recognition of significant realized losses and insufficient proceeds to fully fund the surrender amount. In this circumstance, Life may need to take other actions, including enforcing certain contract provisions which could restrict surrenders and/or slow or defer payouts.

Consolidated Liquidity Position

The following table summarizes the liquidity available to The Hartford:

	As of June 30, 2010			
	Property & Casualty	Life	Corporate	Consolidated
Short-term investments	\$ 1,548	\$ 5,356	\$ 1,827	\$ 8,731
U.S. Treasuries	440	4,046	253	4,739
Cash	363	2,632	3	2,998
Less: Derivative collateral	(124)	(1,978)		(2,102)
Cash associated with Japan variable annuities		(803)		(803)
Total available liquidity	\$ 2,227	\$ 9,253	\$ 2,083	\$ 13,563

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-Balance Sheet Arrangements

There have been no material changes to the Company's off-balance sheet arrangements since the filing of the Company's 2009 Form 10-K Annual Report.

Aggregate Contractual Obligations

Since December 31, 2009, the Company issued \$1.1 billion aggregate principal amount of its senior notes. For additional information, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**Capitalization**

The capital structure of The Hartford as of June 30, 2010 and December 31, 2009 consisted of debt and stockholders equity, summarized as follows:

	June 30, 2010	December 31, 2009	Change
Short-term debt (includes current maturities of long-term debt and capital lease obligations)	\$	\$ 343	(100%)
Long-term debt	6,600	5,496	20%
Total debt [1]	6,600	5,839	13%
Stockholders' equity excluding accumulated other comprehensive loss, net of tax (AOCI)	20,270	21,177	(4%)
AOCI, net of tax	(1,379)	(3,312)	58%
Total stockholders' equity	\$ 18,891	\$ 17,865	6%
Total capitalization including AOCI	\$ 25,491	\$ 23,704	8%
Debt to stockholders' equity	35%	33%	
Debt to capitalization	26%	25%	

[1] Total debt of the Company excludes \$452 and \$1.1 billion of consumer notes as of June 30, 2010 and December 31, 2009, respectively, and \$60 and \$78 of Federal Home Loan Bank advances recorded in other liabilities as of June 30, 2010 and December 31, 2009, respectively.

The Hartford's total capitalization increased \$1.8 billion, or 8%, from December 31, 2009 to June 30, 2010 primarily due to the following:

Total debt

Total debt increased primarily due to the issuance of \$1.1 billion in senior notes in March 2010 partially offset by the repayment of \$275 in senior notes in June 2010 and

payment of the capital lease obligations in January 2010.

AOCI, net of tax

AOCI, net of tax, improved primarily due to decreases in unrealized losses on available-for-sale securities of \$1.6 billion primarily as a result of improved security valuations due to declining interest rates and an increase of \$229 in cash flow hedging instruments.

Partially offsetting these increases was a decrease in stockholders' equity, excluding AOCI, which decreased primarily due to the redemption of \$3.4 billion in preferred stock issued to the U.S. Treasury offset by issuance of common shares under public offering of \$1.6 billion, issuance of mandatory convertible preferred stock of \$556 and net income of \$395. See Note 13 of the Notes to Condensed Consolidated Financial Statements for additional information on the redemption of the preferred stock and issuances of stock in 2010.

For additional information on debt, equity and AOCI, see Notes 14, 15 and 16, respectively, of the Notes to the Consolidated Financial Statements in The Hartford's 2009 Form 10-K Annual Report.

Cash Flows

	Six Months Ended	
	June 30,	
	2010	2009
Net cash provided by operating activities	\$ 1,200	\$ 1,986
Net cash provided by (used for) investing activities	\$ 1,600	\$ (3,557)
Net cash provided by (used for) financing activities	\$ (1,967)	\$ 2,338
Cash end of period	\$ 2,998	\$ 2,558

The decrease in cash from operating activities compared to the prior year period was primarily the result of tax refunds of \$468 received in 2009 compared to tax payments of \$248 in 2010. Additionally, operating activities in 2010 decreased due to lower premiums, and lower net investment income, excluding equity securities, trading, and limited partnerships and other alternative investments.

