

HARTFORD FINANCIAL SERVICES GROUP INC/DE

Form 10-Q

August 03, 2011

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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, 2011

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 28, 2011 there were outstanding 445,440,449 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, 2011
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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, legislative and other 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 or The Hartford). Future developments may not be in line with management's expectations or may 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 2010 Form 10-K Annual Report. These important risks and uncertainties include:

- challenges related to the Company's current operating environment, including continuing uncertainty about the strength and speed of the recovery in the United States and other key economies and the impact of governmental stimulus and austerity initiatives, sovereign credit concerns, including the potential consequences associated with downgrades to the credit ratings of debt issued by the United States government, and other developments on financial, commodity and credit markets and consumer spending and investment;
- the success of our initiatives relating to the realignment of our business in 2010 and plans to improve the profitability and long-term growth prospects of our key divisions, including through opportunistic acquisitions or divestitures, and the impact of regulatory or other constraints on our ability to complete these initiatives and deploy capital among our businesses as and when planned;
- market risks associated with our business, including changes in interest rates, credit spreads, equity prices, foreign exchange rates, and implied volatility levels, as well as continuing uncertainty in key sectors such as the global real estate market;
- volatility in our earnings resulting from our adjustment of our risk management program to emphasize protection of statutory surplus, and cash flows;
- 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 rating 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 changes in 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, earthquake, or other natural or man-made disaster that may adversely affect our businesses and cost and availability of reinsurance;
- weather and other natural physical events, including the severity and frequency of storms, hail, winter storms, hurricanes and tropical storms, as well as climate change and its potential impact on weather patterns;

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 Federal Reserve as the Company's regulator and the Office of the Controller of the Currency as regulator of Federal Trust Bank;

the cost and other effects of increased regulation as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (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 potential effect of other 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 or changes in U.S. federal or other tax laws that affect the relative attractiveness of our investment products;

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

the uncertain effects of emerging claim and coverage issues;

regulatory limitations on the ability of the Company and certain of its subsidiaries to declare and pay dividends;

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 material risk and loss;

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 the Company in this document speaks only as of the date of the filing of this Form 10-Q. Factors or events that could cause the Company's actual results to differ may emerge from time to time, and it is not possible for the Company to predict all of them. The Company undertakes 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, 2011, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2011 and 2010 and statements of changes in stockholders' equity, and cash flows for the six-month periods ended June 30, 2011 and 2010. 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, 2010, 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 25, 2011 (which report includes an explanatory paragraph relating to the Company's change in its method of accounting and reporting for variable interest entities and embedded credit derivatives as required by accounting guidance adopted in 2010, for other-than-temporary impairments as required by accounting guidance adopted in 2009, and for the fair value measurement of financial instruments as required by accounting guidance adopted 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, 2010 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 3, 2011

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
<i>(In millions, except for per share data)</i>	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenues				
Earned premiums	\$ 3,545	\$ 3,506	\$ 7,064	\$ 7,033
Fee income	1,219	1,186	2,428	2,366
Net investment income (loss):				
Securities available-for-sale and other	1,104	1,148	2,212	2,202
Equity securities, trading	(597)	(2,649)	206	(1,948)
Total net investment income (loss)	507	(1,501)	2,418	254
Net realized capital gains (losses):				
Total other-than-temporary impairment (OTTI) losses	(31)	(292)	(150)	(632)
OTTI losses recognized in other comprehensive income	8	184	72	372
Net OTTI losses recognized in earnings	(23)	(108)	(78)	(260)
Net realized capital gains (losses), excluding net OTTI losses recognized in earnings	92	117	(256)	(5)
Total net realized capital gains (losses)	69	9	(334)	(265)
Other revenues	61	65	125	129
Total revenues	5,401	3,265	11,701	9,517
Benefits, losses and expenses				
Benefits, losses and loss adjustment expenses	3,976	3,592	7,154	6,725
Benefits, losses and loss adjustment expenses returns credited on international variable annuities	(597)	(2,649)	206	(1,948)
Amortization of deferred policy acquisition costs and present value of future profits	835	935	1,499	1,582
Insurance operating costs and other expenses	1,224	1,111	2,344	2,226
Interest expense	128	132	256	252
Total benefits, losses and expenses	5,566	3,121	11,459	8,837
Income (loss) from continuing operations before income taxes	(165)	144	242	680
Income tax expense (benefit)	(269)	(31)	(211)	185
Income from continuing operations, net of tax	104	175	453	495
Income (loss) from discontinued operations, net of tax	(80)	(99)	82	(100)

Net income	\$	24	\$	76	\$	535	\$	395
Preferred stock dividends and accretion of discount		11		11		21		494
Net income (loss) available to common shareholders	\$	13	\$	65	\$	514	\$	(99)
<i>Income from continuing operations, net of tax, available to common shareholders per common share</i>								
Basic	\$	0.21	\$	0.37	\$	0.97	\$	
Diluted	\$	0.19	\$	0.34	\$	0.89	\$	
<i>Net income (loss) available to common shareholders per common share</i>								
Basic	\$	0.03	\$	0.15	\$	1.16	\$	(0.24)
Diluted	\$	0.03	\$	0.14	\$	1.06	\$	(0.24)
Cash dividends declared per common share	\$	0.10	\$	0.05	\$	0.20	\$	0.10

See Notes to Condensed Consolidated Financial Statements.

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

	June 30, 2011	December 31, 2010
<i>(In millions, except for share and per share data)</i>		<i>(Unaudited)</i>
Assets		
Investments:		
Fixed maturities, available-for-sale, at fair value (amortized cost of \$77,367 and \$78,419) (includes variable interest entity assets, at fair value, of \$177 and \$406)	\$ 78,132	\$ 77,820
Fixed maturities, at fair value using the fair value option (includes variable interest entity assets of \$333 and \$323)	1,227	649
Equity securities, trading, at fair value (cost of \$32,774 and \$33,899)	32,278	32,820
Equity securities, available-for-sale, at fair value (cost of \$1,070 and \$1,013)	1,081	973
Mortgage loans (net of allowances for loan losses of \$171 and \$155)	5,304	4,489
Policy loans, at outstanding balance	2,188	2,181
Limited partnerships and other alternative investments (includes variable interest entity assets of \$7 and \$14)	2,028	1,918
Other investments	973	1,617
Short-term investments	8,861	8,528
 Total investments	 132,072	 130,995
Cash	1,898	2,062
Premiums receivable and agents' balances, net	3,418	3,273
Reinsurance recoverables, net	4,851	4,862
Deferred policy acquisition costs and present value of future profits	9,584	9,857
Deferred income taxes, net	3,362	3,725
Goodwill	1,036	1,051
Property and equipment, net	1,020	1,150
Other assets	2,743	1,629
Separate account assets	157,485	159,742
 Total assets	 \$ 317,469	 \$ 318,346
 Liabilities		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses	\$ 40,184	\$ 39,598
Other policyholder funds and benefits payable	44,073	44,550
Other policyholder funds and benefits payable - international variable annuities	32,237	32,793
Unearned premiums	5,315	5,176
Short-term debt	400	400
Long-term debt	6,214	6,207
Consumer notes	368	382
Other liabilities (includes variable interest entity liabilities of \$439 and \$394)	9,518	9,187
Separate account liabilities	157,485	159,742
 Total liabilities	 295,794	 298,035
Commitments and Contingencies (Note 9)		
Stockholders' Equity		

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Preferred stock, \$0.01 par value 50,000,000 shares authorized, 575,000 shares issued, liquidation preference \$1,000 per share	556	556
Common stock, \$0.01 par value 1,500,000,000 shares authorized, 469,754,771 shares issued	5	5
Additional paid-in capital	10,393	10,448
Retained earnings	12,503	12,077
Treasury stock, at cost 24,468,484 and 25,205,283 shares	(1,705)	(1,774)
Accumulated other comprehensive loss, net of tax	(77)	(1,001)
Total stockholders equity	21,675	20,311
Total liabilities and stockholders equity	\$ 317,469	\$ 318,346

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2011	2010
	(Unaudited)	
<i>(In millions, except for share data)</i>		
Preferred Stock, at beginning of period	\$ 556	\$ 2,960
Issuance of mandatory convertible preferred stock		556
Accelerated accretion of discount from redemption of preferred stock issued to U.S. Treasury		440
Redemption of preferred stock issued to the U.S. Treasury		(3,400)
Preferred Stock, at end of period	556	556
Common Stock	5	5
Additional Paid-in Capital, at beginning of period	10,448	8,985
Issuance of common shares under public offering		1,599
Issuance of shares under incentive and stock compensation plans	(45)	(108)
Tax expense on employee stock options and awards	(10)	(6)
Additional Paid-in Capital, at end of period	10,393	10,470
Retained Earnings, at beginning of period, before cumulative effect of accounting change, net of tax	12,077	11,164
Cumulative effect of accounting change, net of tax		26
Retained Earnings, at beginning of period, as adjusted	12,077	11,190
Net income	535	395
Accelerated accretion of discount from redemption of preferred stock issued to U.S. Treasury		(440)
Dividends on preferred stock	(21)	(54)
Dividends declared on common stock	(88)	(42)
Retained Earnings, at end of period	12,503	11,049
Treasury Stock, at Cost, at beginning of period	(1,774)	(1,936)
Issuance of shares under incentive and stock compensation plans from treasury stock	76	129
Return of shares under incentive and stock compensation plans and other to treasury stock	(7)	(3)
Treasury Stock, at Cost, at end of period	(1,705)	(1,810)
Accumulated Other Comprehensive Loss, Net of Tax, at beginning of period	(1,001)	(3,312)
Total other comprehensive income	924	1,933
Accumulated Other Comprehensive Loss, Net of Tax, at end of period	(77)	(1,379)

Noncontrolling Interest, at beginning of period	29
Recognition of noncontrolling interest in other liabilities	(29)

Noncontrolling Interest, at end of period

Total Stockholders' Equity	\$ 21,675	\$ 18,891
Preferred Shares Outstanding, at beginning of period (in thousands)	575	3,400
Redemption of shares issued to the U.S. Treasury		(3,400)
Issuance of mandatory convertible preferred shares		575
Preferred Shares Outstanding, at end of period	575	575
Common Shares Outstanding, at beginning of period (in thousands)	444,549	383,007
Issuance of shares under public offering		59,590
Issuance of shares under incentive and stock compensation plans	972	1,639
Return of shares under incentive and stock compensation plans and other to treasury stock	(235)	(125)
Common Shares Outstanding, at end of period	445,286	444,111

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		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Comprehensive Income				
Net income	\$ 24	\$ 76	\$ 535	\$ 395
Other comprehensive income (loss)				
Change in net unrealized gain / loss on securities	536	719	846	1,578
Change in OTTI losses recognized in other comprehensive income	(4)	21	1	53
Change in net gain / loss on cash-flow hedging instruments	71	163	3	229
Change in foreign currency translation adjustments	58	77	26	41
Amortization of prior service cost and actuarial net losses included in net periodic benefit costs	26	18	48	32
Total other comprehensive income	687	998	924	1,933
Total comprehensive income	\$ 711	\$ 1,074	\$ 1,459	\$ 2,328

See Notes to Condensed Consolidated Financial Statements.

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

(In millions)	Six Months Ended June 30, 2011 (Unaudited)	2010 (Unaudited)
Operating Activities		
Net income	\$ 535	\$ 395
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred policy acquisition costs and present value of future profits	1,499	1,589
Additions to deferred policy acquisition costs and present value of future profits	(1,306)	(1,338)
Change in reserve for future policy benefits and unpaid losses and loss adjustment expenses and unearned premiums	651	200
Change in reinsurance recoverables	(33)	162
Change in receivables and other assets	(339)	72
Change in payables and accruals	87	(342)
Change in accrued and deferred income taxes	(416)	(128)
Net realized capital losses	215	265
Net disbursements from investment contracts related to policyholder funds		
international variable annuities	(556)	(2,137)
Net decrease in equity securities, trading	542	2,138
Depreciation and amortization	384	315
Goodwill impairment		153
Other operating activities, net	(299)	(144)
Net cash provided by operating activities	964	1,200
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	18,076	23,292
Fixed maturities, fair value option	1	
Equity securities, available-for-sale	122	158
Mortgage loans	228	1,297
Partnerships	106	249
Payments for the purchase of:		
Fixed maturities, available-for-sale	(17,295)	(23,796)
Fixed maturities, fair value option	(534)	
Equity securities, available-for-sale	(192)	(100)
Mortgage loans	(1,075)	(69)
Partnerships	(128)	(135)
Proceeds from business sold	278	130
Derivatives, net	(300)	584
Change in policy loans, net	(7)	(8)
Change in payables for collateral under securities lending, net		(46)
Other investing activities, net	(87)	44
Net cash provided by (used for) investing activities	(807)	1,600
Financing Activities		
Deposits and other additions to investment and universal life-type contracts	5,840	6,410

Withdrawals and other deductions from investment and universal life-type contracts	(11,701)	(11,183)
Net transfers from separate accounts related to investment and universal life-type contracts	5,649	4,120
Proceeds from issuance of long-term debt		1,090
Repayments at maturity for long-term debt and payments on capital lease obligations		(343)
Repayments at maturity or settlement of consumer notes	(14)	(684)
Net proceeds from issuance of mandatory convertible preferred stock		556
Net proceeds from issuance of common shares under public offering		1,600
Redemption of preferred stock issued to the U.S. Treasury		(3,400)
Proceeds from net issuance of shares under incentive and stock compensation plans, excess tax benefit and other	2	14
Dividends paid on preferred stock	(21)	(64)
Dividends paid on common stock	(64)	(40)
Changes in bank deposits and payments on bank advances	(10)	(43)
Net cash provided by (used for) financing activities	(319)	(1,967)
Foreign exchange rate effect on cash	(2)	23
Net increase (decrease) in cash	(164)	856
Cash beginning of period	2,062	2,142
Cash end of period	\$ 1,898	\$ 2,998

Supplemental Disclosure of Cash Flow Information

Income taxes paid	\$ 246	\$ 248
Interest paid	\$ 250	\$ 233

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 holding company for insurance and financial services 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, 2011, and for the three and six months ended June 30, 2011 and 2010 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 2010 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 (VIEs) 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 of the Notes to Condensed Consolidated Financial Statements.

Discontinued Operations

The Company is presenting the operations of certain businesses that meet the criteria for reporting as discontinued operations. Amounts for prior periods have been retrospectively reclassified. See Note 12 of the Notes to Condensed Consolidated Financial Statements for information on the specific subsidiaries and related impacts.

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 insurance product reserves, net of reinsurance; 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 2010 Form 10-K Annual Report, which should be read in conjunction with these

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,	
	2011	2010	2011	2010
Tax expense (benefit) at U.S. Federal statutory rate	\$ (58)	\$ 50	\$ 85	\$ 238
Tax-exempt interest	(38)	(38)	(75)	(78)
Dividends-received deduction	(90)	(40)	(127)	(81)
Valuation allowance	(89)		(91)	86
Other	6	(3)	(3)	20
Income tax expense (benefit)	\$ (269)	\$ (31)	\$ (211)	\$ 185

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 and level of policy owner equity account balances. 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. The Company evaluates its DRD computations on a quarterly basis.

The Company's unrecognized tax benefits were unchanged during the six months ended June 30, 2011, remaining at \$48 as of June 30, 2011. 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 the years 2007 - 2009 commenced during 2010 and is expected to conclude by the end of 2012. In addition, in the second quarter of 2011 the Company recorded a tax benefit of \$52 as a result of a resolution of a tax matter with the IRS for the computation of DRD for years 1998, 2000 and 2001.

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 was \$82, relating mostly to foreign net operating losses, as of June 30, 2011 and was \$173 as of December 31, 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 a portion of debt securities with market value losses until recovery, selling appreciated securities to offset capital losses, business considerations such as asset-liability matching, and sales of certain corporate assets. Such tax planning strategies are viewed by management as prudent and feasible and will be implemented if necessary to realize the deferred tax asset. Based on the availability of additional tax planning strategies identified in the second quarter of 2011, the Company released \$86, or 100% of the valuation allowance associated with investment realized capital losses during the three months ended June 30, 2011. Future economic conditions and debt market volatility, including increases in interest rates, can adversely impact the Company's tax planning strategies and in particular the Company's ability to utilize tax benefits on previously recognized realized capital losses.

Included in the Company's June 30, 2011 deferred tax asset of \$3.4 billion is \$3.0 billion relating to items treated as ordinary for federal income tax purposes, and \$356 for items classified as capital in nature. The \$356 of capital items is comprised of \$618 of gross deferred tax assets related to realized capital losses and \$262 of gross deferred tax liabilities related to unrealized capital gains.

Also, for the six months ended June 30, 2010, the Company incurred a charge of \$19 related to a decrease in deferred tax assets as a result of 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 Common Share**

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(In millions, except for per share data)</i>	2011	2010	2011	2010
Earnings				
Income from continuing operations				
Income from continuing operations, net of tax	\$ 104	\$ 175	\$ 453	\$ 495
Less: Preferred stock dividends and accretion of discount	11	11	21	494
Income from continuing operations, net of tax, available to common shareholders	93	164	432	1
Add: Dilutive effect of preferred stock dividends				
Income from continuing operations, net of tax, available to common shareholders and assumed conversion of preferred shares	\$ 93	\$ 164	\$ 432	\$ 1
Income (loss) from discontinued operations, net of tax	\$ (80)	\$ (99)	\$ 82	\$ (100)
Net income				
Net income	\$ 24	\$ 76	\$ 535	\$ 395
Less: Preferred stock dividends and accretion of discount	11	11	21	494
Net income (loss) available to common shareholders	13	65	514	(99)
Add: Dilutive effect of preferred stock dividends			21	
Net income (loss) available to common shareholders and assumed conversion of preferred shares	\$ 13	\$ 65	\$ 535	\$ (99)
Shares				
Weighted average common shares outstanding, basic	445.1	443.9	444.9	418.8
Dilutive effect of warrants	36.3	35.2	38.6	
Dilutive effect of stock compensation plans	1.0	1.1	1.4	
Dilutive effect of mandatory convertible preferred shares			20.7	

Weighted average shares outstanding and dilutive potential common shares	482.4	480.2	505.6	418.8
<i>Earnings (loss) per common share</i>				
Basic				
Income from continuing operations, net of tax, available to common shareholders	\$ 0.21	\$ 0.37	\$ 0.97	\$
Income (loss) from discontinued operations, net of tax	(0.18)	(0.22)	0.19	(0.24)
Net income (loss) available to common shareholders	\$ 0.03	\$ 0.15	\$ 1.16	\$ (0.24)
Diluted				
Income from continuing operations, net of tax, available to common shareholders	\$ 0.19	\$ 0.34	\$ 0.89	\$
Income (loss) from discontinued operations, net of tax	(0.16)	(0.20)	0.17	(0.24)
Net income (loss) available to common shareholders	\$ 0.03	\$ 0.14	\$ 1.06	\$ (0.24)

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Earnings (Loss) Per Common Share (continued)

The declaration of a quarterly common stock dividend of \$0.10 during the first and second quarter of 2011 triggered a provision in The Hartford's Warrant Agreement with The Bank of New York Mellon, relating to warrants to purchase common stock issued in connection with the Company's participation in the Capital Purchase Program, resulting in an adjustment to the warrant exercise price. The warrant exercise price at June 30, 2011, March 31, 2011 and December 31, 2010 was \$9.754, \$9.773 and \$9.790, respectively.

For the three months ended June 30, 2011, 20.7 million shares for mandatory convertible preferred shares, along with the related dividend adjustment, would have been antidilutive to the earnings per share calculations. 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 503.1 million.

For the six months ended June 30, 2011, the diluted earnings per share calculation on income from continuing operations, net of tax, available to common shareholders was calculated using 484.9 million weighted average common shares outstanding and dilutive potential common shares, as the inclusion of 20.7 million shares for mandatory convertible preferred shares, along with the related dividend adjustment, would have been antidilutive.

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 calculations. 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 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 34.4 million shares for warrants, 1.2 million shares for stock compensation plans 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 calculations. 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.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segment Information

The Hartford is organized into three customer-oriented divisions, Commercial Markets, Consumer Markets and Wealth Management, conducting business principally in seven reporting segments. The Company's seven reporting segments, as well as the Corporate and Other category, are as follows:

Commercial Markets

Property & Casualty Commercial

Property & Casualty Commercial provides workers' compensation, property, automobile, marine, livestock, liability and umbrella coverages primarily throughout the United States (U.S.), along with a variety of customized insurance products and risk management services including professional liability, fidelity, surety, specialty casualty coverages and third-party administrator services.

Group Benefits

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.

Consumer Markets

Consumer Markets provides standard automobile, homeowners and home-based business coverages to individuals across the U.S., including a special program designed exclusively for members of AARP. Consumer Markets also operates a member contact center for health insurance products offered through the AARP Health program.

Wealth Management

Global Annuity

Global Annuity offers individual variable, fixed market value adjusted (fixed MVA) and single premium immediate annuities in the U.S., a range of products to institutional investors, including but not limited to, stable value contracts, and administers investments, retirement savings and other insurance and savings products to individuals and groups outside the U.S., primarily in Japan and Europe.

Life Insurance

Life Insurance sells a variety of life insurance products, including variable universal life, universal life, and term life, as well as private placement life insurance (PPLI) owned by corporations and high net worth individuals.

Retirement Plans

Retirement Plans provides products and services to corporations pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), and products and services to municipalities and not-for-profit organizations under Sections 457 and 403(b) of the Code, collectively referred to as government plans.

Mutual Funds

Mutual Funds offers retail mutual funds, investment-only mutual funds and college savings plans under Section 529 of the Code (collectively referred to as non-proprietary) and proprietary mutual funds supporting insurance products issued by The Hartford.

Corporate and Other

The Hartford includes in Corporate and Other the Company's debt financing and related interest expense, as well as other capital raising activities; banking operations; certain fee income and commission expenses associated with sales of non-proprietary products by broker-dealer subsidiaries; and certain purchase accounting adjustments and other charges not allocated to the segments. Also included in Corporate and Other is the Company's management of certain property and casualty operations that have discontinued writing new business and substantially all of the Company's asbestos and environmental exposures, collectively referred to as Other Operations.

Financial Measures and Other Segment Information

The following table presents net income (loss) for each reporting segment, as well as the Corporate and Other category.

**Three Months Ended
June 30,**

**Six Months Ended
June 30,**

	2011	2010	2011	2010
Property & Casualty Commercial	\$ 121	\$ 270	\$ 448	\$ 476
Group Benefits	41	48	52	99
Consumer Markets	(174)	(13)	(64)	43
Global Annuity	228	(114)	278	(34)
Life Insurance	66	103	101	127
Retirement Plans	30	14	45	8
Mutual Funds	27	23	55	49
Corporate and Other	(315)	(255)	(380)	(373)
Net income	\$ 24	\$ 76	\$ 535	\$ 395

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

The following table presents revenues by product line for each reporting segment, as well as the Corporate and Other category.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Earned premiums, fees, and other considerations				
Property & Casualty Commercial				
Workers compensation	\$ 685	\$ 573	\$ 1,350	\$ 1,148
Property	134	137	269	277
Automobile	145	151	291	303
Package business	285	282	568	561
Liability	134	135	269	274
Fidelity and surety	54	57	109	113
Professional liability	80	80	159	163
Total Property & Casualty Commercial	1,517	1,415	3,015	2,839
Group Benefits				
Group disability	516	502	993	1,033
Group life and accident	511	514	1,028	1,026
Other	49	58	99	117
Total Group Benefits	1,076	1,074	2,120	2,176
Consumer Markets				
Automobile	657	711	1,329	1,424
Homeowners	282	284	566	567
Total Consumer Markets [1]	939	995	1,895	1,991
Global Annuity				
Variable annuity	631	628	1,270	1,228
Fixed / MVA and other annuity	17	11	27	23
Institutional investment products	(3)	4	(2)	17
Total Global Annuity	645	643	1,295	1,268
Life Insurance				
Variable life	91	101	182	203
Universal life	109	104	215	209
Term / other life	12	11	24	24
PPLI	45	43	89	83
Total Life Insurance	257	259	510	519
Retirement Plans				
401(k)	88	80	172	156
Government plans	13	9	26	20
Total Retirement Plans	101	89	198	176

Mutual Funds

Non-proprietary	161	152	323	303
Proprietary	14	15	30	31

Total Mutual Funds	175	167	353	334
Corporate and Other	54	50	106	96

Total earned premiums, fees, and other considerations	4,764	4,692	9,492	9,399
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Net investment income (loss):

Securities available-for-sale and other	1,104	1,148	2,212	2,202
Equity securities, trading	(597)	(2,649)	206	(1,948)

Total net investment income (loss)	507	(1,501)	2,418	254
Net realized capital gains (losses)	69	9	(334)	(265)
Other revenues	61	65	125	129

Total revenues	\$ 5,401	\$ 3,265	\$ 11,701	\$ 9,517
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[1] For the three months ended June 30, 2011 and 2010, AARP members accounted for earned premiums of \$694 and \$716, respectively. For the six months ended June 30, 2011 and 2010, AARP members accounted for earned premiums of \$1.4 billion.

