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# A.M. Best Downgrades Ratings of The Hartford Financial Services Group, Inc. and Its Subsidiaries

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**FOR IMMEDIATE RELEASE**

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**A.M. Best Co.** has downgraded the financial strength ratings (FSR) to A (Excellent) from A+ (Superior) and the issuer credit ratings (ICR) to "a+" from "aa-" of the key life/health (Hartford Life) insurance subsidiaries of **The Hartford Financial Services Group, Inc.** (The Hartford) (Hartford, CT) [NYSE: HIG]. Concurrently, A.M. Best has downgraded the ICR to "bbb+" from "a-" of **Hartford Life, Inc.** The outlook for these ratings is negative.

A.M. Best also has downgraded the FSR to A (Excellent) from A+ (Superior) and the ICR to "a+" from "aa-" of the key property/casualty (Hartford Insurance Pool) insurance subsidiaries of The Hartford. The outlook for the FSR is stable, while the outlook for the ICR is negative.

Concurrently, A.M. Best has downgraded the ICR to "bbb+" from "a-" of The Hartford. The outlook for these ratings is negative. (Please see link below for a detailed listing of all companies and ratings.)

The rating actions for Hartford Life reflect the recent performance of its general account investment portfolio and retail variable annuity businesses in light of the current economic environment. The rating actions also reflect the potential for a material decline in the company's risk-based capital position should the current economic climate—particularly the equity markets—continue to deteriorate. While operating and realized capital losses in 2008 were offset by contributions from the holding company, Hartford Life's investment portfolio remains in a significant unrealized loss position. A.M. Best believes that the company is exposed to statutory reserve increases associated with its variable annuity lines, particularly in light of the first quarter-to-date equity market deterioration. In addition, A.M. Best remains concerned regarding future deferred acquisition charge (DAC) unlocks in light of current market conditions.

A.M. Best also remains concerned over the future performance of Hartford Life's commercial mortgage investments—both whole loans and structured securities—as it expects rising defaults in response to the deepening recession. In general, A.M. Best is most cautious on retail, hotel and office properties within close proximity to distressed housing markets and/or labor markets where unemployment is high. While A.M. Best recognizes that Hartford Life continues to actively monitor its investment exposures utilizing credit protection and stress-testing them across a variety of economic scenarios, the persistently negative economic climate suggests the potential for additional asset impairments. A.M. Best notes that the company's earnings remain heavily correlated to the equity markets—particularly within its retail variable annuity businesses—which is likely to cause further erosion in operating earnings.

Hartford Life's ratings reflect its strong risk-based capital position at year-end, as well as an increased level of liquidity at the operating companies. The ratings also recognize Hartford Life's significant market position in several life insurance and retirement savings businesses (most notably variable annuities), its diversified sources of revenues and earnings and its broad multi-channel distribution platform. Additionally, the ratings also incorporate the fact that The Hartford currently maintains nearly \$1.5 billion of liquid assets at the holding company to support its debt service needs, as well as the near-term capital needs of its operating companies. A.M. Best notes that The Hartford's financial leverage (including accumulated other comprehensive income [AOCI]) and coverage ratios remain within A.M. Best's guidelines for the current ratings, despite a recent decline in fixed charge coverage driven by lower operating earnings.

The rating actions on Hartford Insurance Pool reflect the strain placed on the overall enterprise from Hartford Life (these rating concerns are indicated above) as well as the reduced financial flexibility of the holding company. The Hartford Insurance Pool's ratings recognize its continued supportive risk-adjusted capitalization, strong underwriting fundamentals and solid business position within the property/casualty industry. These strengths are somewhat offset by the significant realized and unrealized capital losses reported in 2008, \$2.15 billion of dividends taken out of the

property/casualty companies, including \$1.0 billion to support the life/health operations, and continued softening throughout most commercial lines. In addition, uncertainties exist regarding the potential for continued investment losses due to volatile capital markets and the further strain that this may place on risk-adjusted capitalization. Further, A.M. Best remains concerned regarding the potential for additional dividends out of the property/casualty companies should extraordinary additional capital be provided to the life/health operations.

Nevertheless, the stable outlook on the Hartford Insurance Pool's FSR reflects A.M. Best's view that it is well positioned to manage challenging property/casualty market dynamics such as reduced pricing and increased competition, due to its significant depth and breadth of operations, generally conservative underwriting practices, effective utilization of multiple distribution channels and supportive risk-adjusted capitalization.

For a complete listing of The Hartford Financial Services Group, Inc.'s FSRs, ICRs and debt ratings, please visit <http://www.ambest.com/press/022713hartford.pdf>.

The principal methodologies used in determining these ratings, including any additional methodologies and factors, which may have been considered, can be found at <http://www.ambest.com/ratings/methodology>.

**Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.**

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