Cash provided by investing activities in 2010 primarily relates to \$1.2 billion of net proceeds from sales of mortgage loans and net receipts on derivatives of \$584 partially offset by \$446 of net purchases of available-for-sale securities. Cash used for investing activity in 2009 consisted of net outflows of \$2.3 billion from changes in payables on securities lending and \$1.6 of net purchases of available-for-sale securities, partially offset by net receipts on derivatives of \$262.

Cash from financing activities decreased primarily due to the redemption of preferred stock issued to the U.S. Treasury of \$3.4 billion, repayments of consumer notes of \$684 in 2010, repayment of \$275 in senior notes in June 2010 and net outflows on investment and universal life-type contracts in 2010. Partially offsetting the decreases were proceeds from the issuance of \$1.1 billion in aggregate senior notes, issuance of common stock under a public offering of \$1.6 billion and issuance of mandatory convertible preferred stock of \$556.

Operating cash flows for the six months ended June 30, 2010 and 2009 have been adequate to meet liquidity requirements.

Equity Markets

For a discussion of the potential impact of the equity markets on capital and liquidity, see the Capital Markets Risk Management section of the MD&A under Market Risk above.

Table of Contents**Ratings**

Ratings impact the Company's cost of borrowing and its ability to access financing and are an important factor in establishing competitive position in the insurance and financial services marketplace. There can be no assurance that the Company's ratings will continue for any given period of time or that they will not be changed. In the event the Company's ratings are downgraded, the Company's cost of borrowing and ability to access financing, as well as the level of revenues or the persistency of its business may be adversely impacted.

The following table summarizes The Hartford's significant member companies' financial ratings from the major independent rating organizations as of July 30, 2010.

Insurance Financial Strength Ratings:	A.M. Best	Fitch	Standard & Poor's	Moody's
Hartford Fire Insurance Company	A	A+	A	A2
Hartford Life Insurance Company	A	A-	A	A3
Hartford Life and Accident Insurance Company	A	A-	A	A3
Hartford Life and Annuity Insurance Company	A	A-	A	A3

Other Ratings:

The Hartford Financial Services Group, Inc.:

Senior debt	bbb+	BBB-	BBB	Baa3
Commercial paper	AMB-2	F2	A-2	P-3

These ratings are not a recommendation to buy or hold any of The Hartford's securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The agencies consider many factors in determining the final rating of an insurance company. One consideration is the relative level of statutory surplus necessary to support the business written. Statutory surplus represents the capital of the insurance company reported in accordance with accounting practices prescribed by the applicable state insurance department.

Statutory Surplus

The table below sets forth statutory surplus for the Company's insurance companies. The statutory surplus amount as of December 31, 2009 in the table below is based on actual statutory filings with the applicable regulatory authorities. The statutory surplus amount as of June 30, 2010 is an estimate, as the second quarter 2010 statutory filings have not yet been made.

	June 30, 2010	December 31, 2009
U.S. Life Operations, includes domestic captive insurance subsidiaries	\$ 7,141	\$ 7,287
Property & Casualty Operations, excluding non-Property & Casualty subsidiaries	7,388	7,364
Total	\$ 14,529	\$ 14,651

The Company also holds regulatory capital and surplus for its operations in Japan. Using the investment in subsidiary accounting requirements defined in the U.S. National Association of Insurance Commissioners Statements of Statutory Accounting Practices, the Company's statutory capital and surplus attributed to the Japan operations was \$944 and \$1.3 billion as of June 30, 2010 and December 31, 2009, respectively. However, under the accounting practices and procedures governed by Japanese regulatory authorities, the Company's statutory capital and surplus was \$1.2 billion and \$1.1 billion as of June 30, 2010 and December 31, 2009, respectively.