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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 maturity and equity securities, available-for-sale (AFS); fixed maturities at fair value using fair value option (FVO); 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 exchange traded equity securities, investment grade private placement securities and 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 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 below investment grade 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 one or more significant unobservable 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, 2011 and 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.

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, 2011		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Total		
Assets accounted for at fair value on a recurring basis				
Fixed maturities, AFS				
ABS	\$ 3,297	\$	\$ 2,845	\$ 452
CDOs	2,575			2,575
CMBS	7,277		6,623	654
Corporate	41,629		39,519	2,110
Foreign government/government agencies	1,864		1,813	51
States, municipalities and political subdivisions (Municipal)	12,781		12,501	280
RMBS	5,214		4,100	1,114
U.S. Treasuries	3,495	411	3,084	
Total fixed maturities, AFS	78,132	411	70,485	7,236
Fixed maturities, FVO	1,227		671	556
Equity securities, trading	32,278	2,227	30,051	
Equity securities, AFS	1,081	377	604	100
Derivative assets				
Credit derivatives	(3)		(17)	14
Equity derivatives	3			3
Foreign exchange derivatives	428		428	
Interest rate derivatives	23		(25)	48
Other derivative contracts	30			30
Total derivative assets [1]	481		386	95
Short-term investments	8,861	327	8,534	
Separate account assets [2]	153,140	116,044	36,028	1,068
Total assets accounted for at fair value on a recurring basis	\$ 275,200	\$ 119,386	\$ 146,759	\$ 9,055
Percentage of level to total	100%	43%	54%	3%

Liabilities accounted for at fair value on a recurring basis

Other policyholder funds and benefits payable

Equity linked notes	\$	(10)	\$		\$		\$	(10)
Derivative liabilities								
Credit derivatives		(478)				(62)		(416)
Equity derivatives		3						3
Foreign exchange derivatives		214				214		
Interest rate derivatives		(254)				(213)		(41)
Total derivative liabilities [3]		(515)				(61)		(454)
Other liabilities		(44)						(44)
Consumer notes [4]		(4)						(4)

Total liabilities accounted for at fair value on a recurring basis

\$	(573)	\$		\$	(61)	\$	(512)
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[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, 2011, \$410 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, 2011, excludes approximately \$4 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, 2010****Quoted Prices****in****Active****Markets
for Identical****Assets****(Level 1)****Significant
Observable****Inputs****(Level 2)****Significant
Unobservable****Inputs****(Level 3)****Total****Assets accounted for at fair value on a recurring basis**

Fixed maturities, AFS

ABS	\$ 2,889	\$	\$ 2,412	\$ 477
CDOs	2,611		30	2,581
CMBS	7,917		7,228	689
Corporate	39,884		37,755	2,129
Foreign government/government agencies	1,683		1,627	56
Municipal	12,124		11,852	272
RMBS	5,683		4,398	1,285
U.S. Treasuries	5,029	434	4,595	

Total fixed maturities, AFS	77,820	434	69,897	7,489
Fixed maturities, FVO	649		127	522
Equity securities, trading	32,820	2,279	30,541	
Equity securities, AFS	973	298	521	154
Derivative assets				
Credit derivatives	3		(18)	21
Equity derivatives	2			2
Foreign exchange derivatives	868		868	
Interest rate derivatives	(106)		(70)	(36)
Other derivative contracts	32			32
Total derivative assets [1]	799		780	19
Short-term investments	8,528	541	7,987	
Separate account assets [2]	153,727	116,717	35,763	1,247

Total assets accounted for at fair value on a recurring basis

\$ 275,316	\$ 120,269	\$ 145,616	\$ 9,431
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Percentage of level to total	100%	44%	53%	3%
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Liabilities accounted for at fair value on a recurring basis

Other policyholder funds and benefits payable

Equity linked notes	\$	(9)	\$		\$		\$	(9)
Derivative liabilities								
Credit derivatives		(482)				(71)		(411)
Equity derivatives		2						2
Foreign exchange derivatives		(34)				(34)		
Interest rate derivatives		(266)				(249)		(17)
Total derivative liabilities [3]		(780)				(354)		(426)
Other liabilities		(37)						(37)
Consumer notes [4]		(5)						(5)
Total liabilities accounted for at fair value on a recurring basis	\$	(831)	\$		\$	(354)	\$	(477)

[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, 2010, \$968 of 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, 2010, excludes approximately \$6 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.

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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)

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.

Available-for-Sale Securities, Fixed Maturities, FVO, Equity Securities, Trading, and Short-term Investments

The fair value of AFS securities, fixed maturities, FVO, equity securities, trading, and short-term investments in an active and orderly market (e.g. not distressed or forced liquidation) are 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 private placement securities for which the Company is unable to obtain a price from a third-party pricing service 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 appropriate credit spreads determined through this survey approach are based upon the issuer's financial strength and term to maturity, utilizing an independent public security index and trade information and adjusting for the non-public nature of the securities.

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.

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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 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 with observable market data.

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, 2011 and December 31, 2010, 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.

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, fixed maturities, FVO, equity securities, trading, 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 on-the-run U.S. Treasuries, exchange-traded 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 and/or estimated cash flows. For securities, except U.S. Treasuries, inputs also include issuer spreads, which may consider credit default swap curves. 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 ABS and RMBS, estimated prepayment rates.

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

Foreign government/government agencies Primary inputs also include observations of 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.

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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)

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 and below investment grade private placement securities. 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, 2011 and 2010, 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.

For the three months ended June 30, 2011

Assets	Fixed Maturities, AFS							Total Fixed Maturities, AFS
	ABS	CDOs	CMBS	Corporate	Foreign govt./govt. agencies	Municipal	RMBS	
Fair value as of March 31, 2011	\$ 446	\$ 2,674	\$ 741	\$ 2,096	\$ 63	\$ 276	\$ 1,124	\$ 7,420
Total realized/unrealized gains (losses) Included in net income [1]	(1)		13	(6)				6
Included in OCI [2]	17	10	34	27	1	9	(16)	82
Purchases				35			25	60
Settlements	(7)	(43)	(20)	(42)	(1)		(33)	(146)
Sales	(2)	(66)	(193)	(61)	(3)	(2)		(327)
Transfers into Level 3 [3]	19		79	78			14	190
Transfers out of Level 3 [3]	(20)			(17)	(9)	(3)		(49)
Fair value as of June 30, 2011	\$ 452	\$ 2,575	\$ 654	\$ 2,110	\$ 51	\$ 280	\$ 1,114	\$ 7,236
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$ (1)	\$	\$ 13	\$ (6)	\$	\$	\$	\$ 6

Freestanding Derivatives [4]

Assets	Fixed Maturities FVO	Equity Securities, AFS	Credit Derivative	Equity Derivatives	Interest Rate Derivatives	Other Derivative Contracts	Total Free- Standing Derivatives	Separate Accounts
	\$ 579	\$ 80	\$ (382)	\$ 5	\$ 9	\$ 31	\$ (337)	\$ 1,207

Fair value as of March 31, 2011 Total realized/unrealized gains (losses) Included in net income [1]	(22)		(17)	1	(2)	(1)	(19)	5
Included in OCI [2]		2						
Purchases		24						(94)
Settlements	(1)		(3)				(3)	
Sales		(1)						(22)
Transfers into Level 3 [3]								3
Transfers out of Level 3 [3]		(5)						(31)

**Fair value as of
June 30, 2011** \$ 556 \$ 100 \$ (402) \$ 6 \$ 7 \$ 30 \$ (359) \$ 1,068

Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$ (22)	\$	\$ (19)	\$ 1	\$ (2)	\$ (1)	\$ (21)	\$ 4
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Liabilities	Equity Linked Notes	Other Liabilities	Consumer Notes
Fair value as of March 31, 2011	\$ (10)	\$ (51)	\$ (5)
Total realized/unrealized gains (losses)			
Included in net income [1]		7	1
Fair value as of June 30, 2011	\$ (10)	\$ (44)	\$ (4)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$	\$ 7	\$ 1

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)****For the six months ended June 30, 2011**

Assets	Fixed Maturities, AFS							Total Fixed Maturities, AFS
	ABS	CDOs	CMBS	Corporate	Foreign govt./govt. agencies	Municipal	RMBS	
Fair value as of January 1, 2011	\$ 477	\$ 2,581	\$ 689	\$ 2,129	\$ 56	\$ 272	\$ 1,285	\$ 7,489
Total realized/unrealized gains (losses) Included in net income [1]	(6)	(15)	11	(28)			(9)	(47)
Included in OCI [2]	37	123	147	19	1	9	25	361
Purchases				52	2		25	79
Settlements	(18)	(78)	(30)	(73)	(2)		(67)	(268)
Sales	(2)	(66)	(315)	(134)	(5)	(2)	(16)	(540)
Transfers into Level 3 [3]	68	30	152	273	11	4	14	552
Transfers out of Level 3 [3]	(104)			(128)	(12)	(3)	(143)	(390)
Fair value as of June 30, 2011	\$ 452	\$ 2,575	\$ 654	\$ 2,110	\$ 51	\$ 280	\$ 1,114	\$ 7,236
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$ (6)	\$ (15)	\$ 11	\$ (28)	\$	\$	\$ (9)	\$ (47)

Freestanding Derivatives [4]

Assets	Fixed	Equity	Credit Derivatives	Equity	Interest	Other	Total	Separate Accounts
	Maturities FVO	Securities, AFS		Derivatives	Rate Derivatives	Derivative Contracts	Free- Standing Derivatives	
Fair value as of January 1, 2011	\$ 522	\$ 154	\$ (390)	\$ 4	\$ (53)	\$ 32	\$ (407)	\$ 1,247
Total realized/unrealized gains (losses)	36	(10)	(6)	2	(5)	(2)	(11)	24

Included in net income [1]					
Included in OCI [2]	1				
Purchases	37	1	64	65	34
Settlements	(2)	(7)	1	(6)	
Sales	(1)				(169)
Transfers into Level 3 [3]					12
Transfers out of Level 3 [3]	(81)				(80)

Fair value as of																
June 30, 2011	\$	556	\$	100	\$	(402)	\$	6	\$	7	\$	30	\$	(359)	\$	1,068

Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$	36	\$	(10)	\$	(8)	\$	2	\$	(3)	\$	(2)	\$	(11)	\$	1
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Liabilities	Equity Linked Notes	Other Liabilities	Consumer Notes
Fair value as of January 1, 2011	\$ (9)	\$ (37)	\$ (5)
Total realized/unrealized gains (losses)			
Included in net income [1]		(7)	1
Settlements	(1)		
Fair value as of June 30, 2011	\$ (10)	\$ (44)	\$ (4)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1]	\$	\$ (7)	\$ 1

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)****For the three months ended June 30, 2010**

Assets	Fixed Maturities, AFS							Total
	ABS	CDOs	CMBS	Corporate	Foreign govt./ govt. agencies	Municipal	RMBS	Fixed Maturities, AFS
Fair value as of March 31, 2010	\$ 533	\$ 2,749	\$ 442	\$ 8,612	\$ 59	\$ 322	\$ 1,174	\$ 13,891
Total realized/unrealized gains (losses)								
Included in net income [1]	(3)	(22)	(42)	6			(21)	(82)
Included in OCI [2]	15	105	189	103		16	75	503
Purchases, issuances, and settlements	(13)	(48)	(17)	61	(2)	(21)	238	198
Transfers into Level 3 [3]	28	11	139	174				352
Transfers out of Level 3 [3]	(12)	(17)	(59)	(140)	(6)			(234)
Fair value as of June 30, 2010	\$ 548	\$ 2,778	\$ 652	\$ 8,816	\$ 51	\$ 317	\$ 1,466	\$ 14,628
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ (4)	\$ (28)	\$ (39)	\$ 2	\$	\$	\$ (16)	\$ (85)

Assets	Freestanding Derivatives [4]							Total
	Equity Securities, AFS	Credit Derivatives	Equity Derivatives	Interest Rate Derivatives	Other Derivative Contracts	Total Free- Standing Derivatives	Separate Accounts	
Fair value as of March 31, 2010	\$ 65	\$ (491)	\$ (1)	\$ (6)	\$ 35	\$ (463)	\$ 955	
Total realized/unrealized gains (losses)								
Included in net income [1]	(1)	(47)	1	1		(45)	(2)	

Included in OCI [2]	2								
Purchases, issuances, and settlements	8	5		(44)		(39)		5	
Transfers into Level 3 [3]	6							(2)	
Transfers out of Level 3 [3]								(19)	
Fair value as of June 30, 2010	\$ 80	\$ (533)	\$	\$ (49)	\$ 35	\$ (547)	\$	937	
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ (4)	\$ (47)	\$ 1	\$ (20)	\$	\$ (66)	\$	9	

**Other Policyholder Funds and Benefits
Payable**

	Institutional Notes	Equity Linked Notes	Total Other Policyholder Funds and Benefits Payable	Other Liabilities	Consumer Notes
Liabilities					
Fair value as of March 31, 2010	\$ (7)	\$ (9)	\$ (16)	\$ (22)	\$ (5)
Total realized/unrealized gains (losses)					
Included in net income [1]	9	2	11	6	1
Fair Value as of June 30, 2010	\$ 2	\$ (7)	\$ (5)	\$ (16)	\$ (4)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ 9	\$ 2	\$ 11	\$	\$ 1

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)****For the six months ended June 30, 2010**

Assets	Fixed Maturities, AFS							Total
	ABS	CDOs	CMBS	Corporate	Foreign govt./ govt. agencies	Municipal	RMBS	Fixed Maturities, AFS
Fair value as of January 1, 2010	\$ 580	\$ 2,835	\$ 307	\$ 8,027	\$ 93	\$ 262	\$ 1,153	\$ 13,257
Total realized/unrealized gains (losses)								
Included in net income [1]	(3)	(85)	(114)	8			(34)	(228)
Included in OCI [2]	43	320	275	232	2	34	164	1,070
Purchases, issuances, and settlements	(23)	(67)	(23)	277	(8)	25	206	387
Transfers into Level 3 [3]	28	27	266	510	6			837
Transfers out of Level 3 [3]	(77)	(252)	(59)	(238)	(42)	(4)	(23)	(695)
Fair value as of June 30, 2010	\$ 548	\$ 2,778	\$ 652	\$ 8,816	\$ 51	\$ 317	\$ 1,466	\$ 14,628
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ (4)	\$ (91)	\$ (110)	\$ 2	\$	\$	\$ (29)	\$ (232)

Assets	Freestanding Derivatives [4]							Total
	Equity Securities, AFS	Credit Derivatives	Equity Derivatives	Interest Rate Derivatives	Other Derivative Contracts	Total Free- Standing Derivatives	Separate Accounts	
Fair value as of January 1, 2010	\$ 58	\$ (228)	\$ (2)	\$ 5	\$ 36	\$ (189)	\$ 962	
Total realized/unrealized gains (losses)								
Included in net income [1]	(2)	(20)	2	1	(1)	(18)	16	

Included in OCI [2]	9								
Purchases, issuances, and settlements	9	5		(44)		(39)		82	
Transfers into Level 3 [3]	6	(290)				(290)		4	
Transfers out of Level 3 [3]				(11)		(11)		(127)	
Fair value as of June 30, 2010	\$ 80	\$ (533)	\$	\$ (49)	\$ 35	\$ (547)	\$	937	
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ (5)	\$ (20)	\$ 2	\$ (20)	\$ (1)	\$ (39)	\$	13	

**Other Policyholder Funds and Benefits
Payable**

	Institutional Notes	Equity Linked Notes	Total Other Policyholder Funds and Benefits Payable	Other Liabilities	Consumer Notes
Liabilities					
Fair value as of January 1, 2010	\$ (2)	\$ (10)	\$ (12)	\$	\$ (5)
Total realized/unrealized gains (losses)					
Included in net income [1]	4	3	7	(5)	1
Transfers into Level 3 [3]				(11)	
Fair Value as of June 30, 2010	\$ 2	\$ (7)	\$ (5)	\$ (16)	\$ (4)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1]	\$ 4	\$ 3	\$ 7	\$	\$ 1

[1] All amounts in these rows are reported in net realized capital gains/losses. 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. All amounts are before income taxes and amortization of deferred policy acquisition costs and present value of future profits (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 the availability of market observable information and the 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.

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 its investments containing an embedded credit derivative which were not bifurcated as a result of new accounting guidance effective July 1, 2010. The underlying credit risk of these securities is primarily corporate bonds and commercial real estate. The Company elected the fair value option given the complexity of bifurcating the economic components associated with the embedded credit derivative. Additionally, the Company elected the fair value option for purchases of foreign government securities to align with the accounting for yen-based fixed annuity liabilities, which are adjusted for changes in spot rates through realized gains and losses. Similar to other fixed maturities, income earned from these securities is recorded in net investment income. Changes in the fair value of these securities are recorded in net realized capital gains and losses.

The Company previously elected the fair value option for one of its consolidated VIEs in order to apply a consistent accounting model for the VIE's assets and liabilities. The VIE is an investment vehicle that holds high quality investments, derivative instruments that reference 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 changes in fair value of those assets and liabilities accounted for using the fair value option reported in net realized capital gains and losses in the Company's Condensed Consolidated Statements of Operations.

<i>(Before-tax)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Assets				
Fixed maturities, FVO				
Corporate	\$ 2	\$ 1	\$ 14	\$ 2
CRE CDOs	(25)	(4)	21	(4)
Foreign government	17		11	
Other liabilities				
Credit-linked notes	7	6	(7)	(5)
Total realized capital gains (losses)	\$ 1	\$ 3	\$ 39	\$ (7)

The following table presents the fair value of assets and liabilities accounted for using the fair value option included in the Company's Condensed Consolidated Balance Sheets.

	June 30,	December 31,
	2011	2010
Assets		
Fixed maturities, FVO		
ABS	\$ 65	\$ 65
CRE CDOs	290	270
Corporate	267	250
Foreign government	605	64
Total fixed maturities, FVO	\$ 1,227	\$ 649

Other liabilities

Credit-linked notes [1]	\$	44	\$	37
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[1] As of June 30, 2011 and December 31, 2010, the outstanding principal balance of the notes was \$243.

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)*****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, 2011 and December 31, 2010.

	June 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Mortgage loans	\$ 5,304	\$ 5,393	\$ 4,489	\$ 4,524
Policy loans	2,188	2,318	2,181	2,294
Liabilities				
Other policyholder funds and benefits payable [1]	\$ 10,837	\$ 11,141	\$ 11,155	\$ 11,383
Senior notes [2]	4,880	5,167	4,880	5,072
Junior subordinated debentures [2]	1,734	2,634	1,727	2,596
Consumer notes [3]	364	377	377	392

[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, 2011 and December 31, 2010, included in other liabilities in the Condensed Consolidated Balance Sheets are carrying amounts of \$223 and \$233 for deposits, respectively, and \$25, for Federal Home Loan Bank advances, related to Federal Trust Corporation. These liabilities are held for sale and the 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, 2010.

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

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, 2011		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets accounted for at fair value on a recurring basis				
Variable annuity hedging derivatives	\$ 144	\$	\$ (33)	\$ 177
Macro hedge program	265		88	177
Reinsurance recoverable for U.S. GMWB	237			237
Total assets accounted for at fair value on a recurring basis	\$ 646	\$	\$ 55	\$ 591
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
U.S. guaranteed withdrawal benefits	\$ (1,420)	\$	\$	\$ (1,420)
International guaranteed withdrawal benefits	(30)			(30)
Variable annuity hedging derivatives	285		(86)	371
Macro hedge program	206		126	80
Total liabilities accounted for at fair value on a recurring basis	\$ (959)	\$	\$ 40	\$ (999)

		December 31, 2010		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Assets accounted for at fair value on a recurring basis				
Variable annuity hedging derivatives	\$ 339	\$	\$ (122)	\$ 461
Macro hedge program	386	2	176	208
Reinsurance recoverable for U.S. GMWB	280			280

Total assets accounted for at fair value on a recurring basis	\$	1,005	\$	2	\$	54	\$	949
Liabilities accounted for at fair value on a recurring basis								
Other policyholder funds and benefits payable								
U.S. guaranteed withdrawal benefits	\$	(1,611)	\$		\$		\$	(1,611)
International guaranteed withdrawal benefits		(36)						(36)
International other guaranteed living benefits		3						3
Variable annuity hedging derivatives		128				(11)		139
Macro hedge program		(2)		(2)				
Total liabilities accounted for at fair value on a recurring basis	\$	(1,518)	\$	(2)	\$	(11)	\$	(1,505)

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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)

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 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 require 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). The Company's estimate of the Credit Standing Adjustment incorporates a blend of observable Company and reinsurer credit default spreads from capital markets, adjusted for market recoverability. The credit standing adjustment assumption, net of reinsurance, and exclusive of the impact of the credit standing adjustment on other market inputs, resulted in pre-tax realized gains/(losses) of \$1 and \$54 for the three months ended June 30, 2011 and 2010, respectively. As of June 30, 2011 and December 31, 2010 the credit standing adjustment was \$26, 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.

The Company did not update any policyholder behavior assumptions, in the three and six months ended June 30, 2011 or the three and six months ended June 30, 2010. As of June 30, 2011 and December 31, 2010 the behavior risk margin was \$525 and \$565, respectively.

In addition to the non-market-based updates described above, the Company recognized non-market-based updates driven by the relative outperformance of the underlying actively managed funds as compared to their respective indices resulting in pre-tax realized gains of approximately \$4 and \$15, for the three months ended June 30, 2011 and 2010, respectively, and \$29 and \$42 for the six months ended June 30, 2011 and 2010, 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, 2011 and 2010, for the financial instruments related to the Guaranteed Living Benefits Program classified as Levels 1, 2 and 3.

