



# Ratings

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## Hartford Financial Services Group Inc. And Subsidiaries Downgraded One Notch; Outlook Negative

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Publication date: 03-Mar-09, 15:55:35 EST  
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NEW YORK (Standard & Poor's) March 3, 2009--Standard & Poor's Ratings Services said today that it lowered its counterparty credit rating on Hartford Financial Services Group Inc. (NYSE:HIG) to 'BBB' from 'BBB+' and its counterparty credit and financial strength ratings on all of HIG's life (Hartford Life) and property/casualty (Hartford Fire) operating subsidiaries to 'A' from 'A+'. At the same time, Standard & Poor's removed all of these ratings from CreditWatch, where they were placed on Feb. 9, 2009, with negative implications. The outlook on all these companies is negative.

"The downgrade reflects our opinion that Hartford's earnings, capitalization, and financial flexibility have been weakened considerably by the deepening equity market decline, continuing volatility, and significant asset impairments in the past two quarters," explained Standard & Poor's credit analyst Shellie Stoddard. "We believe the uncertainty of this financial stress could erode Hartford's brand and diverse competitive advantages, particularly in certain lines of business."

Using assumptions based on the market levels of the past week, we estimate that the additional capital required to fund Hartford's potential increase in variable-annuity reserves and the additional capital charge under the asset stress assumptions could meaningfully exceed the undeployed capital resources Hartford has on its balance

sheet, including funds currently at the holding company. If these market declines were to persist or worsen, HIG will need to increase financial leverage materially to cover the funding shortfall at Hartford Life. The cost of existing leverage resources--a bank line of credit and its contingent capital facility--is relatively low. But in a worsening environment, if Hartford needs to access the capital markets, its cost of capital would be dramatically higher, which adversely affects our opinion of its financial flexibility.

The negative outlook reflects our view that Hartford's financial flexibility is constrained with respect to funding potential future capital needs, particularly at Hartford Life. We expect that Hartford Fire's capitalization will remain redundant at the 'AA' confidence level. "If Hartford's competitive position were to weaken materially, if the equity market declines further, or if other economic pressures drive capitalization lower, we could lower the ratings again," Ms. Stoddard added. "Any favorable ratings movement would depend on a material, sustained rebound in the equity markets that would reduce the capital requirement for the rating."

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