Contingencies

Legal Proceedings For a discussion regarding contingencies related to The Hartford's legal proceedings, please see the information contained under "Litigation" in Note 9 of the Notes to Condensed Consolidated Financial Statements, which

is incorporated herein by reference.

Legislative Developments

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) was enacted into law on July 21, 2010, and will introduce sweeping changes to the regulation of the financial services industry. Most of these will not become effective immediately, and many will require further regulatory action before they become effective. Nonetheless, we anticipate that the Dodd-Frank Act may affect our operations and governance in ways that could significantly affect our financial condition and results of operations.

In particular, the Dodd-Frank Act vests a newly created Financial Services Oversight Council with the power to designate systemically important institutions, which will be subject to special regulatory supervision and other provisions intended to prevent, or mitigate the impact of, future disruptions in the U.S. financial system. If we are designated as a systemically important institution, we will be subject to heightened prudential standards imposed by The Federal Reserve, as well as to post-event assessments imposed by the FDIC to recoup the costs associated with the orderly resolution of systemically important institutions in the event one or more such institutions fails. The Dodd-Frank Act creates a new resolution authority for systemically important institutions. Although insurance companies will not be subject to the special liquidation procedures in the Dodd-Frank Act, it contains back-up authority for the FDIC to force insurance companies into liquidation under state law if their state regulators fail to act. Other provisions will require central clearing of, and/or impose new margin and capital requirements on, derivatives transactions, which we expect will increase the costs of our hedging program.

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A number of provisions of the Dodd-Frank Act affect us solely due to our status as a savings & loan holding company. For example, under the Dodd-Frank Act, the OTS will be dissolved. The Federal Reserve will assume regulatory authority over our holding company, and our thrift subsidiary, Federal Trust Bank, will be regulated by the OCC. The Dodd-Frank Act may also restrict us as a savings and loan holding company or systemically important institution from sponsoring and investing in private equity and hedge funds, which will limit our discretion in managing our general account. In addition, the Dodd-Frank Act prohibits proprietary trading by any entity in our holding company structure that is not a licensed insurance company. The Dodd-Frank Act will also impose new minimum capital standards on a consolidated basis for holding companies that, like us, control insured depository institutions.

Other changes in the Dodd-Frank Act include: the possibility that regulators could break up firms that are considered too big to fail or mandate certain barriers between their activities in order to allow for the orderly resolution of failing financial institutions; a new Federal Insurance Office within Treasury to, among other things, conduct a study of how to improve insurance regulation in the United States; new means for regulators to limit the activities of financial firms; discretionary authority for the SEC to impose a harmonized standard of care for investment advisers and broker-dealers who provide personalized advice about securities to retail customers; additional regulation of compensation in the financial services industry; and enhancements to corporate governance, especially regarding risk management.

Given the significance of the changes and the additional regulatory action required for many of the new provisions, we cannot predict all of the ways or the degree to which our business, financial condition and results of operations may be affected by the Dodd-Frank Act, once it is fully implemented.

FY 2011, Budget of the United States Government

On February 1, 2010, the Obama Administration released its FY 2011, Budget of the United States Government (the Budget). Although the Administration has not released proposed statutory language, the Budget includes proposals which if enacted, would affect the taxation of life insurance companies and certain life insurance products. In particular, the proposals would affect the treatment of corporate owned life insurance (COLI) policies by limiting the availability of certain interest deductions for companies that purchase those policies. The proposals would also change the method used to determine the amount of dividend income received by a life insurance company on assets held in separate accounts used to support products, including variable life insurance and variable annuity contracts, that are eligible for the dividends received deduction (DRD). The DRD reduces the amount of dividend income subject to tax and is a significant component of the difference between the Company's actual tax expense and expected amount determined using the federal statutory tax rate of 35%. If proposals of this type were enacted, the Company's sale of COLI, variable annuities, and variable life products could be adversely affected and the Company's actual tax expense could increase, reducing earnings. The Budget also included a proposal to levy a \$90 billion Financial Crisis Responsibility Fee on large financial institutions, including The Hartford.