For the three months ended June 30, 2011

Asset/(liability)	Variable Annuity Hedging Derivatives [5]		
	Levels 1 and 2	Level 3	Total Variable Annuity Hedging Derivatives
Fair value as of March 31, 2011	\$ (142)	\$ 488	\$ 346
Total realized/unrealized gains (losses)			
Included in net income [1],[2],[6]	(17)	60	43
Settlements[3]	40		40
Fair value as of June 30, 2011	\$ (119)	\$ 548	\$ 429
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]		\$ 52	

			International	Total Guaranteed Withdrawal Benefits Net of Reinsurance and Hedging Derivatives
Asset/(liability)	Reinsurance Recoverable for GMWB	U.S. Guaranteed Withdrawal Benefits Level 3	Guaranteed Withdrawal Benefits Level 3	
Fair value as of March 31, 2011	\$ 224	\$ (1,301)	\$ (23)	\$ (754)
Total realized/unrealized gains (losses)				
Included in net income [1],[2],[6]	4	(80)	(4)	(37)
Settlements[3]	9	(39)	(3)	7
Fair value as of June 30, 2011	\$ 237	\$ (1,420)	\$ (30)	\$ (784)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]	\$ 4	\$ (80)	\$ (4)	

Macro Hedge Program [5]	International Other
Total Macro	

Asset/(liability)					Guaranteed Living	
	Levels 1 and 2	Level 3	Hedge Program	Benefits	Level 3	
Fair value as of March 31, 2011	\$ (92)	\$ 125	\$ 33	\$	3	
Total realized/unrealized gains (losses)						
Included in net income [1],[2],[6]	53	(18)	35		(2)	
Purchases [3]	99	185	284			
Settlements[3]	154	(35)	119		(1)	
Fair value as of June 30, 2011	\$ 214	\$ 257	\$ 471	\$		
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]		\$ (3)		\$	(2)	

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)****For the six months ended June 30, 2011**

Asset/(liability)	Variable Annuity Hedging Derivatives [5]		
	Levels 1 and 2	Level 3	Total Variable Annuity Hedging Derivatives
Fair value as of January 1, 2011	\$ (133)	\$ 600	\$ 467
Total realized/unrealized gains (losses)			
Included in net income [1],[2],[6]	(125)	(59)	(184)
Purchases [3]		23	23
Settlements[3]	139	(16)	123
Fair value as of June 30, 2011	\$ (119)	\$ 548	\$ 429
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]		\$ (61)	

			International	Total Guaranteed Withdrawal Benefits Net of Reinsurance and Hedging Derivatives
Asset/(liability)	Reinsurance Recoverable for GMWB	U.S. Guaranteed Withdrawal Benefits Level 3	Guaranteed Withdrawal Benefits Level 3	
Fair value as of January 1, 2011	\$ 280	\$ (1,611)	\$ (36)	\$ (900)
Total realized/unrealized gains (losses)				
Included in net income [1],[2],[6]	(61)	268	11	34
Purchases [3]				23
Settlements[3]	18	(77)	(5)	59
Fair value as of June 30, 2011	\$ 237	\$ (1,420)	\$ (30)	\$ (784)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]	\$ (61)	\$ 268	\$ 11	

Macro Hedge Program [5]

Total Macro **International Other
Guaranteed Living**

Asset/(liability)	Levels 1 and 2	Level 3	Hedge Program	Benefits	Level 3
Fair value as of January 1, 2011	\$ 176	\$ 208	\$ 384	\$	3
Total realized/unrealized gains (losses)					
Included in net income [1],[2],[6]	(221)	(101)	(322)		(1)
Purchases [3]	99	185	284		
Settlements[3]	160	(35)	125	(2)	
Fair value as of June 30, 2011	\$ 214	\$ 257	\$ 471	\$	
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2011 [1], [2], [4]		\$ (85)		\$	(1)

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)****For the three months ended June 30, 2010**

	Variable Annuity Hedging Derivatives [5]		
	Total Variable Annuity		
Asset/(liability)	Levels 1 and 2	Level 3	Hedging Derivatives
Fair value as of March 31, 2010	\$ (166)	\$ 311	\$ 145
Total realized/unrealized gains (losses)			
Included in net income [1],[2],[6]	208	617	825
Purchases, issuances, and settlements [3]	(133)		(133)
Fair value as of June 30, 2010	\$ (91)	\$ 928	\$ 837
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2],[4]		\$ 617	

	Reinsurance Recoverable for GMWB	U.S. Guaranteed Withdrawal Benefits Level 3	International Guaranteed Withdrawal Benefits Level 3	Total Guaranteed Withdrawal Benefits Net of Reinsurance and Hedging Derivatives
Asset/(liability)				
Fair value as of March 31, 2010	\$ 295	\$ (1,655)	\$ (31)	\$ (1,246)
Total realized/unrealized gains (losses)				
Included in net income [1],[2],[6]	246	(1,458)	(39)	(426)
Included in OCI [2]			(1)	(1)
Purchases, issuances, and settlements [3]	9	(35)	(1)	(160)
Fair value as of June 30, 2010	\$ 550	\$ (3,148)	\$ (72)	\$ (1,833)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2], [4]	\$ 246	\$ (1,458)	\$ (39)	

Macro Hedge Program [5]	International Other Guaranteed Living
Total Macro	

Asset/(liability)	Levels 1 and 2	Level 3	Hedge Program	Benefits	Level 3
Fair Value as of March 31, 2010	\$ 54	\$ 151	\$ 205	\$	4
Total realized/unrealized gains (losses)					
Included in net income [1],[2],[6]	117	280	397		(5)
Purchases, issuances, and settlements [3]	19	232	251		
Fair value as of June 30, 2010	\$ 190	\$ 663	\$ 853	\$	(1)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2],[4]		\$ 300		\$	(5)

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)****For the six months ended June 30, 2010**

Asset/(liability)	Variable Annuity Hedging Derivatives [5]		
	Levels 1 and 2	Level 3	Total Variable Annuity Hedging Derivatives
Fair value as of January 1, 2010	\$ (184)	\$ 236	\$ 52
Total realized/unrealized gains (losses)			
Included in net income [1],[2],[6]	123	539	662
Purchases, issuances, and settlements [3]	(30)	153	123
Fair value as of June 30, 2010	\$ (91)	\$ 928	\$ 837
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2],[4]		\$ 502	

			International	Total Guaranteed Withdrawal Benefits Net of Reinsurance and Hedging Derivatives
Asset/(liability)	Reinsurance Recoverable for GMWB	U.S. Guaranteed Withdrawal Benefits Level 3	Guaranteed Withdrawal Benefits Level 3	
Fair value as of January 1, 2010	\$ 347	\$ (1,957)	\$ (45)	\$ (1,603)
Total realized/unrealized gains (losses)				
Included in net income [1],[2],[6]	185	(1,120)	(24)	(297)
Purchases, issuances, and settlements [3]	18	(71)	(3)	67
Fair value as of June 30, 2010	\$ 550	\$ (3,148)	\$ (72)	\$ (1,833)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2], [4]	\$ 185	\$ (1,120)	\$ (24)	

Asset/(liability)	Macro Hedge Program [5]		International Other Guaranteed Living Benefits
	Level 3	Total Macro	
			Level 3

	Levels 1 and 2		Hedge Program	
Fair Value as of January 1, 2010	\$ 28	\$ 290	\$ 318	\$ 2
Total realized/unrealized gains (losses)				
Included in net income [1],[2],[6]	92	141	233	(2)
Purchases, issuances, and settlements [3]	70	232	302	(1)
Fair value as of June 30, 2010	\$ 190	\$ 663	\$ 853	\$ (1)
Changes in unrealized gains (losses) included in net income related to financial instruments still held at June 30, 2010 [1], [2],[4]		\$ 161		\$ (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 payment and receipt of cash on futures and option contracts classified as Level 1 and interest rate, currency and credit default swaps classified as Level 2. As of January 1, 2011, 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)****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 for the three and six months ended June 30, 2011 and 2010, respectively.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
OTTI losses recognized in OCI	\$ (8)	\$ (184)	\$ (72)	\$ (372)
Changes in fair value and/or sales	3	223	67	477
Tax and deferred acquisition costs	1	(18)	6	(52)
Change in non-credit impairments recognized in OCI	\$ (4)	\$ 21	\$ 1	\$ 53

The Company's evaluation of whether a credit impairment exists for debt securities includes but is not limited to, 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 and projected delinquency rates, and loan-to-value (LTV) ratios. 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)***Mortgage Loan Valuation Allowances*

The Company's security monitoring process reviews mortgage loans on a quarterly basis to identify potential credit losses. Commercial mortgage loans are considered to be impaired when management estimates that, based upon current information and events, it is probable that the Company will be unable to collect amounts due according to the contractual terms of the loan agreement. Criteria used to determine if an impairment exists include, but are not limited to: current and projected macroeconomic factors, such as unemployment rates, and property-specific factors such as rental rates, occupancy levels, LTV ratios and debt service coverage ratios (DSCR). In addition, the Company considers historic, current and projected delinquency rates and property values. For residential mortgage loans, impairments are evaluated based on pools of loans with similar characteristics including, but not limited to, similar property types and loan performance status. These assumptions require the use of significant management judgment and include the probability and timing of borrower default and loss severity estimates. In addition, projections of expected future cash flows may change based upon new information regarding the performance of the borrower and/or underlying collateral such as changes in the projections of the underlying property value estimates.

For mortgage loans that are deemed impaired, a valuation allowance is established for the difference between the carrying amount and the Company's share of either (a) the present value of the expected future cash flows discounted at the loan's original effective interest rate, (b) the loan's observable market price or, most frequently, (c) the fair value of the collateral. Additionally, a loss contingency valuation allowance is established for estimated probable credit losses on certain homogenous groups of residential loans. For commercial loans, a valuation allowance has been established for either individual loans or as a projected loss contingency for loans with an LTV ratio of 90% or greater and consideration of other credit quality factors, including DSCR. Changes in valuation allowances are recorded in net realized capital gains and losses. Interest income on impaired loans is accrued to the extent it is deemed collectable and the loans continue to perform under the original or restructured terms. Interest income ceases to accrue for loans when it is probable that the Company will not receive interest and principal payments according to the contractual terms of the loan agreement, or if a loan is more than 60 days past due. Loans may resume accrual status when it is determined that sufficient collateral exists to satisfy the full amount of the loan and interest payments, as well as when it is probable cash will be received in the foreseeable future. Interest income on defaulted loans is recognized when received.

Net Realized Capital Gains (Losses)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Before-tax)	2011	2010	2011	2010
Gross gains on sales	\$ 261	\$ 343	\$ 322	\$ 475
Gross losses on sales	(98)	(94)	(231)	(205)
Net OTTI losses recognized in earnings	(23)	(108)	(78)	(260)
Valuation allowances on mortgage loans	26	(40)	23	(152)
Japanese fixed annuity contract hedges, net [1]	6	27	(11)	11
Periodic net coupon settlements on credit derivatives/Japan	(2)	(4)	(9)	(11)
Results of variable annuity hedge program				
GMWB derivatives, net	(37)	(426)	34	(297)
Macro hedge program	35	397	(322)	233
Total results of variable annuity hedge program	(2)	(29)	(288)	(64)
Other, net	(99)	(86)	(62)	(59)

Net realized capital gains (losses)	\$	69	\$	9	\$	(334)	\$	(265)
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[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, as well as Japan FVO securities.

Net realized capital gains and 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. Gross gains and losses on sales and impairments previously reported as unrealized losses in AOCI were \$140 and \$13 for the three and six months ended June 30, 2011, respectively, and \$141 and \$10 for the three and six months ended June 30, 2010, respectively. Proceeds from sales of AFS securities totaled \$10.1 billion and \$17.5 billion for the three and six months ended June 30, 2011, respectively, and \$16.0 billion and \$22.1 billion, respectively, for the three and six months ended June 30, 2010.

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

The following table presents a roll-forward of the Company's cumulative credit impairments on debt securities held.

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Before-tax)</i>	2011	2010	2011	2010
Balance as of beginning of period	\$ (2,003)	\$ (2,341)	\$ (2,072)	\$ (2,200)
Additions for credit impairments recognized on [1]:				
Securities not previously impaired	(8)	(52)	(36)	(164)
Securities previously impaired	(8)	(52)	(25)	(91)
Reductions for credit impairments previously recognized on:				
Securities that matured or were sold during the period	83	151	192	154
Securities due to an increase in expected cash flows	3	13	8	20
Balance as of end of period	\$ (1,933)	\$ (2,281)	\$ (1,933)	\$ (2,281)

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

Available-for-Sale Securities

The following table presents the Company's AFS securities by type.

	June 30, 2011					December 31, 2010				
	Cost or Amortized	Gross Unrealized	Gross Unrealized	Fair	Non- Credit OTTI	Cost or Amortized	Gross Unrealized	Gross Unrealized	Fair	Non- Credit OTTI
	Cost	Gains	Losses	Value	[1]	Cost	Gains	Losses	Value	[1]
ABS	\$ 3,551	\$ 54	\$ (308)	\$ 3,297	\$ (11)	\$ 3,247	\$ 38	\$ (396)	\$ 2,889	\$ (2)
CDOs	2,928		(353)	2,575	(68)	3,088	1	(478)	2,611	(82)
CMBS	7,360	250	(333)	7,277	(28)	8,297	235	(615)	7,917	(9)
Corporate [2]	39,972	2,311	(611)	41,629		38,496	2,174	(747)	39,884	7
Foreign govt./govt. agencies	1,765	107	(8)	1,864		1,627	73	(17)	1,683	
Municipal	12,738	278	(235)	12,781		12,469	150	(495)	12,124	
RMBS	5,487	144	(417)	5,214	(108)	6,036	109	(462)	5,683	(124)
U.S. Treasuries	3,566	23	(94)	3,495		5,159	24	(154)	5,029	
Total fixed maturities, AFS	77,367	3,167	(2,359)	78,132	(215)	78,419	2,804	(3,364)	77,820	(210)
	1,070	112	(101)	1,081		1,013	92	(132)	973	

Equity
securities,
AFS

Total AFS

securities **\$ 78,437** **\$ 3,279** **\$ (2,460)** **\$ 79,213** **\$ (215)** **\$ 79,432** **\$ 2,896** **\$ (3,496)** **\$ 78,793** **\$ (210)**

[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, 2011 and December 31, 2010.

[2] Gross unrealized gains (losses) exclude the change in fair value of bifurcated embedded derivative features of certain securities. Subsequent changes in fair value are recorded in net realized capital gains (losses).

The following table presents the Company's fixed maturities, AFS, by contractual maturity year.

Contractual Maturity	June 30, 2011	
	Amortized Cost	Fair Value
One year or less	\$ 2,545	\$ 2,573
Over one year through five years	16,181	17,009
Over five years through ten years	14,627	15,312
Over ten years	24,688	24,875
Subtotal	58,041	59,769
Mortgage-backed and asset-backed securities	19,326	18,363
Total fixed maturities, AFS	\$ 77,367	\$ 78,132

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

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****Securities 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, 2011								
	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
ABS	\$ 264	\$ 257	\$ (7)	\$ 1,331	\$ 1,030	\$ (301)	\$ 1,595	\$ 1,287	\$ (308)
CDOs	337	317	(20)	2,570	2,237	(333)	2,907	2,554	(353)
CMBS	1,334	1,282	(52)	2,495	2,214	(281)	3,829	3,496	(333)
Corporate [1]	5,789	5,590	(194)	3,617	3,162	(417)	9,406	8,752	(611)
Foreign govt./govt. agencies	182	180	(2)	53	47	(6)	235	227	(8)
Municipal	4,340	4,249	(91)	1,016	872	(144)	5,356	5,121	(235)
RMBS	810	791	(19)	1,424	1,026	(398)	2,234	1,817	(417)
U.S. Treasuries	1,289	1,228	(61)	133	100	(33)	1,422	1,328	(94)
Total fixed maturities	14,345	13,894	(446)	12,639	10,688	(1,913)	26,984	24,582	(2,359)
Equity securities	211	206	(5)	569	473	(96)	780	679	(101)
Total securities in an unrealized loss	\$ 14,556	\$ 14,100	\$ (451)	\$ 13,208	\$ 11,161	\$ (2,009)	\$ 27,764	\$ 25,261	\$ (2,460)

	December 31, 2010								
	Less Than 12 Months			12 Months or More			Total		
	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses
ABS	\$ 302	\$ 290	\$ (12)	\$ 1,410	\$ 1,026	\$ (384)	\$ 1,712	\$ 1,316	\$ (396)
CDOs	321	293	(28)	2,724	2,274	(450)	3,045	2,567	(478)
CMBS	556	530	(26)	3,962	3,373	(589)	4,518	3,903	(615)
Corporate [1]	5,533	5,329	(199)	4,017	3,435	(548)	9,550	8,764	(747)
Foreign govt./govt. agencies	356	349	(7)	78	68	(10)	434	417	(17)
Municipal	7,485	7,173	(312)	1,046	863	(183)	8,531	8,036	(495)
RMBS	1,744	1,702	(42)	1,567	1,147	(420)	3,311	2,849	(462)
U.S. Treasuries	2,436	2,321	(115)	158	119	(39)	2,594	2,440	(154)
	18,733	17,987	(741)	14,962	12,305	(2,623)	33,695	30,292	(3,364)

**Total fixed
maturities**

Equity securities	53	52	(1)	637	506	(131)	690	558	(132)
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**Total
securities in
an unrealized**

loss	\$ 18,786	\$ 18,039	\$ (742)	\$ 15,599	\$ 12,811	\$ (2,754)	\$ 34,385	\$ 30,850	\$ (3,496)
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[1] Unrealized losses exclude the change in fair value of bifurcated embedded derivative features of certain securities. Subsequent changes in fair value are recorded in net realized capital gains (losses).

As of June 30, 2011, AFS securities in an unrealized loss position, comprised of 2,615 securities, largely related to commercial real estate, corporate securities primarily within the financial services sector and RMBS which have experienced price deterioration. As of June 30, 2011, 83% of securities in a gross unrealized loss position were depressed less than 20% of cost or amortized cost. The improvement in unrealized losses during 2011 was primarily attributable to declining interest rates and credit spread tightening.

Most of the securities depressed for twelve months or more relate to structured securities primarily within commercial and residential real estate, including structured securities that have a floating-rate coupon referenced to a market index such as LIBOR. Also included are financial services securities that have a floating-rate coupon and/or long-dated maturities. Current market spreads continue to be significantly wider for these securities as compared to spreads at the security's respective purchase date, largely due to the economic and market uncertainties regarding future performance of commercial and residential real estate. Deteriorations in valuation are also the result of substantial declines in certain market indexes. The Company reviewed these securities as part of its impairment analysis and where a credit impairment has not been recorded, the Company's best estimate is that expected future cash flows are sufficient to recover the amortized cost basis of the security. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities.

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

	June 30, 2011			December 31, 2010		
	Amortized Cost [1]	Valuation Allowance	Carrying Value	Amortized Cost [1]	Valuation Allowance	Carrying Value
Commercial	\$ 5,324	\$ (129)	\$ 5,195	\$ 4,492	\$ (152)	\$ 4,340
Residential	151	(42)	109	152	(3)	149
Total mortgage loans	\$ 5,475	\$ (171)	\$ 5,304	\$ 4,644	\$ (155)	\$ 4,489

[1] Amortized cost represents carrying value prior to valuation allowances, if any.

As of June 30, 2011, the carrying value of mortgage loans associated with the valuation allowance was \$1.0 billion. Included in the table above, are mortgage loans held-for-sale with a carrying value and valuation allowance of \$219 and \$58, respectively, as of June 30, 2011, and \$87 and \$7, respectively, as of December 31, 2010. Mortgage loans held-for-sale include those related to the divestiture of Federal Trust Corporation with a carrying value and valuation allowance of \$138 and \$53, respectively, as of June 30, 2011, and \$68 and \$3, respectively as of December 31, 2010 (see Note 12). The carrying value of these loans is included in mortgage loans in the Company's Condensed Consolidated Balance Sheets.

The following table presents the activity within the Company's valuation allowance for mortgage loans. These loans have been evaluated both individually and collectively for impairment. Loans evaluated collectively for impairment are immaterial.

	2011	2010
Balance as of January 1	\$ (155)	\$ (366)
Additions	(27)	(152)
Deductions	11	178
Balance as of June 30	\$ (171)	\$ (340)

The current weighted-average LTV ratio of the Company's commercial mortgage loan portfolio was 71% as of June 30, 2011, while the weighted-average LTV ratio at origination of these loans was 64%. LTV ratios compare the loan amount to the value of the underlying property collateralizing the loan. The loan values are updated no less than annually 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. DSCRs compare a property's net operating income to the borrower's principal and interest payments. The current weighted average DSCR of the Company's commercial mortgage loan portfolio was 1.88x as of June 30, 2011. The Company held only five delinquent commercial mortgage loans past due by 90 days or more. The total carrying value and valuation allowance of these loans totaled \$33 and \$66, respectively, as of June 30, 2011, and are not accruing income.

The following table presents the carrying value of the Company's commercial mortgage loans by LTV and DSCR.

Commercial Mortgage Loans Credit Quality				
	June 30, 2011		December 31, 2010	
		Avg.		Avg.
Loan-to-value	Carrying Value	Debt-Service Coverage Ratio	Carrying Value	Debt-Service Coverage Ratio

Greater than 80%	\$ 1,032	1.51x	\$ 1,358	1.49x
65% - 80%	2,379	1.71x	1,829	1.93x
Less than 65%	1,784	2.30x	1,153	2.26x
Total commercial mortgage loans	\$ 5,195	1.88x	\$ 4,340	1.87x

The following tables present the carrying value of the Company's mortgage loans by region and property type.

Mortgage Loans by Region

	June 30, 2011		December 31, 2010	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
East North Central	\$ 76	1.4%	\$ 77	1.7%
Middle Atlantic	498	9.4%	428	9.5%
Mountain	127	2.4%	109	2.4%
New England	296	5.6%	259	5.8%
Pacific	1,307	24.6%	1,147	25.6%
South Atlantic	1,150	21.7%	1,177	26.3%
West North Central	34	0.6%	36	0.8%
West South Central	225	4.2%	231	5.1%
Other [1]	1,591	30.1%	1,025	22.8%
Total mortgage loans	\$ 5,304	100.0%	\$ 4,489	100.0%

[1] Primarily represents loans collateralized by multiple properties in various regions.

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, 2011		December 31, 2010	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Commercial				
Agricultural	\$ 258	4.9%	\$ 315	7.0%
Industrial	1,615	30.5%	1,141	25.4%
Lodging	124	2.3%	132	2.9%
Multifamily	974	18.4%	713	15.9%
Office	944	17.8%	986	22.1%
Retail	986	18.6%	669	14.9%
Other	294	5.4%	384	8.5%
Residential	109	2.1%	149	3.3%
Total mortgage loans	\$ 5,304	100.0%	\$ 4,489	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 and original investment.

	June 30, 2011			December 31, 2010		
	Total Assets	Total Liabilities [1]	Maximum Exposure to Loss [2]	Total Assets	Total Liabilities [1]	Maximum Exposure to Loss [2]
CDOs [3]	\$ 510	\$ 439	\$ 48	\$ 729	\$ 393	\$ 289
Limited partnerships	7		7	14	1	13
Total	\$ 517	\$ 439	\$ 55	\$ 743	\$ 394	\$ 302

[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, AFS, and fixed maturities, FVO, 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 as an investment.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Investments and Derivative Instruments (continued)

Non-Consolidated VIEs

The Company holds a significant variable interest for one VIE for which it is not the primary beneficiary and, therefore, was not consolidated on the Company's Condensed Consolidated Balance Sheets. This VIE represents a contingent capital facility (facility) that has been held by the Company for five years for which the Company has no implied or unfunded commitments. Assets and liabilities recorded for the facility were \$30 as of June 30, 2011 and \$32 as of December 31, 2010. Additionally, the Company has a maximum exposure to loss of \$4 as of June 30, 2011 and December 31, 2010, which represents the issuance costs that were incurred to establish the facility. 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. For further information on the facility, see Note 14 of the Notes to Consolidated Financial Statements included in The Hartford's 2010 Form 10-K Annual Report.

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 and fixed maturities, FVO, in the Company's Condensed Consolidated Balance Sheets. 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. These derivatives are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.

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, swaptions, caps, floors, and futures

The Company uses interest rate swaps, swaptions, 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, 2011 and December 31, 2010, the notional amount of interest rate swaps in offsetting relationships was \$7.1 billion.

Foreign currency swaps and forwards

The Company enters into foreign currency swaps and forwards to convert the foreign currency exposures of certain foreign currency-denominated fixed maturity investments to U.S. dollars.

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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 foreign currency swaps

Prior to the second quarter of 2009, The Company offered certain variable annuity products with a GMIB rider through a wholly-owned Japanese subsidiary. The GMIB rider is reinsured to a wholly-owned U.S. subsidiary, which invests in U.S. dollar denominated assets to support the liability. The U.S. subsidiary entered into pay U.S. dollar, receive yen forward contracts to hedge the currency and interest rate exposure between the U.S. dollar denominated assets and the yen denominated fixed liability reinsurance payments.

Japanese fixed annuity hedging instruments

Prior to the second quarter of 2009, The Company offered a yen denominated fixed annuity product through a wholly-owned Japanese subsidiary and reinsured to a wholly-owned U.S. subsidiary. The U.S. subsidiary invests in U.S. dollar denominated securities to support the yen denominated fixed liability payments and entered into currency rate swaps to hedge the foreign currency exchange rate and yen interest rate exposures that exist as a result of U.S. dollar assets backing the yen denominated liability.

Japanese variable annuity hedging instruments

The Company enters into foreign currency forward and option contracts to hedge the foreign currency risk associated with certain Japanese variable annuity liabilities reinsured from a wholly-owned Japanese subsidiary. Foreign currency risk may arise for some segments of the business where assets backing the liabilities are denominated in U.S. dollars while the liabilities are denominated in yen. Foreign currency risk may also arise when certain variable annuity policyholder accounts are invested in various currencies while the related guaranteed minimum death benefit (GMDB) and GMIB guarantees are effectively yen-denominated.

The Company's net notional amount relating to Japanese variable annuity hedging instruments as of June 30, 2011 was \$1.7 billion, which consisted of \$2.6 billion of long positions offset by short positions of \$937. The Company's net notional amount relating to Japanese variable annuity hedging instruments as of December 31, 2010 was \$1.7 billion which consisted of \$1.7 billion of long positions only.

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 credit derivatives embedded within certain fixed maturity securities. These securities are primarily comprised of structured securities that contain credit derivatives that reference a standard index of corporate securities or particular securities.

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 and options

The Company offers certain equity indexed products, which may contain an embedded derivative that requires bifurcation. The Company enters into S&P index swaps and options to economically hedge the equity volatility risk associated with these embedded derivatives.

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 a 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,	December	June 30,	December
	2011	31, 2010	2011	31, 2010
Customized swaps	\$ 9,615	\$ 10,113	\$ 175	\$ 209
Equity swaps, options, and futures	5,239	4,943	372	391
Interest rate swaps and futures	2,752	2,800	(118)	(133)
Total	\$ 17,606	\$ 17,856	\$ 429	\$ 467

Macro hedge program

The Company utilizes equity options, swaps, equity futures contracts, currency forwards, and currency options 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 GMDB, GMIB and GMWB obligations. The Company also enters into foreign currency denominated interest rate swaps to hedge the interest rate exposure related to the potential annuitization of certain benefit obligations issued in Japan.

The following table represents notional and fair value for the macro hedge program.

	Notional Amount		Fair Value	
	June 30,	December	June 30,	December
	2011	31, 2010	2011	31, 2010
Long equity options, swaps and futures	\$ 8,650	\$ 13,332	\$ 231	\$ 205
Short equity options, swaps and futures	2,116	1,168	23	
Long currency forward contracts	196	1,791	(4)	64
Short currency forward contracts	2,778	1,441	56	29
Foreign interest rate swaps	2,192	2,182	30	21
Cross-currency equity options	121	1,000	4	3
Long currency options	2,155	3,075	139	67
Short currency options	465	2,221	(8)	(5)
Total	\$ 18,673	\$ 26,210	\$ 471	\$ 384

The Company's net notional amount relating to the macro hedge program as of June 30, 2011 and December 31, 2010 was \$7.9 billion and \$16.6 billion, respectively, which consisted of \$13.3 billion and \$21.4 billion, respectively, of

long positions offset by \$5.4 billion and \$4.8 billion, respectively, of short positions.

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, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010
Cash flow hedges								
Interest rate swaps	\$ 9,941	\$ 10,290	\$ 183	\$ 115	\$ 206	\$ 188	\$ (23)	\$ (73)
Foreign currency swaps	302	335	7	6	27	29	(20)	(23)
Total cash flow hedges	10,243	10,625	190	121	233	217	(43)	(96)
Fair value hedges								
Interest rate swaps	1,277	1,120	(60)	(46)	1	5	(61)	(51)
Foreign currency swaps	677	677	15	(12)	96	71	(81)	(83)
Total fair value hedges	1,954	1,797	(45)	(58)	97	76	(142)	(134)
Non-qualifying strategies								
<i>Interest rate contracts</i>								
Interest rate swaps, swaptions, caps, floors, and futures	9,044	7,938	(354)	(441)	219	126	(573)	(567)
<i>Foreign exchange contracts</i>								
Foreign currency swaps and forwards	369	368	(29)	(18)		1	(29)	(19)
Japan 3Win foreign currency swaps	2,285	2,285	152	177	152	177		
Japanese fixed annuity hedging instruments	2,137	2,119	487	608	494	608	(7)	
Japanese variable annuity hedging instruments	3,526	1,720	10	73	61	74	(51)	(1)
<i>Credit contracts</i>								
Credit derivatives that purchase credit protection	1,396	2,559	(10)	(9)	17	29	(27)	(38)
Credit derivatives that assume credit risk [1]	2,270	2,569	(444)	(434)	5	8	(449)	(442)
Credit derivatives in offsetting positions	8,535	8,367	(70)	(75)	114	98	(184)	(173)

Equity contracts

Equity index swaps and options	192	189	(8)	(10)	6	5	(14)	(15)
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Variable annuity hedge program

GMWB product derivatives [2]	39,593	42,739	(1,450)	(1,647)			(1,450)	(1,647)
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GMWB reinsurance contracts	7,886	8,767	237	280	237	280		
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GMWB hedging instruments	17,606	17,856	429	467	575	647	(146)	(180)
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Macro hedge program	18,673	26,210	471	384	486	394	(15)	(10)
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Other

GMAB product derivatives [2]	237	246		3		3		
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Contingent capital facility put option	500	500	30	32	30	32		
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Total non-qualifying strategies	114,249	124,432	(549)	(610)	2,396	2,482	(2,945)	(3,092)
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Total cash flow hedges, fair value hedges, and non-qualifying strategies

\$ 126,446	\$ 136,854	\$ (404)	\$ (547)	\$ 2,726	\$ 2,775	\$ (3,130)	\$ (3,322)
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Balance Sheet Location

Fixed maturities, available-for-sale	\$ 703	\$ 728	\$ (43)	\$ (39)	\$	\$	\$ (43)	\$ (39)
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Other investments	27,523	55,948	890	1,524	1,223	2,105	(333)	(581)
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Other liabilities	50,410	28,333	(24)	(654)	1,266	387	(1,290)	(1,041)
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Consumer notes	39	39	(4)	(5)			(4)	(5)
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Reinsurance recoverables	7,886	8,767	237	280	237	280		
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Other policyholder funds and benefits payable	39,885	43,039	(1,460)	(1,653)		3	(1,460)	(1,656)
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Total derivatives	\$ 126,446	\$ 136,854	\$ (404)	\$ (547)	\$ 2,726	\$ 2,775	\$ (3,130)	\$ (3,322)
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[1] The derivative instruments related to this strategy 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, 2010, was primarily due to the following:

The notional amount related to the macro hedge program declined \$7.5 billion primarily due to the expiration of certain currency and equity index options. The notional amount was not replaced given the levels of market risk coverage for both equity and foreign exchange rate risk were within the Company defined limits.

The GMWB product derivative notional declined \$3.1 billion primarily as a result of policyholder lapses and withdrawals.

The notional amount related to non-qualifying interest rate contracts increased by \$1.1 billion primarily as a result of the Company adding LIBOR swaptions to manage duration between assets and liabilities.

Change in Fair Value

The change in the total fair value of derivative instruments since December 31, 2010, was primarily related to the following:

The increase in the combined GMWB hedging program, which includes the GMWB product, reinsurance, and hedging derivatives, was primarily a result of lower implied market volatility and outperformance of the underlying actively managed funds as compared to their respective indices.

The fair value related to interest rate swaps increased primarily as a result of declining interest rates.

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 period earnings. No components of each derivative's gain or loss were excluded from 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			
		Gain (Loss) Recognized in OCI on Derivative (Effective Portion)				Income on Derivative (Ineffective Portion)			
		Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
		June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Interest rate swaps	Net realized capital gains (losses)	\$ 148	\$ 260	\$ 82	\$ 360	\$	\$ 4	\$ (2)	\$ 3
Foreign currency swaps	Net realized capital gains		6		15				
Total		\$ 148	\$ 266	\$ 82	\$ 375	\$	\$ 4	\$ (2)	\$ 3

Derivatives in Cash Flow Hedging Relationships

Gain (Loss) Reclassified from AOCI into Income (Effective Portion)

Three Months Ended Six Months Ended

		June 30,		June 30,	
		2011	2010	2011	2010
Interest rate swaps	Net realized capital gains	\$ 2	\$ 4	\$ 4	\$ 4
Interest rate swaps	Net investment income	31	22	63	34
Foreign currency swaps	Net realized capital gains (losses)	3	(11)	8	(16)
Foreign currency swaps	Net investment income				
Total		\$ 36	\$ 15	\$ 75	\$ 22

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

As of June 30, 2011, 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 \$107. 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 approximately two years.

During the three and six months ended June 30, 2011, the Company had no 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, 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.

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. No components of each derivative's gain or loss were excluded from 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,				
2011		2010		2011		2010		
Derivative	Hedge Item	Derivative	Hedge Item	Derivative	Hedge Item	Derivative	Hedge Item	Hedge Item
Interest rate swaps								
Net realized capital gains (losses)	\$ (27)	\$ 26	\$ (40)	\$ 37	\$ (17)	\$ 17	\$ (52)	\$ 47
Benefits, losses and loss adjustment expenses			(7)	8			(2)	3
Foreign currency swaps								
Net realized capital gains (losses)	22	(22)	(11)	11	36	(36)	(40)	40
Benefits, losses and loss adjustment expenses	(1)	1			(9)	9	(1)	1
Total	\$ (6)	\$ 5	\$ (58)	\$ 56	\$ 10	\$ (10)	\$ (95)	\$ 91

[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		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Interest rate contracts				
Interest rate swaps, swaptions, caps, floors, futures, and forwards	\$ (4)	\$ (5)	\$ 1	\$ (5)
Foreign exchange contracts				
Foreign currency swaps, forwards, and swaptions	(7)	23	(12)	29
Japan 3Win hedging derivatives [1]	33	65	(25)	9
Japanese fixed annuity hedging instruments [2]	57	160	(5)	141
Japanese variable annuity hedging instruments	6	32	(56)	45
Credit contracts				
Credit derivatives that purchase credit protection	(3)	38	(20)	38
Credit derivatives that assume credit risk	(14)	(50)	5	(13)
Equity contracts				
Equity index swaps, options, and futures	2	4	2	5
Variable annuity hedge program				
GMWB product derivatives	(84)	(1,497)	279	(1,144)
GMWB reinsurance contracts	4	246	(61)	185
GMWB hedging instruments	43	825	(184)	662
Macro hedge program	35	397	(322)	233
Other				
GMAB product derivatives	(2)	(5)	(1)	(2)
Contingent capital facility put option	(1)	(1)	(3)	(2)
Total	\$ 65	\$ 232	\$ (402)	\$ 181

[1] The associated liability is adjusted for changes in spot rates through realized capital gains and was \$(49) and \$(103) for the three months ended June 30, 2011 and 2010, respectively, and \$(7) and \$(96) for the six months ended June 30, 2011 and 2010, respectively.

[2] The associated liability is adjusted for changes in spot rates through realized capital gains and was \$(63) and \$(126) for the three months ended June 30, 2011 and 2010, respectively, and \$(10) and \$(119) for the six months ended June 30, 2011 and 2010, respectively.

For the three and six months ended June 30, 2011, the net realized capital gain (loss) related to derivatives used in non-qualifying strategies was primarily comprised of the following:

For the three months ended June 30, 2011 the net gain related to the Japanese fixed annuity hedging instruments is primarily due to the U.S. dollar weakening in comparison to the Japanese yen.

For the three months ended June 30, 2011 the net gain associated with the macro hedge program is primarily due to a decline in Japanese interest rates and foreign currency movements. For the six months ended June 30, 2011 the net loss related to the macro hedge program is primarily the result of foreign currency movements and a higher equity market valuation.

For the three months ended June 30, 2011 the loss related to the combined GMWB hedging program, which includes the GMWB product, reinsurance, and hedging derivatives, is primarily a result of a general decrease in long-term interest rates. For the six months ended June 30, 2011 the gain related to the combined GMWB hedging program is primarily due to a lower implied market volatility and outperformance of the underlying actively managed funds as compared to their respective indices.

For the six months ended June 30, 2011 the net loss associated with the Japan variable annuity hedging instruments is primarily due to the Japanese yen currency movements in comparison to the euro and the U.S. dollar.

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, 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 was primarily due to lower equity market valuation and appreciation of the Japanese yen.

The net gain on the Japanese fixed annuity hedging instruments was 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 was 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 related to the combined GMWB hedging program which includes the GMWB product, reinsurance, and hedging derivatives was primarily driven by higher implied market volatility and a general decrease in long-term interest rates.

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, 2011 and December 31, 2010.

As of June 30, 2011

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Underlying Referenced Credit Obligation(s) [1]				Offsetting		
			Weighted Average Years to		Average		Notional	Offsetting	
			Maturity	Type	Rating	Amount [3]	Fair Value [3]		
Single name credit default swaps									
				Corporate 3	Credit/Foreign Gov.	A+			
Investment grade risk exposure	\$ 1,585	\$ (3)	years				\$ 1,446	\$ (53)	
				2	Corporate				
Below investment grade risk exposure	180	(4)	years		Credit	BB-	144	(8)	
Basket credit default swaps [4]									

Investment grade risk exposure	3,144	10	3 years	Corporate Credit	BBB+	2,128	(18)
Investment grade risk exposure	525	(66)	6 years	CMBS Credit	BBB+	525	66
Below investment grade risk exposure	578	(396)	4 years	Corporate Credit	BBB+	25	1
Embedded credit derivatives							
Investment grade risk exposure	25	24	3 years	Corporate Credit	BBB-		
Below investment grade risk exposure	500	438	6 years	Corporate Credit	BB+		
Total	\$ 6,537	\$ 3				\$ 4,268	\$ (12)

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Investments and Derivative Instruments (continued)****As of December 31, 2010**

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1]		Offsetting Notional Amount [3]	Offsetting Fair Value [3]
				Type	Credit Rating		
Single name credit default swaps							
				Corporate			
Investment grade risk exposure	\$ 1,562	\$ (14)	3 years	3 Credit/Foreign Gov.	A+	\$ 1,447	\$ (41)
Below investment grade risk exposure	204	(6)	3 years	3 Corporate Credit	BB-	168	(13)
Basket credit default swaps [4]							
				Corporate			
Investment grade risk exposure	3,145	(1)	4 years	4 Corporate Credit	BBB+	2,019	(14)
Investment grade risk exposure	525	(50)	6 years	6 CMBS Credit	BBB+	525	50
Below investment grade risk exposure	767	(381)	4 years	4 Corporate Credit	BBB+	25	
Embedded credit derivatives							
				Corporate			
Investment grade risk exposure	25	25	4 years	4 Corporate Credit	BBB-		
Below investment grade risk exposure	525	463	6 years	6 Corporate Credit	BB+		
Total	\$ 6,753	\$ 36				\$ 4,184	\$ (18)

[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 \$3.7 billion and \$3.9 billion as of June 30, 2011 and December 31, 2010, 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 \$553 and \$542 as of June 30, 2011 and December 31, 2010, respectively, of customized diversified portfolios of corporate issuers

referenced through credit default swaps.

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

Changes in the DAC balance are as follows:

	2011	2010
Balance, January 1	\$ 9,857	\$ 10,686
Deferred Costs	1,306	1,338
Amortization DAC	(1,439)	(1,445)
Amortization DAC from discontinued operations		(7)
Amortization Unlock charge, pre-tax	(60)	(137)
Adjustments to unrealized gains and losses on securities available-for-sale and other	(87)	(828)
Effect of currency translation	7	82
Balance, June 30	\$ 9,584	\$ 9,689

The Unlock charge, pre-tax, for the six months ended June 30, 2011 consisted of a charge related to the impact of the macro hedge program, which includes an extension of existing hedging duration implemented in the second quarter of 2011 for U.S. annuity business, and a benefit from actual separate account returns for the six months ended June 30, 2011 being above the Company's aggregated estimated return. The Unlock charge, pre-tax, for the six months ended June 30, 2010 consisted of a charge due to the macro hedge program and a charge from actual separate account returns for the six months ended June 30, 2010 being below the Company's aggregated estimated return.

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, International GMDB/GMIB, and UL Secondary Guarantee Benefits**

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

	U.S. GMDB	International GMDB/GMIB	UL Secondary Guarantees
Liability balance as of January 1, 2011	\$ 1,053	\$ 696	\$ 113
Incurred	110	61	27
Paid	(95)	(76)	
Unlock	(63)	2	
Currency translation adjustment		2	
Liability balance as of June 30, 2011	\$ 1,005	\$ 685	\$ 140
Reinsurance recoverable asset, as of January 1, 2011	\$ 686	\$ 36	\$ 30
Incurred	65	(3)	5
Paid	(65)	1	
Unlock	(27)	6	
Currency translation adjustment			
Reinsurance recoverable asset, as of June 30, 2011	\$ 659	\$ 40	\$ 35

	U.S. GMDB	International GMDB/GMIB	UL Secondary Guarantees
Liability balance as of January 1, 2010	\$ 1,233	\$ 599	\$ 76
Incurred	127	62	20
Paid	(155)	(61)	
Unlock	107	32	
Currency translation adjustment		32	
Liability balance as of June 30, 2010	\$ 1,312	\$ 664	\$ 96
Reinsurance recoverable asset, as of January 1, 2010	\$ 787	\$ 51	\$ 22
Incurred	74	(2)	4
Paid	(94)		
Unlock	65	(7)	
Currency translation adjustment		2	
Reinsurance recoverable asset, as of June 30, 2010	\$ 832	\$ 44	\$ 26

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, 2011:

Individual Variable and Group Annuity Account Value by GMDB/GMIB Type				
		Net	Retained	
		Amount	Net	Weighted
	Account	at Risk	Amount	Average
	Value		at Risk	Attained Age
	(AV)	(NAR) [10]	(RNAR)	of
			[10]	Annuitant
Maximum anniversary value (MAV) [1]				
MAV only	\$ 24,081	\$ 4,765	\$ 1,030	68
With 5% rollup [2]	1,648	416	131	68
With Earnings Protection Benefit Rider (EPB) [3]	6,228	747	91	65
With 5% rollup & EPB	685	142	30	68
 Total MAV	 32,642	 6,070	 1,282	
Asset Protection Benefit (APB) [4]	26,268	1,820	1,171	65
Lifetime Income Benefit (LIB) Death Benefit [5]	1,252	53	53	64
Reset [6] (5-7 years)	3,584	193	191	68
Return of Premium (ROP) [7]/Other	23,557	462	439	65
 Subtotal U.S. GMDB [8]	 87,303	 8,598	 3,136	 66
Less: General Account Value with U.S. GMDB	7,008			
 Subtotal Separate Account Liabilities with GMDB	 80,295			
Separate Account Liabilities without U.S. GMDB	77,190			
 Total Separate Account Liabilities	 \$ 157,485			
 Japan GMDB [9], [11]	 \$ 30,785	 \$ 8,469	 \$ 7,233	 69
Japan GMIB [9], [11]	\$ 28,526	\$ 5,442	\$ 5,442	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 or 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 which allows for free withdrawal of earnings, paid through a fixed payout annuity, after a minimum deferral period of 10, 15 or 20 years. The GRB related to the Japan GMIB was \$33.2 billion and \$33.9 billion as of June 30, 2011 and December 31, 2010, respectively. The GRB related to the Japan GMAB and GMWB was \$687 and \$707 as of June 30, 2011 and December 31, 2010, 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, 2011, 55% of the GMDB RNAR and 68% of the GMIB NAR is reinsured to a Hartford affiliate.*
- [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. Additionally Japan's NAR and RNAR are highly sensitive to currency movements and increase when the Yen strengthens.*
- [11] *Policies with a guaranteed living benefit (GMIB in Japan) also have a guaranteed death benefit. The NAR for each benefit is shown in the table above, however these benefits are not additive. When a policy terminates due to death, any NAR related to GMWB or GMIB is released. Similarly, when a policy goes into benefit status on a GMWB or GMIB, its GMDB NAR is released.*

In the U.S., account balances of contracts with guarantees were invested in variable separate accounts as follows:

Asset type	As of June 30, 2011	As of December 31, 2010
Equity securities (including mutual funds)	\$ 72,395	\$ 75,601
Cash and cash equivalents	7,900	8,365
Total	\$ 80,295	\$ 83,966

As of June 30, 2011 and December 31, 2010, approximately 16% and 15%, respectively, of the equity securities above were invested in fixed income securities through these funds and approximately 84% and 85%, respectively, were invested in equity securities.

See Note 4a for further information on guaranteed living benefits that are accounted for at fair value, such as GMWB.

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:

	2011	2010
Balance, January 1	\$ 459	\$ 438
Sales inducements deferred	9	15
Amortization	(20)	(13)
Amortization Unlock charge, pre-tax	(8)	(15)
Balance, June 30	\$ 440	\$ 425

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.

Apart from the inherent difficulty of predicting litigation outcomes, particularly those that will be decided by a jury, many of the matters specifically identified below purport to seek substantial damages for unsubstantiated conduct spanning a multi-year period based on novel and complex legal theories and damages models. The alleged damages typically are not quantified or factually supported in the complaint, and, in any event, the Company's experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. Most are in the earliest stages of litigation, with few or no substantive legal decisions by the court defining the scope of the claims, the class (if any), or the potentially available damages. In many, the Company has not yet answered the complaint or asserted its defenses, and fact discovery is still in progress or has not yet begun. Accordingly, unless otherwise specified below, management cannot reasonably estimate the possible loss or range of loss, if any, or predict the timing of the eventual resolution of these matters.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Commitments and Contingencies (continued)

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. Two consolidated amended complaints were 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 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 declined to exercise supplemental jurisdiction over the state law claims and dismissed those claims without prejudice. The plaintiffs appealed the dismissal of the claims in both consolidated amended complaints, except the ERISA claims. In August 2010, the United States Court of Appeals for the Third Circuit affirmed the dismissal of the Sherman Act and RICO claims against the Company. The Third Circuit vacated the dismissal of the Sherman Act and RICO claims against some defendants in the property casualty insurance case and vacated the dismissal of the state-law claims as to all defendants in light of the reinstatement of the federal claims. In September 2010, the district court entered final judgment for the defendants in the group benefits case. In March 2011, the Company reached an agreement in principle to settle on a class basis the property casualty insurance case for an immaterial amount. The settlement was preliminarily approved in June 2011 and is contingent upon final court approval.

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. In February 2011, the parties reached an agreement in principle to settle on a class basis for an immaterial amount. The settlement is contingent upon the execution of a final settlement agreement and preliminary and final court approval.

The Company and certain of its present or former officers are defendants in a putative securities class action lawsuit filed in the United States District Court for the Southern District of New York in March 2010. The operative complaint, filed in October 2010, is brought on behalf of persons who acquired Hartford common stock during the period of July 28, 2008 through February 5, 2009, and alleges that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, by making false or misleading statements during the alleged class period about the Company's valuation of certain asset-backed securities and its effect on the Company's capital position. The Company disputes the allegations and has moved to dismiss the complaint.

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, 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, and booked an insurance recoverable for the amount paid under the settlement plus the cost of settlement administration, less the 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. As a result, the Company's insurance recoverable was reduced to \$45.5. 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. The Company counterclaimed for coverage, seeking approximately \$50 plus interest. That arbitration concluded in May 2011. A decision is expected in the third or fourth quarter of 2011. Management believes it is probable that the Company's coverage position ultimately will be sustained.

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Commitments and Contingencies (continued)

Mutual Funds Litigation In October 2010, a derivative action was brought on behalf of six Hartford retail mutual funds in the United States District Court for the District of Delaware, alleging that Hartford Investment Financial Services, LLC received excessive advisory and distribution fees in violation of its statutory fiduciary duty under Section 36(b) of the Investment Company Act of 1940. In February 2011, a nearly identical derivative action was brought against Hartford Investment Financial Services, LLC in the United States District Court for the District of New Jersey on behalf of six additional Hartford retail mutual funds. Both actions are assigned to the Honorable Renee Marie Bumb, a judge in the District of New Jersey who is sitting by designation with respect to the Delaware action. Plaintiffs in each action seek to rescind the investment management agreements and distribution plans between the Company and the mutual funds and to recover the total fees charged thereunder or, in the alternative, to recover any improper compensation the Company received. In addition, plaintiff in the New Jersey action seeks recovery of lost earnings. The Company disputes the allegations and has moved to dismiss both actions.

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 2010 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.

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, 2011, is \$552. Of this \$552 the legal entities have posted collateral of \$487 in the normal course of business. Based on derivative market values as of June 30, 2011, a downgrade of one level below the current financial strength ratings by either Moody's or S&P could require approximately an additional \$63 to be posted as collateral. Based on derivative market values as of June 30, 2011, 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 \$91 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 would post, if required, would be primarily in the form of U.S. Treasury bills and U.S. Treasury notes.