IMPACT OF NEW ACCOUNTING STANDARDS

For a discussion of accounting standards, see Note 1 of Notes to Consolidated Financial Statements included in The Hartford's 2009 Form 10-K Annual Report and Note 1 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in the Capital Markets Risk Management section of Management's Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.

Item 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

The Company's principal executive officer and its principal financial officer, based on their evaluation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) have concluded that the Company's disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e) as of June 30, 2010.

Changes in internal control over financial reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's second fiscal quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**Part II. OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

For a discussion of legal proceedings, see Litigation under Note 9 of the Notes to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A. RISK FACTORS

Investing in The Hartford involves risk. In deciding whether to invest in The Hartford, you should carefully consider the following risk factors, any of which could have a significant or material adverse effect on the business, financial condition, operating results or liquidity of The Hartford. This information should be considered carefully together with the other information contained in this report and the other reports and materials filed by The Hartford with the SEC. The risk factors set forth below update the risk factors section previously disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and in Item 1A of Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Our operating environment remains challenging in light of uncertainty about the timing and strength of an economic recovery and the impact of governmental budgetary and regulatory initiatives. The steps we have taken to realign our businesses and strengthen our capital position may not be adequate to mitigate the financial, competitive and other risks associated with our operating environment, particularly if economic conditions deteriorate from their current levels or regulatory requirements change significantly, and we may be required to or we may seek to raise additional capital or take other strategic or financial actions that could adversely affect our business and results or trading prices for our capital stock.

Persistent volatility in financial markets and uncertainty about the timing and strength of a recovery in the global economy adversely affected our business and results in 2009, and these conditions have continued to affect our operating environment in 2010. High unemployment, lower family income, lower business investment and lower consumer spending in most geographic markets we serve have adversely affected the demand for financial and insurance products, as well as their profitability in some cases. Our results, financial condition and statutory capital remain sensitive to equity and credit market performance, and we expect that market volatility will continue to pressure returns in our life and property and casualty investment portfolios and that our hedging costs will remain high. Until economic conditions become more stable and improve, we also expect to experience realized and unrealized investment losses, particularly in the commercial real estate sector where significant market illiquidity and risk premiums exist that reflect the current uncertainty in the real estate market. Lower interest rates are also likely to continue to adversely impact our fixed annuity sales and the cost and effectiveness of our GMWB hedging program. Deterioration or negative rating agency actions with respect to our investments could also indirectly adversely affect our statutory capital and risk-based capital (RBC) ratios, which could in turn have other negative consequences for our business and results.

The steps we have taken to realign our businesses and strengthen our capital position may not be adequate if economic conditions do not stabilize in line with our forecasts or if they experience a significant deterioration. These steps include ongoing initiatives, particularly the execution risk relating to the repositioning of our investment portfolios. In addition, we modified our variable annuity product offerings and, in October 2009, launched a new variable annuity product. However, the future success of this new variable annuity product will be dependent on market acceptance. The level of market acceptance of this new product will directly affect the level of variable annuity sales of the Company in the future. In addition, as the Company and our distribution partners transition to the new product, there will be downward pressure on new deposits, and management expects to continue to be in a net outflow position through 2010. If our actions are not adequate, our ability to support the scale of our business and to absorb operating losses and liabilities under our customer contracts could be impaired, which would in turn adversely affect our overall competitiveness. We could be required to raise additional capital or consider other actions to manage our capital position and liquidity or further reduce our exposure to market and financial risks. We may also be forced to sell assets on unfavorable terms that could cause us to incur charges or lose the potential for market upside on those assets in a market recovery. We could also face other pressures, such as employee recruitment and retention issues and potential loss of distributors for our products. Finally, trading prices for our common stock could decline as a result or in anticipation of sales of our common stock or equity-linked instruments.

Even if the measures we have taken (or take in the future) are effective to mitigate the risks associated with our current operating environment, they may have unintended consequences. For example, rebalancing our hedging program may better protect our statutory surplus, but also result in greater U.S. GAAP earnings volatility. Actions we take may also entail impairment or other charges or adversely affect our ability to compete successfully in an increasingly difficult consumer market.

Regulatory developments relating to the recent financial crisis may also significantly affect our operations and prospects in ways that we cannot predict. U.S. and overseas governmental and regulatory authorities, including the SEC, the OTS, The Federal Reserve, the OCC, the New York Stock Exchange, or NYSE, or the Financial Industry Regulatory Authority are considering enhanced or new regulatory requirements intended to prevent future crises or otherwise stabilize the institutions under their supervision. Such measures are likely to lead to stricter regulation of financial institutions generally, and heightened prudential requirements for systemically important companies in particular. Such measures could include taxation of financial transactions, liabilities and employee compensation.

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The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) was enacted into law on July 21, 2010, and will introduce sweeping changes to the regulation of the financial services industry. Most of these will not become effective immediately, and many will require further regulatory action before they become effective. Nonetheless, we anticipate that the Dodd-Frank Act may affect our operations and governance in ways that could significantly affect our financial condition and results of operations.

In particular, the Dodd-Frank Act vests a newly created Financial Services Oversight Council with the power to designate systemically important institutions, which will be subject to special regulatory supervision and other provisions intended to prevent, or mitigate the impact of, future disruptions in the U.S. financial system. If we are designated as a systemically important institution, we will be subject to heightened prudential standards imposed by The Federal Reserve, as well as to post-event assessments imposed by the FDIC to recoup the costs associated with the orderly resolution of systemically important institutions in the event one or more such institutions fails. The Dodd-Frank Act creates a new resolution authority for systemically important institutions. Although insurance companies will not be subject to the special liquidation procedures in the Dodd-Frank Act, it contains back-up authority for the FDIC to force insurance companies into liquidation under state law if their state regulators fail to act. Other provisions will require central clearing of, and/or impose new margin and capital requirements on, derivatives transactions, which we expect will increase the costs of our hedging program.

A number of provisions of the Dodd-Frank Act affect us solely due to our status as a savings & loan holding company. For example, under the Dodd-Frank Act, the OTS will be dissolved. The Federal Reserve will assume regulatory authority over our holding company, and our thrift subsidiary, Federal Trust Bank, will be regulated by the OCC. The Dodd-Frank Act may also restrict us as a savings and loan holding company or systemically important institution from sponsoring and investing in private equity and hedge funds, which will limit our discretion in managing our general account. In addition, the Dodd-Frank Act prohibits proprietary trading by any entity in our holding company structure that is not a licensed insurance company. The Dodd-Frank Act will also impose new minimum capital standards on a consolidated basis for holding companies that, like us, control insured depository institutions.

Other changes in the Dodd-Frank Act include: the possibility that regulators could break up firms that are considered too big to fail or mandate certain barriers between their activities in order to allow for the orderly resolution of failing financial institutions; a new Federal Insurance Office within Treasury to, among other things, conduct a study of how to improve insurance regulation in the United States; new means for regulators to limit the activities of financial firms; discretionary authority for the SEC to impose a harmonized standard of care for investment advisers and broker-dealers who provide personalized advice about securities to retail customers; additional regulation of compensation in the financial services industry; and enhancements to corporate governance, especially regarding risk management.

Given the significance of the changes and the additional regulatory action required for many of the new provisions, we cannot predict all of the ways or the degree to which our business, financial condition and results of operations may be affected by the Dodd-Frank Act, once it is fully implemented.

Although we repurchased our Series E Preferred Stock issued to Treasury in the CPP, we remain subject to certain restrictions, oversight and costs relating to our receipt of federal assistance and our status as a savings and loan holding company that could materially affect our business, results and prospects.