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. Pension Plans and Postretirement Health Care and Life Insurance Benefit Plans****Components of Net Periodic Benefit Cost**

Total net periodic benefit cost for the three months ended June 30, 2011 and 2010 includes the following components:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 24	\$ 24	\$ 1	\$ 1
Interest cost	66	63	5	6
Expected return on plan assets	(75)	(72)	(4)	(3)
Settlement expense		20		
Amortization of prior service credit	(3)	(3)		
Amortization of actuarial loss	42	28		
Net periodic benefit cost	\$ 54	\$ 60	\$ 2	\$ 4

Total net periodic benefit cost for the six months ended June 30, 2011 and 2010 includes the following components:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 52	\$ 51	\$ 2	\$ 3
Interest cost	130	125	10	11
Expected return on plan assets	(149)	(143)	(7)	(6)
Settlement expense		20		
Amortization of prior service credit	(5)	(5)		
Amortization of actuarial loss	79	54		
Net periodic benefit cost	\$ 107	\$ 102	\$ 5	\$ 8

11. Stock Compensation Plans

The Company's stock-based compensation plans include The Hartford 2010 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 the Notes to Consolidated Financial Statements included in The Hartford's 2010 Form 10-K Annual Report. Shares issued in satisfaction of stock-based compensation may be made available from authorized but unissued shares, shares held by the Company in treasury or from shares purchased in the open market. The Company typically issues shares from treasury in satisfaction of stock-based compensation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Stock-based compensation plans expense	\$ 25	\$ 19	\$ 46	\$ 41
Income tax benefit	(9)	(7)	(16)	(15)
Total stock-based compensation plans expense, after-tax	\$ 16	\$ 12	\$ 30	\$ 26

The Company did not capitalize any cost of stock-based compensation. As of June 30, 2011, the total compensation cost related to non-vested awards not yet recognized was \$113, which is expected to be recognized over a weighted average period of 1.5 years.

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****12. Discontinued Operations**

On May 22, 2011, the Company announced a definitive merger agreement with CenterState Banks, Inc. (CBI), pursuant to which Federal Trust Corporation (FTC), a wholly owned subsidiary of the Company, will be merged with and into CBI, and Federal Trust Bank (FTB), a federally chartered, FDIC-insured thrift and wholly owned subsidiary of FTC, will be merged with and into CenterState Bank of Florida, N.A. (CenterState Bank), a wholly owned subsidiary of CBI. The mergers, which are subject to regulatory approval and customary closing conditions, are expected to close in the fourth quarter of 2011. At the time of the mergers, FTC and FTB will hold net assets including cash, certain mortgage loans, property and other assets equivalent to liabilities assumed including deposits and other liabilities, totaling approximately \$240. The Company recorded an after-tax charge of \$74 in the second quarter of 2011 related to the divestiture, including the write off of remaining goodwill of \$10, after-tax, and losses on certain FTC and FTB assets and liabilities which will not be transferred to CenterState. The Company simultaneously engaged in activities to purchase certain assets and assume certain liabilities from FTC and FTB that were not part of the transactions with CBI and CenterState Bank. The Company anticipates disposing of these assets and liabilities within twelve months after closing, and thus any income or expense related to these assets and liabilities will be temporary in nature. FTC is included in the Corporate and Other category for segment reporting.

In the first quarter of 2011, the Company completed the sale of its wholly-owned subsidiary Specialty Risk Services (SRS). SRS is a third-party claims administration business that provides self-insured, insured, and alternative market clients with customized claims services. The Company will continue to provide certain transition services to SRS for up to 24 months. For the six months ended June 30, 2011, the Company recorded a net realized capital gain of \$150, after-tax. SRS is included in the Property & Casualty Commercial reporting segment. In addition, during the fourth quarter of 2010, the Company completed the sales of its indirect wholly-owned subsidiaries Hartford Investments Canada Corporation (HICC) and Hartford Advantage Investment, Ltd. (HAIL). HICC is included in the Mutual Funds reporting segment and HAIL is included in the Global Annuity reporting segment.

The following table summarizes the amounts related to discontinued operations in the Condensed Consolidated Statements of Operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<i>Revenues</i>				
Fee income	\$ 1	\$ 9	\$ 1	\$ 18
Net investment income	3	5	11	11
Net realized capital gains (losses)	(1)	2	(5)	
Other revenues		55	47	109
Total revenues	3	71	54	138
<i>Benefits, losses and expenses</i>				
Amortization of deferred policy acquisition costs and present value of future profits		3		7
Insurance operating costs and other expenses	14	66	46	130
Goodwill impairment		153		153
Total benefits, losses and expenses	14	222	46	290
Income (loss) before income taxes	(11)	(151)	8	(152)
Income tax expense (benefit)	(5)	(52)	2	(52)

Income (loss) from operations of discontinued operations, net of tax	(6)	(99)	6	(100)
Net realized capital gain (loss) on disposal, net of tax	(74)		76	
Income (loss) from discontinued operations, net of tax	\$ (80)	\$ (99)	\$ 82	\$ (100)

Table of Contents**THE HARTFORD FINANCIAL SERVICES GROUP, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. Goodwill**

The carrying amount of goodwill allocated to reporting segments as of June 30, 2011 and December 31, 2010 is shown below.

	June 30, 2011			December 31, 2010		
	Gross	Accumulated Impairments	Carrying Value	Gross	Accumulated Impairments	Carrying Value
Commercial Markets						
Property & Casualty Commercial	\$ 30	\$	\$ 30	\$ 30	\$	\$ 30
Total Commercial Markets	30		30	30		30
Consumer Markets	119		119	119		119
Wealth Management						
Global Annuity	422	(422)		422	(422)	
Life Insurance	224		224	224		224
Retirement Plans	87		87	87		87
Mutual Funds	159		159	159		159
Total Wealth Management	892	(422)	470	892	(422)	470
Corporate and Other	940	(523)	417	940	(508)	432
Total Goodwill	\$ 1,981	\$ (945)	\$ 1,036	\$ 1,981	\$ (930)	\$ 1,051

During the second quarter, the Company charged off the remaining \$15 of goodwill associated with the FTC reporting unit within Corporate and Other due to the announced divestiture of FTC. The write-off of the FTC reporting unit goodwill was recorded as a loss on disposal within discontinued operations, see Note 12.

The Company completed its annual goodwill assessment for the individual reporting units within Wealth Management and Corporate and Other, except for the FTC reporting unit, as of January 1, 2011, which resulted in no write-downs of goodwill in 2011. 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 within Life Insurance. The Individual Life reporting unit has a goodwill balance of \$342 and had a margin of less than 10%.

The fair value of the Individual Life reporting unit within Life Insurance is based on discounted cash flows using earnings projections on in force business and future business growth. There could be a positive or negative impact on the result of step one in future periods if actual earnings or business growth assumptions emerge differently than those used in determining fair value for the first step of the annual goodwill impairment test.

The Company expects to complete the annual impairment test for the reporting units within Property & Casualty Commercial and Consumer Markets in the fourth quarter of 2011.

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, 2011, compared with December 31, 2010, and its results of operations for the three and six months ended June 30, 2011, compared to the equivalent 2010 periods. This discussion should be read in conjunction with the MD&A in The Hartford's 2010 Form 10-K Annual Report. Certain reclassifications have been made to prior period financial information to conform to the current period classifications. Also, prior period amounts have been retrospectively reclassified to reflect discontinued operations, see Note 12 of the Notes to Condensed Consolidated Financial Statements for further information on discontinued operations. The Hartford defines increases or decreases greater than or equal to 200%, or changes from a net gain to a net loss position, or vice versa, as NM or not meaningful.

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Table of Contents**CONSOLIDATED RESULTS OF OPERATIONS**

Operating Summary	Three Months Ended			Six Months Ended		
	2011	June 30, 2010	Change	2011	June 30, 2010	Change
Earned premiums	\$ 3,545	\$ 3,506	1%	\$ 7,064	\$ 7,033	
Fee income	1,219	1,186	3%	2,428	2,366	3%
Net investment income (loss):						
Securities available-for-sale and other	1,104	1,148	(4%)	2,212	2,202	
Equity securities, trading [1]	(597)	(2,649)	77%	206	(1,948)	NM
Total net investment income (loss)	507	(1,501)	NM	2,418	254	NM
Net realized capital gains (losses)	69	9	NM	(334)	(265)	(26%)
Other revenues	61	65	(6%)	125	129	(3%)
Total revenues	5,401	3,265	65%	11,701	9,517	23%
Benefits, losses and loss adjustment expenses	3,976	3,592	11%	7,154	6,725	6%
Benefits, losses and loss adjustment expenses returns credited on international variable annuities [1]	(597)	(2,649)	77%	206	(1,948)	NM
Amortization of deferred policy acquisition costs and present value of future profits (DAC)	835	935	(11%)	1,499	1,582	(5%)
Insurance operating costs and other expenses	1,224	1,111	10%	2,344	2,226	5%
Interest expense	128	132	(3%)	256	252	2%
Total benefits, losses and expenses	5,566	3,121	78%	11,459	8,837	30%
Income (loss) from continuing operations before income taxes	(165)	144	NM	242	680	(64%)
Income tax expense (benefit)	(269)	(31)	NM	(211)	185	NM
Income from continuing operations, net of tax	104	175	(41%)	453	495	(8%)
Income (loss) from discontinued operations, net of tax	(80)	(99)	19%	82	(100)	NM
Net income	\$ 24	\$ 76	(68%)	\$ 535	\$ 395	35%

Supplemental Operating Data

Income from continuing operations, net of tax, available to common shareholders per diluted common share	\$ 0.19	\$ 0.34	\$ 0.89	\$
Net income (loss) available to common shareholders per diluted common share	0.03	0.14	1.06	(0.24)
Total revenues, excluding net investment income on equity securities, trading	5,998	5,914	11,495	11,465

Summary of Financial Condition	June 30, 2011	December 31, 2010
Total assets	\$ 317,469	\$ 318,346
Total investments, excluding equity securities, trading	99,794	98,175
Total stockholders' equity	21,675	20,311

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

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<i>Segment Results</i>	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Increase (Decrease) From 2011 to 2010	2011	2010	Increase (Decrease) From 2011 to 2010
Property & Casualty						
Commercial	\$ 121	\$ 270	\$ (149)	\$ 448	\$ 476	\$ (28)
Group Benefits	41	48	(7)	52	99	(47)
Commercial Markets	162	318	(156)	500	575	(75)
Consumer Markets	(174)	(13)	(161)	(64)	43	(107)
Global Annuity	228	(114)	342	278	(34)	312
Life Insurance	66	103	(37)	101	127	(26)
Retirement Plans	30	14	16	45	8	37
Mutual Funds	27	23	4	55	49	6
Wealth Management	351	26	325	479	150	329
Corporate and Other	(315)	(255)	(60)	(380)	(373)	(7)
Net income	\$ 24	\$ 76	\$ (52)	\$ 535	\$ 395	\$ 140

Three months ended June 30, 2011 compared to the three months ended June 30, 2010

The decrease in net income from 2010 to 2011 was primarily due to the following items:

Current accident year catastrophe losses of \$290, after-tax, in 2011, primarily due to severe tornadoes and wind storms in the Midwest and South, compared to \$150, after-tax, in 2010, primarily due to tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast.

An asbestos reserve increase of \$189, after-tax, in 2011, compared to \$110, after-tax, in 2010 resulting from the Company's annual review of its asbestos liabilities within the Other Operations operating segment. The reserve increase in 2011 was primarily driven by higher frequency and severity of mesothelioma claims, particularly against certain smaller, more peripheral insureds, while the reserve increase in 2010 was primarily driven by increases in claim severity and expenses. For further information, see Other Operations Claims within the Property and Casualty Insurance Product Reserves, Net of Reinsurance section in Critical Accounting Estimates. A \$73, after-tax, charge in the second quarter of 2011 related to the write-off of capitalized costs associated with a policy administration software project that was discontinued.

The Company recorded strengthenings of \$18, after-tax, in 2011, compared to releases of \$97, after-tax, in 2010, in its property and casualty insurance prior accident years development, excluding asbestos reserves. For additional information regarding prior accident years development, see Critical Accounting Estimates within the MD&A.

Partially offsetting these decreases in net income were the following items:

The Unlock charge was \$77, after-tax, in 2011 as compared to an Unlock charge of \$230, after-tax, in 2010. The charge in both 2011 and 2010 was due to macro hedge program and actual separate account returns being below our aggregated estimated return. For further discussion of Unlocks see the Critical Accounting Estimates within the MD&A.

For the three months ended June 30, 2011 the Company released \$86 of the income tax valuation allowance associated with investment realized capital losses. See Note 1 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the tax provision at the U.S. Federal statutory rate to the provision for income taxes.

For the three months ended June 30, 2011, the Company recorded a \$52 income tax benefit related to a resolution of a tax matter with the Internal Revenue Service (IRS) for the computation of dividends received deduction for years 1998, 2000 and 2001. For additional information see Note 1 of the Notes to Condensed Consolidated Financial Statements.

For the three months ended June 30, 2011, the loss from discontinued operations, net of tax, is due to a charge of \$74, after-tax, in the second quarter of 2011 related to the disposition of Federal Trust Corporation. For the three months ended June 30, 2010, loss from discontinued operations, net of tax, primarily relates to goodwill impairment on Federal Trust Corporation of approximately \$100, after-tax, recorded in the second quarter of 2010.

See the segment sections of the MD&A for a discussion on their respective performances.

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Six months ended June 30, 2011 compared to the six months ended June 30, 2010

The increase in net income from 2010 to 2011 was primarily due to the following items:

Income (loss) from discontinued operations, net of tax, increased due to a realized gain on the sale of Specialty Risk Services of \$150, after-tax, in the first quarter of 2011, which was partially offset by a loss of \$74, after-tax, from the disposition of Federal Trust Corporation in the second quarter of 2011. In 2010, loss from discontinued operations, net of tax, primarily relates to goodwill impairment on Federal Trust Corporation of approximately \$100, after-tax, recorded in the second quarter of 2010.

The Unlock charge was \$15, after-tax, in 2011 as compared to an Unlock charge of \$145, after-tax, in 2010. The Unlock charge for the six months ended June 30, 2011 consisted of a charge related to the impact of the macro hedge program, which includes an extension of existing hedging duration implemented in the second quarter of 2011 for U.S. annuity business, and a benefit from actual separate account returns for the six months ended June 30, 2011 being above the Company's aggregated estimated return. The Unlock charge for the six months ended June 30, 2010 consisted of a charge due to the macro hedge program and a charge from actual separate account returns for the six months ended June 30, 2010 being below the Company's aggregated estimated return. For further discussion of Unlocks see the Critical Accounting Estimates within the MD&A.

The first quarter of 2010 includes an accrual for a litigation settlement of \$73, before-tax, for further information see Structured Settlement Class Action in Note 12 of the Notes to Consolidated Financial Statements in The Hartford's 2010 Form 10-K Annual Report.

Income tax expense (benefit) in 2010 includes a valuation allowance expense of \$86 compared to a benefit of \$91 in 2011. See Note 1 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the tax provision at the U.S. Federal statutory rate to the provision for income taxes.

For the three months ended June 30, 2011, the Company recorded a \$52 income tax benefit related to a resolution of a tax matter with the IRS for the computation of dividends received deduction for years 1998, 2000 and 2001.

For additional information see Note 1 of the Notes to Condensed Consolidated Financial Statements.

Partially offsetting these increases in net income were the following items:

Current accident year catastrophe losses of \$341, after-tax, in 2011, primarily due to severe tornadoes and wind storms in the Midwest and South, as well as, winter storms in the Northeast and Midwest, compared to \$200, after-tax, in 2010, primarily due to tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast, as well as, winter storms in the Mid-Atlantic and Northeast.

An asbestos reserve increase of \$189, after-tax, in 2011, compared to \$110, after-tax, in 2010 resulting from the Company's annual review of its asbestos liabilities within the Other Operations operating segment. The reserve increase in 2011 was primarily driven by higher frequency and severity of mesothelioma claims, particularly against certain smaller, more peripheral insureds, while the reserve increase in 2010 was primarily driven by increases in claim severity and expenses. For further information, see Other Operations Claims within the Property and Casualty Insurance Product Reserves, Net of Reinsurance section in Critical Accounting Estimates. A \$73, after-tax, charge in the second quarter of 2011 related to the write-off of capitalized costs associated with a policy administration software project that was discontinued.

Net realized capital losses increased primarily due the results of the variable annuity hedge program, partially offset by a decline in impairment losses and valuation allowances on mortgage loans. For further discussion, see Net Realized Capital Gains (Losses) within Investment Results of Key Performance Measures and Ratios of this MD&A.

The Company recorded releases of \$16, after-tax, in 2011, compared to releases of \$153, after-tax, in 2010, in its property and casualty insurance prior accident years development, excluding asbestos reserves. For additional information regarding prior accident years development, see Critical Accounting Estimates within the MD&A.

See the segment sections of the MD&A for a discussion on their respective performances.

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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 2010 Form 10-K Annual Report.

Throughout 2011, The Hartford will continue to focus on growing its three customer-oriented divisions, Commercial Markets, Consumer Markets, and Wealth Management, through enhanced product development, leveraging synergies of the divisions' product offerings to meet customer needs, and increased efficiencies throughout the organization. The speed and extent of economic and employment expansion may impact the insurance protection businesses where insureds may change their level of insurance, and asset accumulation businesses may see customers changing their level of savings based on anticipated economic conditions. The performance of The Hartford's divisions is subject to uncertainty due to market conditions, which impact the earnings of its asset management businesses and the valuation and earnings on its investment portfolio.

Commercial Markets

Commercial Markets will continue to focus on growth through market-differentiated products and services while maintaining a disciplined underwriting approach. In the Property & Casualty Commercial insurance marketplace, improving market conditions have enabled the Company to achieve price increases in standard commercial lines during the first six months of 2011, while a slowly recovering economy has resulted in an increase in insurance exposures, both at levels greater than anticipated. Additionally, standard commercial lines policy counts are growing, particularly for our small commercial business, led by an increase in workers' compensation policies in force. Favorable trends are expected to continue. As such, the Company has raised its full year 2011 expectations to mid to high single-digit written premium growth for Property & Casualty Commercial. This growth potential reflects the combination of our current market position, a broadening of underwriting expertise focused on selected industries, a leveraging of the payroll model, and numerous initiatives launched in the past several years. Initiatives include programs aimed at improving policy count retention, the rollout of new product offerings and the introduction of ease of doing business technology for our small commercial business. The Property & Casualty Commercial combined ratio before catastrophes and prior accident year development is expected to be slightly higher for full year 2011 than the 93.4 achieved in 2010, as pricing increases are expected to somewhat offset loss cost changes. In Group Benefits, the economic downturn, combined with employees lessening spending on the Company's products and the overall competitive environment, reduced premium levels in 2010. Premiums are expected to remain relatively flat for full year 2011, or until there is economic expansion with lower unemployment rates, compared to 2010 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. The Company experienced elevated disability loss ratios in 2010, as compared to prior years, and anticipates loss ratios to remain essentially flat for full year 2011.

Consumer Markets

In 2011, the Company expects written premium to decline, including a decrease in both AARP direct and Agency business. Management expects written premium from business sold directly to AARP members to decline in 2011 reflecting the impact of written pricing increases in a price sensitive market. The Company also expects Agency earned premium to decline in 2011 as a result of continued pricing and underwriting actions to improve profitability, including efforts to reposition the book into more preferred market business, including for insureds aged 40+. Partially offsetting the decreases in 2011, Consumer Markets expects to increase its business written through independent agents to AARP members and enter into new affinity relationships. In addition, management expects to generate new business from direct marketing to AARP members, expanding the sale of the Open Road Advantage auto product and

introducing an enhanced homeowners product called Hartford Home Advantage. The Open Road Advantage product is being rolled out to additional states for direct business and is being offered through independent agents. As of July 2011, the Open Road Advantage auto product was available in 42 states and management expects it to be available in 44 states by the end of 2011. The Company began introducing its Hartford Home Advantage product during the first quarter of 2011 and will continue rolling out to additional states in the coming quarters. The Company distributes its discounted AARP Open Road Advantage auto product through those independent agents who are authorized to offer the AARP product and has begun to distribute its Hartford Home Advantage product on a discounted basis through those same authorized agents. Management expects that the combined ratio before catastrophes and prior accident year development will improve in 2011, as compared to 2010, driven mostly by earned pricing increases for both auto and home and lower average claim severity for auto liability. For auto, claim frequency is expected to improve slightly in 2011 as we benefit from a continued shift to a more preferred mix of business. For home, claim frequency has increased in the first half of 2011 because of an increase in weather-related claims but is otherwise expected to benefit from the continued shift to a more preferred book of business. Claim severity increases for home are expected to be modest throughout 2011.

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Wealth Management

Wealth Management continues to drive sales momentum through the execution of several key strategies. Global Annuity is continuing to build out a portfolio of solutions to provide contract holders guaranteed income. In June 2011, several of these solutions were introduced to the market place and provide a unique range of options to meet customers' retirement accumulation, income and legacy needs. We continue to diversify our suite of products and explore annuity distribution avenues that would complement the existing channels we have in place today. Our Mutual Fund business has been offering new funds to improve our participation in segments where we see growth opportunities. The success of two new global funds last year were followed by the launch of an emerging market equity fund, an emerging market debt fund and a global fixed income fund. We are also seeing strong growth opportunities beyond our core retail distribution – specifically with Registered Investment Advisors and professional buyers. The Retirement Plans business continues to experience strong sales. In addition to our core 401(k) market, we have seen growth in larger (\$5+) corporate plans, as well as with tax exempt plans. The property & casualty channel will become an increasingly important area of focus for us given our conviction that this channel is underpenetrated and well suited for this business. Life Insurance continues to differentiate itself from the industry through the creative offering of riders. The recently launched LongevityAccess rider, which allows policyholders to begin taking income from a policy at age 90, in tandem with the increasingly popular LifeAccess rider, which allows policyholders to take distributions from their policies in cases of chronic illness, gives The Hartford an ability to help people protect against premature death, outliving one's assets, or deteriorating health. In addition to building out distribution through property & casualty agents, the Company continues to expand its distribution into career life insurance professionals through the Monarch program.

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 have 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 insurance product reserves, net of reinsurance;
- 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 (in other policyholder funds and benefits payable);
- 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 2010 Form 10-K Annual Report. The following discussion updates certain of The Hartford's critical accounting estimates for June 30, 2011 results.

Table of Contents***Property and Casualty Insurance Product 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, adjustments are made more quickly to more mature accident years and less volatile lines of business. 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.

Reserve Roll Forwards and Development

A roll-forward follows of property and casualty insurance product liabilities for unpaid losses and loss adjustment expenses for the six months ended June 30, 2011:

Six Months Ended June 30, 2011

	Property &		Corporate	Total
	Casualty	Consumer	and	Property
	Commercial	Markets	Other	and
				Casualty
				Insurance
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	\$ 14,727	\$ 2,177	\$ 4,121	\$ 21,025
Reinsurance and other recoverables	2,361	17	699	3,077
Beginning liabilities for unpaid losses and loss adjustment expenses, net	12,366	2,160	3,422	17,948
Provision for unpaid losses and loss adjustment expenses				
Current accident year before catastrophes	1,912	1,239	1	3,152
Current accident year catastrophes	212	313		525
Prior accident years	25	(49)	290	266
Total provision for unpaid losses and loss adjustment expenses	2,149	1,503	291	3,943
Payments	(1,852)	(1,494)	(198)	(3,544)
Ending liabilities for unpaid losses and loss adjustment expenses, net	12,663	2,169	3,515	18,347
Reinsurance and other recoverables	2,356	6	751	3,113
Ending liabilities for unpaid losses and loss adjustment expenses, gross	\$ 15,019	\$ 2,175	\$ 4,266	\$ 21,460
Earned premiums	\$ 3,015	\$ 1,895		
Loss and loss expense paid ratio [1]	61.4	78.8		
Loss and loss expense incurred ratio	71.3	79.4		

Prior accident years development (pts) [2] 0.8 (2.6)

[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.*

Table of Contents**Prior accident years development recorded in 2011**

Included within prior accident years development for the three and six months ended June 30, 2011 were the following reserve strengthenings (releases):

	Three Months Ended June 30, 2011			
	Property & Casualty	Consumer	Corporate and	Total Property and Casualty Insurance
	Commercial	Markets	Other	
Auto liability	\$	\$ (9)	\$	\$ (9)
Homeowners		1		1
Professional liability	2			2
Package business	3			3
Workers compensation	4			4
General liability	6			6
Fidelity and surety	(2)			(2)
Commercial property	(7)			(7)
Net asbestos reserves			290	290
Change in workers compensation discount, including accretion	10			10
Catastrophes	10	9		19
Other reserve re-estimates, net	5	(1)	(4)	
Total prior accident years development	\$ 31	\$	\$ 286	\$ 317

	Six Months Ended June 30, 2011			
	Property & Casualty	Consumer	Corporate and	Total Property and Casualty Insurance
	Commercial	Markets	Other	
Auto liability	\$ (1)	\$ (64)	\$	\$ (65)
Homeowners		(13)		(13)
Professional liability	(7)			(7)
Package business	(4)			(4)
Workers compensation	3			3
General liability	12			12
Fidelity and surety	(2)			(2)
Commercial property	(5)			(5)
Net asbestos reserves			290	290
Net environmental reserves			2	2
Change in workers compensation discount, including accretion	17			17
Catastrophes	5	28		33
Other reserve re-estimates, net	7		(2)	5
Total prior accident years development	\$ 25	\$ (49)	\$ 290	\$ 266

During the three and six months ended June 30, 2011, the Company's re-estimates of prior accident years reserves included the following significant reserve changes:

Released reserves for personal auto liability claims for both the three and six months ended June 30, 2011, primarily for accident years 2005 through 2010. Favorable trends in reported severity have persisted over this time period. As these accident years develop, the uncertainty around the ultimate losses is reduced and management places more weight on the emerged experience.

Released homeowners' reserves, for the six months ended June 30, 2011, due to favorable emergence losses primarily for accident years 2009 and 2010. This was partially driven by an increase in the speed at which claims are being settled, a trend that is expected to continue as these accident years develop.

Strengthened reserves for general liability and high hazard liability, for both the three and six months ended June 30, 2011, driven by increasing indications for allocated claim handling cost primarily in accident years 2006 through 2010.

Prior year catastrophe strengthening, for the three and six month period, primarily related to a severe wind and hail storm event in Arizona during the fourth quarter of 2010.

Refer to the Other Operations Claims section for further discussion on strengthening of net asbestos reserves.

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A roll forward follows of property and casualty insurance product liabilities for unpaid losses and loss adjustment expenses for the six months ended June 30, 2010:

	Six Months Ended June 30, 2010				
	Property & Casualty	Consumer	Corporate and	Total Property and Casualty Insurance	
	Commercial	Markets	Other		
Beginning liabilities for unpaid losses and loss adjustment expenses, gross	\$ 15,051	\$ 2,109	\$ 4,491	\$ 21,651	
Reinsurance and other recoverables	2,570	11	860	3,441	
Beginning liabilities for unpaid losses and loss adjustment expenses, net	12,481	2,098	3,631	18,210	
Provision for unpaid losses and loss adjustment expenses					
Current accident year before catastrophes	1,746	1,353		3,099	
Current accident year catastrophes	121	187		308	
Prior accident years	(221)	(17)	172	(66)	
Total provision for unpaid losses and loss adjustment expenses	1,646	1,523	172	3,341	
Payments	(1,701)	(1,411)	(217)	(3,329)	
Ending liabilities for unpaid losses and loss adjustment expenses, net	12,426	2,210	3,586	18,222	
Reinsurance and other recoverables	2,431	12	814	3,257	
Ending liabilities for unpaid losses and loss adjustment expenses, gross	\$ 14,857	\$ 2,222	\$ 4,400	\$ 21,479	
Earned premiums	\$ 2,839	\$ 1,991			
Loss and loss expense paid ratio [1]	59.9	70.9			
Loss and loss expense incurred ratio	57.9	76.5			
Prior accident years development (pts) [2]	(7.8)	(0.8)			

[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 2010

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

	Three Months Ended June 30, 2010			
	Property & Casualty	Consumer	Corporate and	Total Property and

	Commercial	Markets	Other	Casualty Insurance
Auto liability	\$ (16)	\$ (24)	\$	\$ (40)
Professional liability	(61)			(61)
General liability	(32)			(32)
Commercial property	(2)			(2)
Package business	1			1
Workers compensation	(10)			(10)
Fidelity and surety	(5)			(5)
Net asbestos reserves			169	169
Homeowners		9		9
Change in workers compensation discount, including accretion	6			6
Catastrophes	4	4		8
Uncollectible reinsurance	(30)			(30)
Other reserve re-estimates, net	6	1	2	9
Total prior accident years development	\$ (139)	\$ (10)	\$ 171	\$ 22

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	Six Months Ended June 30, 2010			
	Property & Casualty	Consumer	Corporate and	Total Property and Casualty Insurance
	Commercial	Markets	Other	
Auto liability	\$ (25)	\$ (41)	\$	\$ (66)
Professional liability	(79)			(79)
General liability	(47)			(47)
Commercial property	(14)			(14)
Package business	(9)			(9)
Workers compensation	(19)			(19)
Fidelity and surety	(9)			(9)
Net asbestos reserves			169	169
Homeowners		24		24
Change in workers compensation discount, including accretion	13			13
Catastrophes		3		3
Uncollectible reinsurance	(30)			(30)
Other reserve re-estimates, net	(2)	(3)	3	(2)
Total prior accident years development	\$ (221)	\$ (17)	\$ 172	\$ (66)

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 in the three and six months ended June 30, 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 for general liability umbrella claims in the three and six months ended June 30, 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 in the three months ended June 30, 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. Partially offsetting the reserve releases in the three months ended June 30, 2010 was strengthenings in commercial general liability, excluding umbrella driven by higher than expected allocated loss adjustment expenses on claims from accident years 2000 and prior.

Released reserves for personal auto liability claims in the three and six months ended June 30, 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 in the three months ended June 30, 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 for commercial auto liability in the three months ended June 30, 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 homeowners' claims in the three and six months ended June 30, 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 Property & Casualty Commercial in the three months ended June 30, 2010 and reduced its allowance driven, in part, by a reduction in gross ceded loss recoverables.

Refer to the Other Operations Claims section for further discussion on strengthening of net asbestos reserves.

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

Reserves and reserve activity in the Other Operations operating segment, within Corporate and Other, 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, 2011.

Other Operations Losses and Loss Adjustment Expenses

For the Three Months Ended June 30, 2011	Asbestos	Environmental	All Other [1]	Total
Beginning liability net [2][3]	\$ 1,731	\$ 323	\$ 1,255	\$ 3,309
Losses and loss adjustment expenses incurred	290		(4)	286
Losses and loss adjustment expenses paid	(44)	(8)	(27)	(79)
Ending liability net [2][3]	\$ 1,977 [4]	\$ 315	\$ 1,224	\$ 3,516

For the Six Months Ended June 30, 2011	Asbestos	Environmental	All Other [1]	Total
Beginning liability net [2][3]	\$ 1,787	\$ 334	\$ 1,302	\$ 3,423
Losses and loss adjustment expenses incurred	290	2	(2)	290
Losses and loss adjustment expenses paid	(100)	(21)	(76)	(197)
Ending liability net [2][3]	\$ 1,977 [4]	\$ 315	\$ 1,224	\$ 3,516

[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 amounts reported in Property & Casualty Commercial and Consumer Markets reporting segments (collectively Ongoing Operations) for asbestos and environmental net liabilities of \$10 and \$10, respectively, as of June 30, 2011, \$11 and \$10 respectively, as of March 31, 2011 and \$11 and \$5, respectively, as of December 31, 2010; total net losses and loss adjustment expenses incurred for the three and six months ended June 30, 2011 includes \$3 and \$12, respectively, related to asbestos and environmental claims; and total net losses and loss adjustment expenses paid for the three and six months ended June 30, 2011 includes \$4 and \$8, respectively, related to asbestos and environmental claims.

[3] Gross of reinsurance, asbestos and environmental reserves, including liabilities in Ongoing Operations, were \$2,558 and \$368, respectively, as of June 30, 2011, \$2,225 and \$376, respectively, as of March 31, 2011, and \$2,308 and \$378, respectively, as of December 31, 2010.

[4] The one year and average three year net paid amounts for asbestos claims, including Ongoing Operations, are \$284 and \$233, respectively, resulting in a one year net survival ratio of 7.0 and a three year net survival ratio of 8.5. 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 2011, 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 \$290. For certain direct policyholders, the Company experienced increases in claim frequency, severity, and expense largely driven by mesothelioma claims, particularly against certain smaller, more peripheral insureds. 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.

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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.

The following table displays asbestos reserves and other statistics by policyholder category, as of June 30, 2011:

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]	8	\$ 331	\$ 438	\$ 769
Wellington (direct only)	29	908	43	951
Other major asbestos defendants	28	527	28	555
No known policies (includes 3 Wellington accounts)	5			
Accounts with future exposure > \$2.5	85	929	702	1,631
Accounts with future exposure < \$2.5	1,075	342	122	464
Unallocated [6]		1,895	563	2,458
Total direct		4,932	1,896	6,828
Assumed reinsurance		1,302	379	1,681
London market		646	283	929
Total as of June 30, 2011 [3]		\$ 6,880	\$ 2,558	\$ 9,438

[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 2011.

[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 8.2 as of June 30, 2011 is computed based on total paid losses of \$937 for the period from July 1, 2008 to June 30, 2011. As of June 30, 2011, the one year gross paid amount for total asbestos claims is \$373, resulting in a one year gross survival ratio of 6.9.

[4] Includes 24 open accounts at June 30, 2011. Included 25 open accounts at June 30, 2010.

[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, 2011, 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, 2011					
Gross					
Direct	\$ 30	\$ 350	\$ 6	\$	
Assumed Reinsurance	9	12	1		
London Market	5	16	1		
Total	44	378	8		
Ceded		(88)			
Net	\$ 44	\$ 290	\$ 8	\$	
	Paid Losses & LAE	Incurred Losses & LAE	Paid Losses & LAE	Incurred Losses & LAE	
Six Months Ended June 30, 2011					
Gross					
Direct	\$ 87	\$ 350	\$ 12	\$ 2	
Assumed Reinsurance	24	12	3		
London Market	14	16	3		
Total	125	378	18	2	
Ceded	(25)	(88)	3		
Net	\$ 100	\$ 290	\$ 21	\$ 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, 2011 includes \$4 and \$13, 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, 2011 includes \$4 and \$9, 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, 2011 of \$2.31 billion (\$1.99 billion and \$325 for asbestos and environmental, respectively) is within an estimated range, unadjusted for covariance, of \$1.83 billion to \$2.63 billion. The process of estimating asbestos and environmental reserves remains subject to a wide variety of uncertainties, which are detailed in the Company's 2010 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 2011, 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 change in 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, 2011, the allowance for uncollectible reinsurance for Other Operations totals \$211. 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.

Consistent with the Company's long-standing reserve practices, the Company will continue to review and monitor its reserves in the Other Operations operating segment regularly, including its annual reviews of asbestos liabilities, reinsurance recoverables and the allowance for uncollectible reinsurance, and environmental liabilities, 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 Insurance Product Reserves, Net of Reinsurance section of the MD&A included in the Company's 2010 Form 10-K Annual Report.

Table of Contents***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: the 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 2010 Form 10-K Annual Report for additional discussion on the Company's critical accounting estimates related to EGPs.

The most significant EGP based balances as of June 30, 2011 and December 31, 2010 are as follows:

	Global Annuity		Life Insurance		Retirement Plans	
	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010
DAC	\$ 4,593	\$ 4,868	\$ 2,742	\$ 2,667	\$ 846	\$ 820
SIA	350	370	46	45	23	23
URR	127	142	1,499	1,383		
Death and Other Insurance Benefit Reserves	1,690	1,748	140	113	1	1
Unlocks						

The after-tax (charge) benefit to net income by asset and liability as a result of the Unlocks for the three months ended June 30, 2011 and 2010 was as follows:

	Global Annuity		Life Insurance		Retirement Plans		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
DAC	\$ (62)	\$ (129)	\$ (3)	\$ (8)	\$ (5)	\$ (5)	\$ (70)	\$ (142)
SIA	(7)	(12)					(7)	(12)
URR	3	4	1	5			4	9
Death and Other Insurance Benefit Reserves	(4)	(85)					(4)	(85)
Total	\$ (70)	\$ (222)	\$ (2)	\$ (3)	\$ (5)	\$ (5)	\$ (77)	\$ (230)

The after-tax (charge) benefit to net income by asset and liability as a result of the Unlocks for the six months ended June 30, 2011 and 2010 was as follows:

	Global Annuity		Life Insurance		Retirement Plans		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
DAC	\$ (34)	\$ (80)	\$ (4)	\$ (6)	\$ (1)	\$ (4)	\$ (39)	\$ (90)
SIA	(5)	(10)					(5)	(10)
URR	2	3	1	6			3	9
Death and Other Insurance Benefit Reserves	26	(54)					26	(54)
Total	\$ (11)	\$ (141)	\$ (3)	\$	\$ (1)	\$ (4)	\$ (15)	\$ (145)

The charge in both three months ended June 30, 2011 and 2010 was due to macro hedge program and actual separate account returns being below our aggregated estimated return.

The Unlock charge for the six months ended June 30, 2011 consisted of a charge related to the impact of the macro hedge program, which includes an extension of existing hedging duration implemented in the second quarter of 2011 for U.S. annuity business, and a benefit from actual separate account returns for the six months ended June 30, 2011 being above the Company's aggregated estimated return. The Unlock charge for the six months ended June 30, 2010 consisted of a charge due to the macro hedge program and a charge from actual separate account returns for the six months ended June 30, 2010 being below the Company's aggregated estimated return.

In the third quarter of 2011, the Company expects to complete a comprehensive non-market related policyholder behavior assumption study and incorporate the results of the study into its projection of future gross profits. All assumption changes are considered an Unlock in the period of revision.

An Unlock revises EGPs, on a quarterly basis, to reflect market updates of policyholder account value and the Company's current best estimate assumptions. Modifications to the Company's hedging programs may impact EGPs, and correspondingly impact DAC recoverability. 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 28% and 34% as of June 30, 2011, respectively. If the margin between the DAC asset and the present value of future EGPs is exhausted, then further reductions in EGPs would cause portions of DAC to be unrecoverable and the DAC asset would be written down to equal future EGPs.

Table of Contents***Goodwill Impairment***

As of June 30, 2011, the Company had goodwill allocated to the following reporting units:

	Segment	Goodwill in	
	Goodwill	Corporate and	Total
		Other	
Hartford Financial Products within Property & Casualty			
Commercial	\$ 30	\$	\$ 30
Group Benefits		138	138
Consumer Markets	119		119
Individual Life within Life Insurance	224	118	342
Retirement Plans	87	69	156
Mutual Funds	159	92	251
Total	\$ 619	\$ 417	\$ 1,036

As of December 31, 2010, the Company had goodwill allocated to the following reporting units:

	Segment	Goodwill in	
	Goodwill	Corporate and	Total
		Other	
Hartford Financial Products within Property & Casualty			
Commercial	\$ 30	\$	\$ 30
Group Benefits		138	138
Consumer Markets	119		119
Individual Life within Life Insurance	224	118	342
Retirement Plans	87	69	156
Mutual Funds	159	92	251
Federal Trust Corporation within Corporate and Other		15	15
Total	\$ 619	\$ 432	\$ 1,051

During the second quarter, the Company charged off the remaining \$15 of goodwill associated with the Federal Trust Corporation (FTC) reporting unit within Corporate and Other due to the announced divestiture of FTC. The write-off of the FTC reporting unit goodwill was recorded as a loss on disposal within discontinued operations, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

The Company completed its annual goodwill assessment for the individual reporting units within Wealth Management and Corporate and Other, except for the FTC reporting unit, as of January 1, 2011, which resulted in no write-downs of goodwill in 2011. 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 within Life Insurance. The Individual Life reporting unit has a goodwill balance of \$342 and had a margin of less than 10%.

The fair value of the Individual Life reporting unit within Life Insurance is based on discounted cash flows using earnings projections on in force business and future business growth. There could be a positive or negative impact on the result of step one in future periods if actual earnings or business growth assumptions emerge differently than those used in determining fair value for the first step of the annual goodwill impairment test.

The Company expects to complete the annual impairment test for the reporting units within Property & Casualty Commercial and Consumer Markets in the fourth quarter of 2011.

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THE HARTFORD S OPERATIONS OVERVIEW

The Hartford is a holding company for insurance and financial services subsidiaries that provide investment products and life and property and casualty insurance to both individual and business customers in the United States. Also, The Hartford continues to administer business previously sold in Japan and the U.K.

The Company conducts business in three customer focused divisions, Commercial Markets, Consumer Markets and Wealth Management, each containing reporting segments. The Commercial Markets division consists of the reporting segments of Property & Casualty Commercial and Group Benefits. The Consumer Markets division is also the reporting segment. The Wealth Management division consists of the following reporting segments: Global Annuity, Life Insurance, Retirement Plans and Mutual Funds. For additional discussion regarding The Hartford s reporting segments, see Note 3 of the Notes to Condensed Consolidated Financial Statements.

KEY PERFORMANCE MEASURES AND RATIOS

The Company considers several measures and ratios to be the key performance indicators for its businesses. The following discussions include the more significant ratios and measures of profitability for the three and six months ended June 30, 2011 and 2010. Management believes that these ratios and measures are useful in understanding the underlying trends in The Hartford s businesses. However, these key performance indicators should only be used in conjunction with, and not in lieu of, the results presented in the segment discussions that follow in this MD&A. These ratios and measures may not be comparable to other performance measures used by the Company s competitors.

Definitions of Non-GAAP and other measures and ratios

Account Value

Account value includes policyholders balances for investment contracts and reserves for future policy benefits for insurance contracts. Account value is a measure used by the Company because a significant portion of the Company s fee income is based upon the level of account value. These revenues increase or decrease with a rise or fall in the amount of account value whether caused by changes in the market or through net flows.

After-tax Margin

After-tax margin, excluding realized gains (losses) and Unlock, is a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, certain of the segment s 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 Unlock provides investors with a valuable measure of the performance of certain of the Company s on-going businesses because it reveals trends in those businesses that may be obscured by the effect of realized gains (losses) or quarterly 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, this non-GAAP measure excludes 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 realized gains (losses) and Unlock should include net realized gains and losses on net periodic settlements on credit derivatives. These net realized gains and losses are directly related to an offsetting item included in the Condensed Consolidated Statement of Operations such as net investment income. Unlocks occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. The Unlock is a reflection of the Company s new best estimates of future gross profits. The result of the Unlock and its impact distort the trend of after-tax margin. After-tax margin, excluding realized gains (losses) and 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 Unlock, and after-tax margin when reviewing the Company s performance. After-tax margin is calculated by dividing the earnings measures described above by Total Revenues adjusted for the measures described above. For additional information regarding the Unlock, see Critical Accounting Estimates within the MD&A.

Assets Under Management

Assets under management (AUM) include account values and mutual fund assets. AUM is a measure used by the Company because a significant portion of the Company s revenues are based upon asset values. These revenues

increase or decrease with a rise or fall in the amount of account value whether caused by changes in the market or through net flows.

Catastrophe ratio

The catastrophe ratio (a component of the loss and loss adjustment expense ratio) represents the ratio of catastrophe losses incurred in the current calendar year (net of reinsurance) to earned premiums and includes catastrophe losses incurred for both the current and prior accident years. A catastrophe is an event that causes \$25 or more in industry insured property losses and affects a significant number of property and casualty policyholders and insurers. The catastrophe ratio includes the effect of catastrophe losses, but does not include the effect of reinstatement premiums.

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Combined ratio

The combined ratio is the sum of the loss and loss adjustment expense ratio, the expense ratio and the policyholder dividend ratio. This ratio is a relative measurement that describes the related cost of losses and expenses for every \$100 of earned premiums. A combined ratio below 100.0 demonstrates underwriting profit; a combined ratio above 100.0 demonstrates underwriting losses.

Combined ratio before catastrophes and prior accident year development

The combined ratio before catastrophes and prior accident year development represents the combined ratio for the current accident year, excluding the impact of catastrophes. The Company believes this ratio is an important measure of the trend in profitability since it removes the impact of volatile and unpredictable catastrophe losses and prior accident year reserve development.

DAC amortization ratio

DAC amortization ratio, excluding realized gains (losses) and Unlock, is a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, certain of the segment's 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 Unlock provides investors with a valuable measure of the performance of certain 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 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, this non-GAAP measure excludes 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 DAC amortization ratio, excluding realized gains (losses) and 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 Condensed Consolidated Statement of Operations such as net investment income. Unlocks occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. The Unlock is a reflection of the Company's new best estimates of future gross profits. The result of the Unlock and its impact distort the trend of DAC amortization ratio. DAC amortization ratio, excluding realized gains (losses) and 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 Unlock, and DAC amortization ratio when reviewing the Company's performance. DAC amortization ratio is calculated by dividing DAC amortization costs adjusted for the measures described above by pre-tax income before DAC amortization costs adjusted for the measures described above. For additional information regarding the Unlock, see Critical Accounting Estimates within the MD&A.

Mutual Fund Assets

Mutual fund assets include retail, investment-only and college savings plan assets under Section 529 of the Code, collectively referred to as non-proprietary, and proprietary mutual funds. Non-proprietary mutual fund assets are owned by the shareholders of those funds and not by the Company. Proprietary mutual funds include 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. The non-proprietary mutual fund assets are not reflected in the Company's consolidated financial statements. Mutual fund assets are a measure used by the Company because a significant portion of the Company's revenues are based upon asset values. These revenues increase or decrease with a rise or fall in the amount of account value whether caused by changes in the market or through net flows.

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 annualized 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 annualized crediting rates on average

general account assets under management. 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, this non-GAAP measure excludes 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 and they are included in the net investment spread calculation. 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.

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Return on Assets (ROA)

ROA, excluding realized gains (losses) and Unlock, is a non-GAAP financial measure that the Company uses to evaluate, and believes is an important measure of, certain of the segment's operating performance. ROA is the most directly comparable U.S. GAAP measure. The Hartford believes that the measure ROA, excluding realized gains (losses) and Unlock, provides investors with a valuable measure of the performance of certain 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 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, this non-GAAP measure excludes 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 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 Condensed Consolidated Statement of Operations, such as net investment income. Unlocks occur when the Company determines based on actual experience or other evidence, that estimates of future gross profits should be revised. The Unlock is a reflection of the Company's new best estimates of future gross profits. The result of the Unlock and its impact distort the trend of ROA. ROA, excluding realized gains (losses) and 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 Unlock, and ROA when reviewing the Company's performance. ROA is calculated by dividing the earnings measures from continuing operations as described above by a two-point average AUM from continuing operations.

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. The underwriting segments of Property & Casualty Commercial and Consumer Markets are evaluated by management primarily based upon underwriting results. A reconciliation of underwriting results to net income for Property & Casualty Commercial and Consumer Markets is set forth in their respective discussions herein.

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. The difference between written and earned premium is the change in unearned premium reserve.

Table of Contents***Combined ratio before catastrophes and prior year development***

Combined ratio before catastrophes and prior accident year development is a key indicator of overall profitability for the property and casualty underwriting segments of Property & Casualty Commercial and Consumer Markets since it removes the impact of volatile and unpredictable catastrophe losses and prior accident year reserve development.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Property & Casualty Commercial				
Combined ratio	105.8	89.6	101.7	89.6
Catastrophe ratio	11.6	6.2	7.2	4.3
Non-catastrophe prior year development	1.4	(10.1)	0.7	(7.8)
Combined ratio before catastrophes and prior year development	92.8	93.6	93.9	93.1
Consumer Markets				
Combined ratio	121.5	106.9	104.1	100.7
Catastrophe ratio	30.8	15.0	18.0	9.5
Non-catastrophe prior year development	(1.0)	(1.4)	(4.1)	(1.0)
Combined ratio before catastrophes and prior year development	91.6	93.2	90.1	92.2

Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Property & Casualty Commercial's combined ratio before catastrophes and prior year development improved for the three-month period primarily due to a less favorable expense ratio in the 2010 period driven by reserve strengthening for other state funds and taxes. The change in the expense ratio was partially offset by an increase in current accident year losses and loss adjustment expenses before catastrophes primarily due to loss costs outpacing earned pricing increases. For the six-month period, the combined ratio before catastrophes and prior year development deteriorated, as the change in the expense ratio was more than offset by an increase in current accident year losses and loss adjustment expenses before catastrophes, as well as, an increase in the policyholder dividend ratio. The increase in the policyholder dividend ratio was driven by an increase in the amount of dividends payable to certain workers' compensation policyholders.