Although we repurchased our Series E Preferred Stock issued to Treasury in the CPP, provisions of our agreement with Treasury relating to the CPP will remain in effect for so long as Treasury continues to hold the warrant or shares of our common stock received upon exercising the warrant, and we will continue to be a savings and loan holding company by virtue of our ownership of Federal Trust Bank (FTB), a federally chartered, FDIC-insured thrift, the acquisition of which was a condition to our participation in the CPP. We will therefore remain subject to various restrictions, oversight and costs and other potential consequences that could materially affect our business, results and prospects, including the following:

As a savings and loan holding company, we are subject to regulation, supervision and examination by the OTS, including with respect to required capital, cash flow, organizational structure, risk management and earnings at the parent company level, and to the OTS reporting requirements. All of our activities must be financially-related

activities as defined by federal law (which includes insurance activities), and the OTS has enforcement authority over us, including the right to pursue administrative orders or penalties and the right to restrict or prohibit activities determined by the OTS to be a serious risk to FTB. We must also be a source of strength to FTB, which could require further capital contributions. We will be subject to similar, potentially stricter, requirements when regulatory authority over us transfers to The Federal Reserve (for our holding company) and the OCC (for FTB). We believe that the limitations on the amount and form of bonus, retention and other incentive compensation that we may pay to executive officers and senior management do not apply to us with respect to services rendered from and after the date we repurchased all of the Series E Preferred Stock. Nevertheless, recipients of federal assistance continue to be subject to intense scrutiny, and future regulatory initiatives could be adopted at the federal or state level that have the effect of constraining the business or management of those enterprises. The Obama administration has proposed a financial crisis responsibility tax that would be levied on the largest financial institutions in terms of assets. We cannot predict the scope or impact of future regulatory initiatives or the effect that they may have on our ability to attract and retain key personnel, the cost and complexity of our compliance programs or on required levels of regulatory capital. Future federal statutes may adversely affect the terms of the CPP that remain applicable to us, and Treasury may amend the terms of our agreement unilaterally if required by future statutes, including in a manner materially adverse to us.

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Our ability to declare and pay dividends is subject to limitations.

The payment of future dividends on our capital stock is subject to the discretion of our board of directors, which considers, among other factors our operating results, overall financial condition, credit-risk considerations and capital requirements, as well as general business and market conditions.

Moreover, as a holding company that is separate and distinct from our insurance subsidiaries, we have no significant business operations of our own. Therefore, we rely on dividends from our insurance company subsidiaries and other subsidiaries as the principal source of cash flow to meet our obligations. These obligations include payments on our debt securities and the payment of dividends on our capital stock. The Connecticut insurance holding company laws limit the payment of dividends by Connecticut-domiciled insurers. In addition, these laws require notice to and approval by the state insurance commissioner for the declaration or payment by those subsidiaries of any dividend if the dividend and other dividends or distributions made within the preceding 12 months exceeds the greater of:

10% of the insurer's policyholder surplus as of December 31 of the preceding year, and net income, or net gain from operations if the subsidiary is a life insurance company, for the previous calendar year, in each case determined under statutory insurance accounting principles.

In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner.

The insurance holding company laws of the other jurisdictions in which our insurance subsidiaries are incorporated, or deemed commercially domiciled, generally contain similar, and in some instances more restrictive, limitations on the payment of dividends. Our property-casualty insurance subsidiaries are permitted to pay up to a maximum of approximately \$1.4 billion in dividends to us in 2010 without prior approval from the applicable insurance commissioner. Statutory dividends from our life insurance subsidiaries in 2010 require prior approval from the applicable insurance commissioner. The aggregate of these amounts, net of amounts required by our subsidiary Hartford Life, Inc., or HLI, is the maximum our insurance subsidiaries could pay to us in 2010. In 2009, we and HLI received \$700 in dividends from our life insurance subsidiaries representing the movement of a life subsidiary to us, and we received \$251 in dividends from our property-casualty insurance subsidiaries. For the six months ended June 30, 2010, neither we nor HLI received dividends from the life insurance subsidiaries. For the six months ended June 30, 2010, we received \$626 in dividends from our property-casualty insurance subsidiaries.