Consumer Markets combined ratio before catastrophes and prior year development improved primarily as a result of a lower ratio of current accident year losses and loss adjustment expenses before catastrophes for auto, partially offset by an increase in the current accident year losses and loss adjustment expenses before catastrophes home. The decrease for auto was primarily due to earned pricing increases and lower estimated average severity on auto liability claims, partially offset by the effect of higher auto physical damage emerged loss costs. The increase for home was primarily due to an increase in the frequency of non-catastrophe weather claims, partially offset by the effect of earned pricing increases.

Table of Contents**Return on Assets**

Return on assets is a key indicator of overall profitability for the Global Annuity, Retirement Plans and Mutual Funds reporting segments as a significant portion of their earnings is based on average assets under management

Ratios	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Global Annuity				
ROA	61.3 bps	(30.3) bps	37.3 bps	(4.5) bps
Effect of net realized losses, net of tax and DAC on ROA	5.1 bps	(27.9) bps	(21.3) bps	(31.1) bps
Effect of Unlock on ROA	(4.1) bps	(43.1) bps	5.9 bps	(11.0) bps
ROA, excluding realized losses and Unlock	60.3 bps	40.7 bps	52.7 bps	37.6 bps
Retirement Plans				
ROA	21.6 bps	12.4 bps	16.7 bps	3.6 bps
Effect of net realized gains (losses), net of tax and DAC on ROA	10.1 bps	3.5 bps	3.0 bps	(6.0) bps
Effect of Unlock on ROA	(2.9) bps	(2.6) bps	bps	(0.9) bps
ROA, excluding realized losses and Unlock	14.4 bps	11.5 bps	13.7 bps	10.5 bps
Mutual Funds				
ROA	10.6 bps	9.9 bps	11.0 bps	10.9 bps
Effect of discontinued operations on ROA	bps	(0.4) bps	bps	(0.4) bps
Effect of net realized gains (losses), net of tax and DAC on ROA	bps	0.2 bps	0.2 bps	bps
ROA, excluding realized gains (losses) and Unlock	10.6 bps	10.1 bps	10.8 bps	11.3 bps

Three months ended June 30, 2011 compared to the three months ended June 30, 2010

Global Annuity's ROA, excluding realized losses and Unlock, increased primarily due to lower DAC amortization costs, a DRD tax settlement benefit, lower benefits, losses and loss adjustment expenses and a release of a reserve related to a product in Japan.

Retirement Plans' ROA, excluding realized gains (losses) and Unlock, increased due to a DRD tax settlement benefit and improvements in the equity markets, which led to increased fee income from higher account values.

Mutual Funds' ROA, excluding realized gains (losses) and Unlock, increase was primarily driven by increased fee income and other as a result of increased account values attributed to improved equity markets. Revenue increased at a lower rate than the increase in AUM due to a business mix shift, related to sales of funds that have lower management fees or fee waivers.

Six months ended June 30, 2011 compared to the six months ended June 30, 2010

Global Annuity's ROA, excluding realized losses and Unlock, increased primarily due to lower DAC amortization costs, a DRD tax settlement benefit, and lower benefits, losses and loss adjustment expenses.

Retirement Plans' ROA, excluding realized gains (losses) and Unlock, increased primarily due to improvements in the equity markets, which led to increased fee income from higher account values.

Mutual Funds ROA, excluding realized gains (losses) and Unlock, decrease was primarily driven by a business mix shift, related to sales of funds that have lower management fees or fee waivers, further offset by higher commission expenses as a result of higher sales.

Table of Contents**After-tax margin**

After-tax margin is a key indicator of overall profitability for the Life Insurance and Group Benefits reporting segments as a significant portion of their earnings are a result of the net margin from losses incurred on earned premiums, fees and other considerations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Life Insurance				
After-tax margin	16.0%	22.6%	13.0%	15.7%
Effect of net realized gains (losses), net of tax and DAC	1.1%	7.4%	(1.2%)	1.8%
Effect of Unlock	(0.6%)	(1.0%)	(0.5%)	(0.7%)
After-tax margin, excluding realized losses and Unlock	15.5%	16.2%	14.7%	14.6%
Group Benefits				
After-tax margin (excluding buyouts)	3.6%	4.0%	2.3%	4.2%
Effect of net realized gains, net of tax	1.0%	1.1%	0.2%	0.6%
After-tax margin (excluding buyouts), excluding realized gains (losses)	2.6%	2.9%	2.1%	3.6%

Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

The decrease in Life Insurance's after-tax margin, excluding realized losses and Unlock, for the three-month period was primarily due to an increase in benefits, losses, and loss adjustment expenses, as a result of favorable mortality in the prior year. For the six-month period, Life Insurance's after-tax margin, excluding realized gains (losses) and Unlock increased primarily due to higher net investment income driven by higher average invested assets and favorable partnership income, partially offset by favorable mortality in the comparable prior year period.

The decrease in Group Benefits' after-tax margin (excluding buyouts), excluding realized gains (losses), in both periods was primarily due to decreases in fully insured ongoing premiums driven by lower sales over the past year, as well as, from a challenging economic environment.

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

	June 30, 2011		December 31, 2010	
	Amount	Percent	Amount	Percent
Fixed maturities, AFS, at fair value	\$ 78,132	78.3%	\$ 77,820	79.2%
Fixed maturities, at fair value using the fair value option	1,227	1.2%	649	0.7%
Equity securities, AFS, at fair value	1,081	1.1%	973	1.0%
Mortgage loans	5,304	5.3%	4,489	4.6%
Policy loans, at outstanding balance	2,188	2.2%	2,181	2.2%
Limited partnerships and other alternative investments	2,028	2.0%	1,918	2.0%
Other investments [1]	973	1.0%	1,617	1.6%
Short-term investments	8,861	8.9%	8,528	8.7%
Total investments excluding equity securities, trading	99,794	100.0%	98,175	100.0%
Equity securities, trading, at fair value [2] [3]	32,278		32,820	
Total investments	\$ 132,072		\$ 130,995	

[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.

[3] As of June 30, 2011 and December 31, 2010, approximately \$30.1 billion and \$30.5 billion, respectively, of equity securities, trading, support Japan variable annuities. Those equity securities, trading, were invested in mutual funds, which, in turn, invested in the following asset classes; Japan equity 21%, Japan fixed income (primarily government securities) 15%, global equity 21%, global government bonds 42%, and cash and other 1% for both periods presented.

Total investments increased since December 31, 2010 primarily due to increases in mortgage loans, fixed maturities at fair value using the fair value option (FVO) and fixed maturities, AFS, partially offset by declines in other investments. The increase in mortgage loans related to the funding of commercial whole loans and the increase in fixed maturities, FVO, related to purchases of foreign government securities to support yen-based fixed annuity liabilities. Additionally, the increase in fixed maturities, AFS, was largely the result of improved security valuations as a result of declining interest rates and credit spread tightening. The decline in other investments primarily related to decreases in value of derivatives.

Net Investment Income (Loss)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2011	2010	2011	2010	2011	2010	2011	2010
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Before-tax)		[1]		[1]		[1]		[1]
Fixed maturities [2]	\$ 870	4.3%	\$ 887	4.5%	\$ 1,716	4.3%	\$ 1,761	4.4%
Equity securities, AFS	8	3.3%	13	4.3%	19	3.8%	27	4.3%

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Mortgage loans	67	5.2%	63	5.4%	130	5.3%	129	5.2%
Policy loans	34	6.2%	35	6.4%	67	6.1%	68	6.2%
Limited partnerships and other alternative investments	78	16.6%	86	20.0%	178	18.9%	92	10.5%
Other [3]	77		90		158		174	
Investment expense	(30)		(26)		(56)		(49)	
Total securities AFS and other	1,104	4.6%	1,148	4.8%	2,212	4.6%	2,202	4.5%
Equity securities, trading	(597)		(2,649)		206		(1,948)	
Total net investment income (loss)	\$ 507		\$ (1,501)		\$ 2,418		\$ 254	
Total securities, AFS and other excluding limited partnerships and other alternative investments	\$ 1,026	4.3%	\$ 1,062	4.5%	\$ 2,034	4.3%	\$ 2,110	4.4%

[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 consolidated variable interest entity noncontrolling interests. Included in the fixed maturity yield is Other, which primarily relates to derivatives (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.

Table of Contents**Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010**

Total net investment income increased largely due to increases in equity securities, trading, resulting from improved market performance of the underlying investment funds supporting the Japanese variable annuity product. For the three months ended, total net investment income, excluding equity securities, trading, declined due to lower income on fixed maturities resulting from a lower interest rate environment and lower limited partnership and other alternative investment returns. For the six months ended, total net investment income, excluding equity securities, trading, increased slightly due to improved limited partnership and other alternative investment returns, mostly offset by lower income on fixed maturities resulting from a lower interest rate environment. Based on the current interest rate and credit environment, the Company expects the new investment purchase yield to approximate the yield of those securities maturing in 2011. Therefore, the Company expects the 2011 portfolio yield, excluding limited partnership investments, to remain stable.

Net Realized Capital Gains (Losses)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
<i>(Before-tax)</i>				
Gross gains on sales	\$ 261	\$ 343	\$ 322	\$ 475
Gross losses on sales	(98)	(94)	(231)	(205)
Net OTTI losses recognized in earnings	(23)	(108)	(78)	(260)
Valuation allowances on mortgage loans	26	(40)	23	(152)
Japanese fixed annuity contract hedges, net [1]	6	27	(11)	11
Periodic net coupon settlements on credit derivatives/Japan	(2)	(4)	(9)	(11)
Results of variable annuity hedge program				
GMWB derivatives, net	(37)	(426)	34	(297)
Macro hedge program	35	397	(322)	233
Total results of variable annuity hedge program	(2)	(29)	(288)	(64)
Other, net	(99)	(86)	(62)	(59)
Net realized capital gains (losses)	\$ 69	\$ 9	\$ (334)	\$ (265)

[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, as well as Japan FVO securities.

Details on the Company's net realized capital gains and losses are as follows:

Gross gains and losses on sales

Gross gains and losses on sales for the three and six months ended June 30, 2011 were predominately from sales of investment grade corporate securities and CMBS as the Company continues to reduce its commercial real estate exposure. Additionally, net gain on sales for the six months ended June 30, 2011 included losses on sales of U.S. Treasuries.

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.

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 related derivatives, net, for the three months ended June 30, 2011 was primarily due to a change in long-term interest rates that resulted in a charge of \$39. The gain on GMWB related derivatives, net, for the six months ended June 30, 2011 was primarily due to a gain of \$33 resulting from lower implied market volatility and a gain of \$29 resulting from the outperformance of the underlying actively managed funds as compared to their respective indices. The gain on the macro hedge program for the three months ended June 30, 2011 was primarily the result of a decline in Japanese interest rates and foreign currency movements. The loss on the macro hedge program for the six months ended June 30, 2011 was primarily the result of foreign currency movements and a higher equity market valuation. 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.

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Other, net

Other, net loss for the three months ended June 30, 2011 was primarily due to losses of \$52 on transactional foreign currency re-valuation due to an increase in value of the Japanese yen versus the U.S. dollar associated with the internal reinsurance of the Japan variable annuity business, which is offset in AOCI and losses of \$25 on credit derivatives driven by credit spread widening. Other, net loss for the six months ended June 30, 2011 was primarily due to losses of \$56 related to Japan variable annuity hedging instruments primarily driven by foreign currency movements and losses of \$32 on Japan 3Win foreign currency swaps primarily driven by a decrease in long-term U.S interest rates.

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 re-valuation due to an increase in the value of the Japanese yen versus the U.S. dollar associated with 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 spread widening.

Table of Contents**PROPERTY & CASUALTY COMMERCIAL**

	Three Months Ended June 30,			Six Months Ended June 30,		
Underwriting Summary	2011	2010	Change	2011	2010	Change
Written premiums	\$ 1,498	\$ 1,388	8%	\$ 3,143	\$ 2,900	8%
Change in unearned premium reserve	(19)	(27)	30%	128	61	110%
Earned premiums	1,517	1,415	7%	3,015	2,839	6%
Losses and loss adjustment expenses						
Current accident year before catastrophes	950	855	11%	1,912	1,746	10%
Current accident year catastrophes	166	83	100%	212	121	75%
Prior accident years	31	(139)	NM	25	(221)	NM
Total losses and loss adjustment expenses	1,147	799	44%	2,149	1,646	31%
Amortization of deferred policy acquisition costs	339	340		675	680	(1%)
Insurance operating costs and expenses	120	130	(8%)	243	218	11%
Underwriting results	(89)	146	NM	(52)	295	NM
Net servicing income	4	3	33%	4	3	33%
Net investment income	239	245	(2%)	481	467	3%
Net realized capital gains (losses)	13	13		(10)	(16)	38%
Other expenses	(38)	(35)	(9%)	(78)	(70)	(11%)
Income from continuing operations before income taxes	129	372	(65%)	345	679	(49%)
Income tax expense	5	105	(95%)	54	207	(74%)
Income from continuing operations, net of tax	124	267	(54%)	291	472	(38%)
Income (loss) from discontinued operations, net of tax [1]	(3)	3	NM	157	4	NM
Net income	\$ 121	\$ 270	(55%)	\$ 448	\$ 476	(6%)

[1] Represents the income from operations and sale of Specialty Risk Services (SRS). For additional information, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

Three Months Ended
June 30,

Six Months Ended
June 30,

Premium Measures [1]	2011	2010	2011	2010
New business premium	\$ 286	\$ 276	\$ 589	\$ 573
Standard commercial lines policy count retention	82%	83%	83%	84%
Standard commercial lines renewal written pricing increase	3%	1%	3%	1%
Standard commercial lines renewal earned pricing increase	2%		2%	
Standard commercial lines policies in-force as of end of period			1,250,152	1,191,477

[1] Standard commercial lines represents the Company's small commercial and middle market property and casualty lines.

Ratios	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	62.6	60.3	(2.3)	63.4	61.5	(1.9)
Current accident year catastrophes	11.0	5.9	(5.1)	7.0	4.3	(2.7)
Prior accident years	2.1	(9.9)	(12.0)	0.8	(7.8)	(8.6)
Total loss and loss adjustment expense ratio	75.6	56.4	(19.2)	71.3	57.9	(13.4)
Expense ratio	30.0	33.0	3.0	30.2	31.8	1.6
Policyholder dividend ratio	0.3	0.3		0.3	(0.1)	(0.4)
Combined ratio	105.8	89.6	(16.2)	101.7	89.6	(12.1)
Catastrophe ratio						
Current accident year	11.0	5.9	(5.1)	7.0	4.3	(2.7)
Prior accident years	0.7	0.3	(0.4)	0.2		(0.2)
Total catastrophe ratio	11.6	6.2	(5.4)	7.2	4.3	(2.9)
Combined ratio before catastrophes	94.2	83.5	(10.7)	94.5	85.3	(9.2)
Combined ratio before catastrophes and prior accident year development	92.8	93.6	0.8	93.9	93.1	(0.8)
Other revenues [1]	\$ 26	\$ 25	4%	\$ 49	\$ 46	7%

[1] Represents servicing revenues.

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Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Net income decreased for the three and six months ended June 30, 2011, as compared to the prior year periods, primarily due to a decrease in underwriting results due to higher current accident year catastrophes and unfavorable prior accident years development in 2011 compared to favorable prior accident years development in the same 2010 periods. For the six months ended June 30, 2011, the decrease in underwriting results was partially offset by the net realized capital gain on the sale of SRS.

Current accident year catastrophe losses for the three months ended June 30, 2011 of \$166, pre-tax, primarily included severe tornadoes in the Midwest and South. For the six months ended June 30, 2011, pre-tax catastrophes of \$212 also included winter storms in the Northeast and Midwest. In 2010, catastrophes primarily included tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast, for the comparable three-month period, and winter storms in the Mid-Atlantic and Northeast, for the comparable six-month period.

For information regarding prior accident years reserve development, see the Property and Casualty Insurance Product Reserves, Net of Reinsurance section within Critical Accounting Estimates.

The increase in earned premiums for the three and six months ended June 30, 2011, is primarily due to improvements in workers compensation, driven by higher new business premium, renewal earned pricing increases and an increase in policies-in-force. The earned pricing changes were primarily a reflection of written pricing changes over the last year. Renewal written pricing increased for all standard commercial lines driven by improving market conditions.

Current accident year losses and loss adjustment expenses before catastrophes increased, due primarily to the increase in earned premiums for workers compensation, as well as an increase in the current accident year loss and loss adjustment expense ratio before catastrophes. The ratio increased due to loss costs outpacing earned pricing increases. Insurance operating costs and expenses decreased for the three-month period, driven by a \$19 of reserve strengthening for other state funds and taxes in the 2010 period. For the six-month period, insurance operating costs and expenses increased primarily due to an increase in the estimated amount of dividends payable to certain workers compensation policyholders of \$12, as well as higher technology costs, partially offset by the decrease in reserve strengthening for other state funds and taxes.

Net investment income increased for the six-month period, as compared to the prior year, primarily driven by improved performance of limited partnerships and other alternative investments. For additional information, see the Investment Results section within Key Performance Measures and Ratios.

The effective tax rate in both periods differs from the U.S. Federal statutory rate 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**GROUP BENEFITS**

	Three Months Ended June 30,			Six Months Ended June 30,		
Operating Summary	2011	2010	Change	2011	2010	Change
Premiums and other considerations	\$ 1,076	\$ 1,074		\$ 2,120	\$ 2,176	(3%)
Net investment income	106	110	(4%)	210	217	(3%)
Net realized capital gains (losses)	10	23	(57%)	(4)	32	NM
Total revenues	1,192	1,207	(1%)	2,326	2,425	(4%)
Benefits, losses and loss adjustment expenses	850	846		1,678	1,689	(1%)
Amortization of deferred policy acquisition costs	14	15	(7%)	28	31	(10%)
Insurance operating costs and other expenses	281	281		567	564	1%
Total benefits, losses and expenses	1,145	1,142		2,273	2,284	
Income before income taxes	47	65	(28%)	53	141	(62%)
Income tax expense	6	17	(65%)	1	42	(98%)
Net income	\$ 41	\$ 48	(15%)	\$ 52	\$ 99	(47%)
Premiums and other considerations						
Fully insured ongoing premiums	\$ 1,013	\$ 1,041	(3%)	\$ 2,041	\$ 2,093	(2%)
Buyout premiums	49	21	133%	49	58	(16%)
Other	14	12	17%	30	25	20%
Total premiums and other considerations	\$ 1,076	\$ 1,074		\$ 2,120	\$ 2,176	(3%)
Fully insured ongoing sales, excluding buyouts	\$ 92	\$ 101	(9%)	\$ 336	\$ 397	(15%)
Ratios, excluding buyouts						
Loss ratio	78.0%	78.3%		78.7%	77.0%	
Loss ratio, excluding financial institutions	83.5%	84.2%		84.0%	82.6%	
Expense ratio	28.7%	28.1%		28.7%	28.1%	
Expense ratio, excluding financial institutions	23.9%	23.4%		23.8%	23.3%	

Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Net income decreased, relative to the comparable prior year periods, primarily due to lower net realized capital gains (losses) and a decline in fully insured ongoing premiums. Fully insured ongoing premiums decreased in both periods, driven by lower sales over the past year, as well as, from a challenging economic environment. For the six months ended June 30, 2011 the loss ratio, excluding buyouts, increased compared to the prior year, reflecting higher disability incidence and less favorable life mortality.

The effective tax rate, in both periods, differs from the U.S. Federal statutory rate 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**CONSUMER MARKETS**

Operating Summary	Three Months Ended			Six Months Ended		
	2011	June 30, 2010	Change	2011	June 30, 2010	Change
Written premiums	\$ 969	\$ 1,033	(6%)	\$ 1,853	\$ 1,976	(6%)
Change in unearned premium reserve	30	38	(21%)	(42)	(15)	(180%)
Earned premiums	939	995	(6%)	1,895	1,991	(5%)
Losses and loss adjustment expenses						
Current accident year before catastrophes	623	686	(9%)	1,239	1,353	(8%)
Current accident year catastrophes	281	146	92%	313	187	67%
Prior accident years		(10)	100%	(49)	(17)	(188%)
Total losses and loss adjustment expenses	904	822	10%	1,503	1,523	(1%)
Amortization of deferred policy acquisition costs	160	168	(5%)	321	336	(4%)
Insurance operating costs and expenses	76	73	4%	148	146	1%
Underwriting results	(201)	(68)	(196%)	(77)	(14)	NM
Net servicing income	3	6	(50%)	9	15	(40%)
Net investment income	49	49		99	93	6%
Net realized capital gains (losses)	2	2		(2)	(3)	33%
Other expenses	(131)	(16)	NM	(145)	(33)	NM
Income (loss) before income taxes	(278)	(27)	NM	(116)	58	NM
Income tax expense (benefit)	(104)	(14)	NM	(52)	15	NM
Net income (loss)	\$ (174)	\$ (13)	NM	\$ (64)	\$ 43	NM

Written Premiums	Three Months Ended			Six Months Ended		
	2011	June 30, 2010	Change	2011	June 30, 2010	Change
<i>Product Line</i>						
Automobile	\$ 665	\$ 719	(8%)	\$ 1,306	\$ 1,415	(8%)
Homeowners	304	314	(3%)	547	561	(2%)
Total	\$ 969	\$ 1,033	(6%)	\$ 1,853	\$ 1,976	(6%)

Earned Premiums*Product Line*

Automobile	\$	657	\$	711	(8%)	\$	1,329	\$	1,424	(7%)
Homeowners		282		284	(1%)		566		567	
Total	\$	939	\$	995	(6%)	\$	1,895	\$	1,991	(5%)

	Three Months Ended June 30,			Six Months Ended June 30,				
Premium Measures	2011	2010		2011	2010			
Policies in-force end of period								
Automobile				2,137,351	2,341,594			
Homeowners				1,380,301	1,479,749			
Total policies in-force end of period				3,517,652	3,821,343			
New business written premium								
Automobile	\$	75	\$	82	\$	141	\$	175
Homeowners	\$	23	\$	30	\$	42	\$	60
Policy count retention								
Automobile		82%		84%		82%		84%
Homeowners		84%		85%		83%		85%
Renewal written pricing increase								
Automobile		6%		6%		6%		6%
Homeowners		9%		9%		9%		9%
Renewal earned pricing increase								
Automobile		7%		4%		7%		4%
Homeowners		10%		7%		10%		6%

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Ratios and Supplemental Data	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Loss and loss adjustment expense ratio						
Current accident year before catastrophes	66.5	69.0	2.5	65.4	68.0	2.6
Current accident year catastrophes	29.9	14.6	(15.3)	16.5	9.4	(7.1)
Prior accident years		(0.9)	(0.9)	(2.6)	(0.8)	1.8
Total loss and loss adjustment expense ratio	96.4	82.6	(13.8)	79.4	76.5	(2.9)
Expense ratio	25.1	24.3	(0.8)	24.7	24.2	(0.5)
Combined ratio	121.5	106.9	(14.6)	104.1	100.7	(3.4)
Catastrophe ratio						
Current year	29.9	14.6	(15.3)	16.5	9.4	(7.1)
Prior years	1.0	0.5	(0.5)	1.5	0.2	(1.3)
Total catastrophe ratio	30.8	15.0	(15.8)	18.0	9.5	(8.5)
Combined ratio before catastrophes	90.6	91.8	1.2	86.1	91.2	5.1
Combined ratio before catastrophes and prior accident years development	91.6	93.2	1.6	90.1	92.2	2.1
Other revenues [1]	\$ 36	\$ 40	(10%)	\$ 76	\$ 83	(8%)

[1] Represents servicing revenues.

Product Line Combined Ratios	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Automobile	99.5	98.7	(0.8)	92.5	96.2	3.7
Homeowners	172.8	128.8	(44.0)	130.8	112.9	(17.9)
Total	121.5	106.9	(14.6)	104.1	100.7	(3.4)

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Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Net income decreased relative to the comparable prior year periods, due to higher current accident year catastrophes and a \$73, after-tax, charge related to the write off of capitalized costs associated with a policy administration software project that was discontinued.