Our rights to participate in any distribution of the assets of any of our subsidiaries, for example, upon their liquidation or reorganization, and the ability of holders of our common stock to benefit indirectly from a distribution, are subject to the prior claims of creditors of the applicable subsidiary, except to the extent that we may be a creditor of that subsidiary. Claims on these subsidiaries by persons other than us include, as of June 30, 2010, claims by policyholders for benefits payable amounting to \$116.6 billion, claims by separate account holders of \$154.9 billion, and other liabilities including claims of trade creditors, claims from guaranty associations and claims from holders of debt obligations, amounting to \$16.3 billion.

In addition, as a savings and loan holding company, we are subject to regulation, supervision and examination by the OTS, including with respect to required capital, cash flow, organization structure, risk management and earnings at the parent company level. We will be subject to similar, potentially stricter, requirements when regulatory authority over us transfers to The Federal Reserve (for our holding company) and the OCC (for FTB).

Holders of our capital stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. Moreover, our common stockholders are subject to the prior dividend rights of any holders of our preferred stock or depositary shares representing such preferred stock then outstanding. As of June 30, 2010, there were 575,000 shares of our Series F Preferred Stock issued and outstanding. Under the terms of the Series F Preferred Stock, our ability to declare and pay dividends on or repurchase our common stock will be subject to restrictions in the event we fail to declare and pay (or set aside for payment) full dividends on the Series F Preferred Stock.

The terms of our outstanding junior subordinated debt securities also prohibit us from declaring or paying any dividends or distributions on our capital stock or purchasing, acquiring, or making a liquidation payment on such stock, if we have given notice of our election to defer interest payments but the related deferral period has not yet commenced or a deferral period is continuing.

Table of Contents***We are particularly vulnerable to losses from catastrophes, both natural and man-made, which could materially and adversely affect our financial condition, results of operations and liquidity.***

We are particularly vulnerable to losses from catastrophes, both natural and man-made. Depending on their incidence and severity, these losses could materially and adversely affect our financial condition, results of operations and liquidity.

Natural catastrophes can be caused by various unpredictable events, including earthquakes, hurricanes, hailstorms, severe winter weather, fires, tornadoes, and disease pandemics. The geographic distribution of our business subjects us to catastrophe exposure for natural events occurring in a number of areas, including, but not limited to, hurricanes in Florida, the Gulf Coast, the Northeast and the Atlantic coast regions of the United States, and earthquakes in California and the New Madrid region of the United States. We expect that increases in the values and concentrations of insured property in these areas will continue to increase the severity of catastrophic events in the future. Starting in 2004 and 2005, third-party catastrophe loss models for hurricane loss events have incorporated medium-term forecasts of increased hurricane frequency and severity reflecting the potential influence of multi-decadal climate patterns within the Atlantic. In addition, changing climate conditions across longer time scales, including the potential risk of broader climate change, may be increasing, or may in the future increase, the frequency and severity of certain natural catastrophe losses across various geographic regions. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes such as hurricanes. Potential examples of the impact of climate change on catastrophe exposure include, but are not limited to the following: an increase in the frequency or severity of wind and thunderstorm and tornado/hailstorm events due to increased convection in the atmosphere, more frequent brush fires in certain geographies due to prolonged periods of drought, higher incidence of deluge flooding, and the potential for an increase in severity of the largest hurricane events due to higher sea surface temperatures. Our life insurance operations are also exposed to risk of loss from catastrophes. For example, natural or man-made disasters or a disease pandemic such as could arise from avian flu, could significantly increase our mortality and morbidity experience. Policyholders may be unable to meet their obligations to pay premiums on our insurance policies or make deposits on our investment products.

We are also exposed to losses resulting from man-made disaster, including explosion, acts of terrorism and political instability. For example, in April 2010, the drilling rig Deepwater Horizon caught fire and sank, resulting in a massive oil spill in the Gulf of Mexico. We believe that under the terms of our insurance policies, we do not have material exposure to damage resulting directly from the Deepwater Horizon spill. However, we could experience significant indirect losses if the presence of oil exacerbates otherwise covered losses in a manner that satisfies all the terms and conditions of coverage and we are unable to recoup the cost of oil-related damage from the parties responsible for the spill.

Our liquidity could be constrained by a catastrophe, or multiple catastrophes, which could result in extraordinary losses. In addition, in part because accounting rules do not permit insurers to reserve for such catastrophic events until they occur, claims from catastrophic events could have a material adverse effect on our financial condition, consolidated results of operations and cash flows. To the extent that loss experience unfolds or models improve, we will seek to reflect any increased risk in the design and pricing of our products. However, the Company may be exposed to regulatory or legislative actions that prevent a full accounting of loss expectations in the design or price of our products or result in additional risk-shifting to the insurance industry.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Purchases of Equity Securities by the Issuer***

The following table summarizes the Company's repurchases of its common stock for the three months ended June 30, 2010:

Total Number of Shares Purchased as Part of Publicly	Approximate Dollar Value of Shares that May Yet Be
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Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Announced Plans or Programs	Purchased Under the Plans or Programs <i>(in millions)</i>
April 1, 2010 - April 30, 2010	305	\$ 27.58		\$ 807
May 1, 2010 - May 31, 2010	470	\$ 28.57		\$ 807
June 1, 2010 - June 30, 2010		\$		\$ 807
Total	775	\$ 28.18		N/A

[1] Represents shares acquired from employees of the Company for tax withholding purposes in connection with the Company's stock compensation plans.

The Hartford's Board of Directors has authorized a \$1 billion stock repurchase program. The Company's repurchase authorization permits purchases of common stock, which may be in the open market or through privately negotiated transactions. The Company also may enter into derivative transactions to facilitate future repurchases of common stock. The timing of any future repurchases will be dependent upon several factors, including the market price of the Company's securities, the Company's capital position, consideration of the effect of any repurchases on the Company's financial strength or credit ratings, and other corporate considerations. The repurchase program may be modified, extended or terminated by the Board of Directors at any time.

Item 6. EXHIBITS

See Exhibits Index on page 139.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Hartford Financial Services Group, Inc.
(Registrant)

Date: August 4, 2010

/s/ Beth A. Bombara
Beth A. Bombara
Senior Vice President and Controller
(Chief accounting officer and duly authorized
signatory)

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**THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE THREE MONTHS ENDED JUNE 30, 2010
FORM 10-Q
EXHIBITS INDEX**

Exhibit No.	Description
10.01	2010 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K, filed on May 25, 2010).
10.02	The Hartford 2010 Incentive Stock Plan Administrative Rules Related to Awards for Key Employees.
10.03	The Hartford 2010 Incentive Stock Plan Administrative Rules Related to Awards for Non-Employee Directors.
10.04	The Hartford 2010 Incentive Stock Plan Forms of Individual Award Agreements.
10.05	Summary of Annual Executive Bonus Program (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K, filed on May 25, 2010).
10.06	Loss on Sale Reimbursement Payback Agreement between the Company and Gregory McGreevey dated July 22, 2010.
15.01	Deloitte & Touche LLP Letter of Awareness.
31.01	Certification of Liam E. McGee pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Christopher J. Swift pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Liam E. McGee pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification of Christopher J. Swift pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document. [1]
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

[1] Includes the following materials contained in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 formatted in XBRL (eXtensible Business Reporting Language) (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Changes in Equity, (iv) the Condensed Consolidated Statements of Comprehensive Income (Loss), (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements, which is tagged as blocks of text.