Current accident year catastrophe losses for the three months ended June 30, 2011 of \$281, pre-tax, primarily included severe tornadoes and wind storms in the Midwest and South. For the six months ended June 30, 2011, pre-tax catastrophes of \$313 also included winter storms in the Northeast and Midwest. In 2010, catastrophes primarily included tornadoes, thunderstorms and hail events in the Midwest, plains states and the Southeast, for the comparable three-month period, as well as, winter storms in the Mid-Atlantic and Northeast, for the comparable six-month period. Other expenses increased resulting from a \$113, pre-tax, charge in the three months ended June 30, 2011 for the write-off of the discontinued software project.

Earned premiums decreased in auto and were down modestly for homeowners. Auto earned premiums were down reflecting a decrease in new business written premium and policy count retention, partially offset by an increase in average renewal earned premium per policy. Homeowners earned premiums were down modestly primarily due to decreases in new business written premium and policy count retention largely offset by the effect of earned pricing increases.

Auto and home new business written premium decreased primarily due to the effect of written pricing increases and underwriting actions that have lowered the policy issue rate, primarily in Agency.

Policy count retention for auto and home decreased primarily driven by the effect of renewal written pricing increases and underwriting actions to improve profitability. Compared to 2010, the number of policies in-force as of June 30, 2011 decreased for both auto and home, driven by the decreases in both policy count retention and new business.

The higher auto renewal earned pricing in the three and six months ended June 30, 2011 was due to rate increases and the effect of policyholders purchasing newer vehicle models in place of older models. Average renewal earned premium per policy for auto increased as renewal earned pricing increases were partially offset by the effect of a continued shift to more preferred market business which has lower average earned premium. Homeowners renewal earned pricing increases were due to rate increases and increased coverage amounts. 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.

Current accident year losses and loss adjustment expenses before catastrophes decreased primarily due to lower earned premium and an overall decrease in the current accident year loss and loss adjustment expense ratio before catastrophes. For the three and six months ended June 30, 2011 the current accident year loss and loss adjustment expense ratio before catastrophes for auto decreased 4.1 points and 3.8 points, respectively, while the current accident year loss and loss adjustment expense ratio before catastrophes for home increased 1.7 points and 1.0 points, respectively. The decrease for auto was primarily due to earned pricing increases and lower estimated average severity on auto liability claims, partially offset by the effect of higher auto physical damage emerged loss costs. The increase for home was primarily due to an increase in the frequency of non-catastrophe weather claims, partially offset by the effect of earned pricing increases.

For information regarding prior accident years reserve development, see the Property and Casualty Insurance Product Reserves, Net of Reinsurance section within Critical Accounting Estimates.

The effective tax rate, in both periods, differs from the U.S. Federal statutory rate 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**GLOBAL ANNUITY**

	Three Months Ended			Six Months Ended		
		June 30,			June 30,	
Operating Summary	2011	2010	Change	2011	2010	Change
Fee income and other	\$ 596	\$ 586	2%	\$ 1,187	\$ 1,174	1%
Earned premiums	49	57	(14%)	108	94	15%
Net investment income:						
Securities available-for sale and other	414	447	(7%)	831	851	(2%)
Equity securities, trading [1]	(597)	(2,649)	77%	206	(1,948)	NM
Total net investment income (loss)	(183)	(2,202)	92%	1,037	(1,097)	NM
Net realized capital gains (losses)	15	(109)	NM	(294)	(305)	4%
Total revenues	477	(1,668)	NM	2,038	(134)	NM
Benefits, losses and loss adjustment expenses	476	683	(30%)	912	1,143	(20%)
Benefits, losses and loss adjustment expenses returns credited on international variable annuities [1]	(597)	(2,649)	77%	206	(1,948)	NM
Amortization of DAC	237	335	(29%)	338	393	(14%)
Insurance operating costs and other expenses	189	185	2%	385	370	4%
Total benefits, losses and expenses	305	(1,446)	NM	1,841	(42)	NM
Income (loss) before income taxes	172	(222)	NM	197	(92)	NM
Income tax benefit	(56)	(108)	48%	(81)	(58)	(40%)
Net income (loss)	\$ 228	\$ (114)	NM	\$ 278	\$ (34)	NM
Assets Under Management						
Variable annuity account values				\$ 112,328	\$ 107,295	
Fixed MVA annuity and other account values [2]				16,802	17,067	
Institutional investment products account values				17,745	19,950	
Total assets under management				\$ 146,875	\$ 144,312	

Account Value Roll**Forward****Variable Annuities**

Account value, beginning of period	\$ 116,004	\$ 118,405	\$ 116,520	\$ 119,387
Transfers affecting beginning of period [3]				(1,355)
Account Value, beginning of period, as adjusted	116,004	118,405	116,520	118,032
Net flows	(3,806)	(2,905)	(7,461)	(5,749)
Change in market value and other	(684)	(9,761)	3,069	(6,282)
Effect of currency translation	814	1,556	200	1,294
Account value, end of period	\$ 112,328	\$ 107,295	\$ 112,328	\$ 107,295

Net Investment Spread	33 bps	32 bps	32 bps	14 bps
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Expense Ratios

General insurance expense ratio	5.9 bps	5.6 bps	11.7 bps	10.9 bps
DAC amortization ratio	58%	296%	63%	131%
DAC amortization ratio, excluding realized losses and Unlocks	43.2%	49.9%	44.0%	52.6%

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

[2] Fixed MVA annuity and other account values includes approximately \$2.6 billion related to the triggering of the guaranteed minimum income benefit for the 3Win product as of June 30, 2011 and \$1.9 billion as of June 30, 2010. This account value is not expected to generate material future profit or loss to the Company.

[3] Canadian mutual funds were transferred from Global Annuity to Mutual Funds effective January 1, 2010.

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Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Global Annuity's net income increased in 2011 as compared to 2010 primarily due to lower DAC amortization principally driven by changes in the Unlock, a DRD tax settlement benefit of \$45, and lower benefits, losses and loss adjustment expenses. Also, in the second quarter of 2011, \$18, after-tax, of a reserve was released related to a product in Japan.

The Unlock charge for the three months ended June 30, 2011 was \$(70), after-tax, as compared to the Unlock charge of \$(222), after-tax, for the three months ended June 30, 2010. For the six months ended June 30, 2011 there was an Unlock charge of \$(11), after-tax, as compared to the Unlock charge of \$(141), after-tax, for the six months ended June 30, 2010. The charge in both 2011 and 2010 was primarily attributed to the impact of increased hedging costs. For further discussion of the Unlock see the Critical Accounting Estimates section within the MD&A.

For the three months ended June 30, 2011, there were net realized capital gains in comparison to net realized capital losses in the comparable prior year period. This is primarily due to gains in valuation allowances on mortgage loans and the variable annuity hedge program, as well as foreign currency gains, offset by losses in the Japanese fixed annuity contract hedges. The variable annuity hedging program losses for the three months ended June 30, 2011 were \$(2) compared with \$(29) for the three months ended June 30, 2010. For the six months ended June 30, 2011, there were lower net realized capital losses as compared to the comparable prior year period. This is primarily due to fewer net impairment losses in 2011 and foreign currency gains, offset by increased losses in the variable annuity hedging program. For further discussion on the results of the variable annuity hedging program see Investment Results, Net Realized Capital Gains (Losses) within Key Performance Measures and Ratios of the MD&A.

Net investment spreads remained relatively flat for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010. For the six months ended June 30, 2011 as compared to June 30, 2010 net investment spread increased primarily due to 20 bps lower interest credited driven by outflows of older higher interest rate business.

The DAC amortization ratio, excluding net realized capital losses and Unlocks, decreased in the three and six months ended June 30, 2011 due to increased earnings in 2011 as compared to the prior year period.

Global Annuity's effective tax rate differs from the statutory rate of 35% primarily due to permanent differences for the separate account DRD on U.S. annuity products, as well as varying tax rates by country. Income taxes include separate account DRD benefits of \$72 and \$30 for the three months ended June 30, 2011 and 2010, respectively, and \$100 and \$60 for the six months ended June 30, 2011 and 2010, respectively. The increase in the benefit is primarily attributed to a resolution of a tax matter with the IRS for the computation of DRD for years 1998, 2000 and 2001. In addition, due to the availability of additional tax planning strategies, the Company released \$38 or 100% of the valuation allowance associated with investment realized capital losses during the three months ended June 30, 2011.

Table of Contents**LIFE INSURANCE**

	Three Months Ended			Six Months Ended		
		June 30,			June 30,	
Operating Summary	2011	2010	Change	2011	2010	Change
Fee income and other	\$ 282	\$ 282		\$ 559	\$ 564	(1%)
Earned premiums	(25)	(23)	(9%)	(49)	(45)	(9%)
Net investment income	147	135	9%	289	259	12%
Net realized capital gains (losses)	8	61	(87%)	(23)	32	NM
Total revenues	412	455	(9%)	776	810	(4%)
Benefits, losses and loss adjustment expenses	237	202	17%	473	419	13%
Amortization of DAC	43	43		74	91	(19%)
Insurance operating costs and other expenses	53	57	(7%)	105	110	(5%)
Total benefits, losses and expenses	333	302	10%	652	620	5%
Income before income taxes	79	153	(48%)	124	190	(35%)
Income tax expense	13	50	(74%)	23	63	(63%)
Net income	\$ 66	\$ 103	(36%)	\$ 101	\$ 127	(20%)

Account Values

Individual variable universal life insurance	\$ 5,993	\$ 5,507
Universal life, interest sensitive whole life, modified guaranteed life insurance and other PPLI	6,373	5,873
	36,700	35,049
Total account values	\$ 49,066	\$ 46,429

Individual Life Insurance**In-Force**

Variable universal life insurance	\$ 71,977	\$ 76,445
Universal life insurance, interest sensitive whole life, modified guaranteed life insurance	60,759	56,571
Term life	78,714	72,625
	\$ 211,450	\$ 205,641

**Total individual life
insurance in-force****Individual Life Net
Investment Spread****175 bps****175 bps****161 bps****150 bps****Death Benefits****\$ 134****\$ 100****\$ 263****\$ 214*****Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010***

Net income decreased in 2011 compared to 2010 primarily due to net realized losses in 2011 and increased benefits, losses and loss adjustment expenses, as a result of higher mortality in 2011 offset by increases in net investment income driven by higher invested assets and strong partnership earnings.

Life Insurance's individual life business benefited from increased net investment income primarily related to a higher average invested asset base and favorable partnership income for the six months ended June 30, 2011 compared to 2010, partially offset by lower portfolio yields on fixed maturity investments. Net investment spread increased for individual life, primarily due to a change in business mix towards higher spread business.

Life Insurance's effective tax rate differs from the statutory rate of 35% primarily due to permanent differences for the separate account DRD. Income taxes include separate account DRD benefits of \$7 and \$4 for the three ended June 30, 2011 and 2010, respectively. Income taxes include separate account DRD benefits of \$12 and \$9 for the six ended June 30, 2011 and 2010, respectively. Included in 2011 the separate account benefit above is a tax benefit of \$3 related to a DRD settlement for the three and six months June 30, 2011.

Table of Contents**RETIREMENT PLANS**

	Three Months Ended			Six Months Ended		
		June 30,			June 30,	
Operating Summary	2011	2010	Change	2011	2010	Change
Fee income and other	\$ 99	\$ 87	14%	\$ 193	\$ 172	12%
Earned premiums	2	2		5	4	25%
Net investment income	100	93	8%	199	174	14%
Net realized capital gains (losses)	11	6	83%	2	(10)	NM
Total revenues	212	188	13%	399	340	17%
Benefits, losses and loss adjustment expenses	75	70	7%	147	133	11%
Insurance operating costs and other expenses	90	81	11%	180	166	8%
Amortization of DAC	30	21	43%	39	26	50%
Total benefits, losses and expenses	195	172	13%	366	325	13%
Income before income taxes	17	16	6%	33	15	120%
Income tax expense (benefit)	(13)	2	NM	(12)	7	NM
Net income	\$ 30	\$ 14	114%	\$ 45	\$ 8	NM
Assets Under Management						
401(k) account values				\$ 21,963	\$ 16,926	
403(b)/457 account values				13,118	11,017	
401(k)/403(b) mutual funds				20,474	15,848	
Total assets under management				\$ 55,555	\$ 43,791	
Assets Under Management Roll Forward						
Assets under management, beginning of period				\$ 52,518	\$ 43,962	
Transfers affecting the beginning of the period [1]				267	194	
Assets under management, beginning of period, as adjusted				52,785	44,156	
Net flows				487	934	
Change in market value and other				2,283	(1,299)	
				\$ 55,555	\$ 43,791	

**Assets under management,
end of period**

Net Investment Spread	124 bps	126 bps	132 bps	95 bps
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[1] Lifetime Income and Maturity Funding business of \$194 was transferred from Global Annuity to Retirement Plans effective January 1, 2010.

Three months ended June 30, 2011 compared to the three months ended June 30, 2010

Retirement Plans net income increased in 2011 compared to 2010 due largely to a DRD tax settlement benefit, higher realized capital gains including the release of the valuation allowance, and market value appreciation in AUM which resulted in increased fee income and other.

Net investment income increased in 2011 compared to 2010 primarily due to higher average general account invested assets. Net investment spread decreased by 2 bps driven by lower yields of 8 bps offset by lower crediting rates of 6 bps.

Fee income and other increased primarily due to increases in asset based fees on higher average account values resulting from positive net flows and market value appreciation.

Retirement Plans effective tax rate differs from the statutory rate of 35% primarily due to permanent differences for the separate account DRD. Income taxes include separate account DRD benefits of \$9 in 2011 compared to \$4 in 2010. Included in the separate account benefit is a tax benefit of \$4 related to a DRD settlement for the three months June 30, 2011. In addition, due to the availability of additional tax planning strategies, the Company released \$10 or 100% of the valuation allowance associated with realized capital losses during the three months ended June 30, 2011. For further discussion, see Note 1 of the Notes to Condensed Consolidated Financial Statements.

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Six months ended June 30, 2011 compared to the six months ended June 30, 2010

Retirement Plans net income increased in 2011 compared 2010 primarily due to net realized capital gains, higher net investment income from improvements in equity returns and higher invested assets, and increased fee income and other as a result of continued positive net flows and market value appreciation.

Net investment income increased in 2011 compared to 2010 primarily due to the improved performance of higher average general account invested assets and favorable partnership income compared to 2010. Net investment spread for the six months improved by 38 bps driven by higher yields of 26 bps offset by decreased crediting rates of 12 bps. Net realized capital gains increased in 2011 compared to 2010 due to lower losses from impairments compared to 2010 and due to the release of a valuation allowance on mortgage loans.

Fee income and other increased primarily due to increases in asset based fees on higher average account values resulting from positive net flows and market value appreciation.

The Unlock charge was \$1, after-tax, in 2011 as compared to an Unlock charge of \$4, after-tax, in 2010. The charge in both 2011 and 2010 was due to business in-force true-ups and the reversion to the mean due to equity market performing different than expectations. The Unlock primarily resulted in an increase to amortization of DAC offset by a decrease in income tax expense. For further discussion of Unlocks see the Critical Accounting Estimates within the MD&A.

Retirement Plans effective tax rate differs from the statutory rate of 35% primarily due to permanent differences for the separate account DRD. Income taxes include separate account DRD benefits of \$13 in 2011 compared to \$9 in 2010. Included in the separate account benefit is a tax benefit of \$4 related to a DRD settlement for the six months June 30, 2011. In addition, due to the availability of additional tax planning strategies, the Company released \$10 or 100% of the valuation allowance associated with realized capital losses during the six months ended June 30, 2011. For further discussion, see Note 1 of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**MUTUAL FUNDS**

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
Operating Summary	2011	2010	Change	2011	2010	Change
Fee income and other	\$ 175	\$ 167	5%	\$ 353	\$ 334	6%
Net investment loss	(1)	(2)	50%	(2)	(4)	50%
Net realized capital gains				1	1	
Total revenues	174	165	5%	352	331	6%
Insurance operating costs and other expenses	120	115	4%	243	227	7%
Amortization of DAC	12	13	(8%)	24	25	(4%)
Total benefits, losses and expenses	132	128	3%	267	252	6%
Income from continuing operations, before income taxes	42	37	14%	85	79	8%
Income tax expense	15	13	15%	30	28	7%
Income from continuing operations	27	24	13%	55	51	8%
Loss from discontinued operations, net of tax [1]		(1)	100%		(2)	100%
Net income	\$ 27	\$ 23	17%	\$ 55	\$ 49	12%
Assets Under Management						
Retail mutual fund assets				\$ 49,584	\$ 41,162	
Investment Only mutual fund assets				6,954	4,919	
529 College Savings Plan and Canadian mutual fund (CMF) assets [2]				1,612	2,678	
Total non-proprietary and Canadian mutual fund assets				58,150	48,759	
Proprietary mutual fund assets				42,204	39,402	
Total mutual fund assets under management				\$ 100,354	\$ 88,161	
Non-Proprietary and CMF AUM Roll Forward [2]						
Non-Proprietary and CMF AUM, beginning of period				\$ 56,884	\$ 44,031	

Transfers affecting the beginning of the period [3]		5,617
Non-Proprietary and CMF AUM, beginning of period, as adjusted	56,884	49,648
Net flows	(188)	2,362
Change in market value and other	1,454	(3,251)
Non-Proprietary and CMF AUM, end of period	\$ 58,150	\$ 48,759

Proprietary Mutual Fund AUM Roll Forward

Proprietary Mutual Fund AUM, beginning of period	\$ 43,602	\$
Transfers affecting the beginning of the period [4]		43,890
Proprietary Mutual Fund AUM, beginning of period, as adjusted	43,602	43,890
Net flows	(3,111)	(2,464)
Change in market value	1,713	(2,024)

Proprietary Mutual Fund AUM, end of period	\$ 42,204	\$ 39,402
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[1] Represents the loss from operations of Hartford Investments Canada Corporation. (HICC). For additional information, see Note 12 of the Notes to Condensed Consolidated Financial Statements.

[2] Canadian mutual funds representing approximately \$1.8 billion in AUM were sold in December 2010, therefore are not included in the 2011 beginning balance.

[3] In 2010, Investment Only and Canadian mutual fund assets were transferred to Mutual Funds from Global Annuity effective January 1, 2010.

[4] Proprietary mutual fund assets under management are included in the Mutual Fund reporting segment effective January 1, 2010.

Three months and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

Net income increased in 2011 compared to 2010 due to increased fee income and other as a result of increased account values attributed to improved equity markets. Sales were concentrated in several funds with lower management fee rates or current fee waivers resulting in a lower increase in fees relative to the increase in AUM. These improvements were offset by increased expenses, specifically commissions on new business deposits and operating expenses.

Table of Contents**CORPORATE AND OTHER**

Operating Summary	Three Months Ended			Six Months Ended		
	2011	June 30, 2010	Change	2011	June 30, 2010	Change
Earned premiums	\$ 1	\$ (2)	NM	\$	\$ (1)	
Fee income	53	52	2%	106	97	9%
Net investment income	50	71	(30%)	105	145	(28%)
Net realized capital gains (losses)	10	13	(23%)	(4)	4	NM
Other revenues	(1)					
Total revenues	113	134	(16%)	207	245	(16%)
Benefits, losses and loss adjustment expenses	287	170	69%	292	172	70%
Insurance operating costs and other expenses	71	82	(13%)	138	211	(35%)
Interest expense	128	132	(3%)	256	252	2%
Total benefits, losses and expenses	486	384	27%	686	635	8%
Loss from continuing operations before income taxes	(373)	(250)	(49%)	(479)	(390)	(23%)
Income tax benefit	(135)	(96)	(41%)	(174)	(119)	(46%)
Loss from continuing operations, net of tax	(238)	(154)	(55%)	(305)	(271)	(13%)
Loss from discontinued operations, net of tax	(77)	(101)	24%	(75)	(102)	26%
Net loss	\$ (315)	\$ (255)	(24%)	\$ (380)	\$ (373)	(2%)

Three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010

The net loss in Corporate and Other increased in the three and six months ended June 30, 2011 primarily due to a reserve increase of \$290, pre-tax, in the three months ended June 30, 2011, resulting from the company's annual review of its asbestos liabilities within the Other Operations operating segment. In the comparable prior year period, the reserve increase was \$169, pre-tax. For further information, see Other Operations Claims within the Property and Casualty Insurance Product Reserves, Net of Reinsurance section in Critical Accounting Estimates.

For the six-month period, the increase in Corporate and Other's net loss was partially offset by a decrease in insurance operating costs and other expenses as a result of an accrual for a litigation settlement of \$73 in the first quarter of 2010, for further information see Structured Settlement Class Action in Note 12 of the Notes to Consolidated Financial Statements in The Hartford's 2010 Form 10-K Annual Report.

For the three and six months ended June 30, 2011, the loss from discontinued operations, net of tax, is due to a loss of \$74, after-tax, from the disposition of Federal Trust Corporation in the second quarter of 2011. For the three and six months ended June 30, 2010, loss from discontinued operations, net of tax, primarily relates to goodwill impairment on Federal Trust Corporation of approximately \$100, after-tax, recorded in the second quarter of 2010.

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a reconciliation of the tax provision at the U.S. Federal statutory rate to the provision (benefit) for income taxes.

Table of Contents**INSURANCE RISK MANAGEMENT***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, 2011:

Coverage	Treaty term	% of layer(s) reinsured	Per occurrence limit	Retention
Principal property catastrophe program covering property catastrophe losses from a single event	1/1/2011 to 1/1/2012	90%	\$ 750	\$ 350
Reinsurance with the Florida Hurricane Catastrophe Fund (FHCF) covering Florida Personal Lines property catastrophe losses from a single event	6/1/2011 to 6/1/2012	90%	\$ 174 [1]	\$ 64
Workers' compensation losses arising from a single catastrophe event	7/1/2011 to 7/1/2012	95%	\$ 350 [2]	\$ 100

[1] The estimated per occurrence limit on the FHCF treaty is \$174 for the 6/1/2011 to 6/1/2012 treaty year based on the Company's election to purchase the required coverage from the FHCF. Coverage is estimated based upon the best available information until the FHCF releases actual results in October.

[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 2010 Form 10-K Annual Report for further explanation of the Company's Insurance Risk Management Strategy.

INVESTMENT CREDIT RISK MANAGEMENT

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 invests primarily 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 2010 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 a derivative counterparty exposure policy which

limits 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 A/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 across 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, 2011, the maximum combined threshold for all counterparties under a single credit support provider across all legal entities that use derivatives is \$100. Based on the contractual terms of certain collateral agreements, these thresholds may be immediately reduced due to a downgrade in either party'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, 2011, 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 as defined in the contract and such payment will be typically equal to the notional value of the swap contract less the value of the referenced security issuer's debt obligation. A credit event is generally defined as default on contractually obligated interest or principal payments or bankruptcy of the referenced entity.

The Company uses credit derivatives to purchase credit protection and 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 also enters 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 customized diversified portfolios of corporate issuers, which are established within sector concentration limits and may be divided into tranches which possess different credit ratings.

Investments

The following table presents the Company's fixed maturities, AFS, 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, 2011			December 31, 2010		
Amortized		Percent of Total Fair	Amortized		Percent of Total Fair
Cost	Fair Value	Value	Cost	Fair Value	Value
\$ 7,996	\$ 8,073	10.3%	\$ 9,961	\$ 9,918	12.7%

United States

Government/Government
agencies

AAA	9,180	9,409	12.0%	10,080	10,174	13.1%
AA	15,890	15,900	20.4%	15,933	15,554	20.0%
A	19,915	20,470	26.2%	19,265	19,460	25.0%
BBB	20,009	20,568	26.3%	18,849	19,153	24.6%
BB & below	4,377	3,712	4.8%	4,331	3,561	4.6%

Total fixed maturities	\$ 77,367	\$ 78,132	100.0%	\$ 78,419	77,820	100.0%
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The movement in the overall credit quality of the Company's portfolio was primarily attributable to net purchases of investment grade corporate securities concentrated in high quality industrial, utility and financial services issuers, partially offset by sales of U.S. Treasuries as the Company continues to reinvest in spread product. Fixed maturities, FVO, are not included in the above table. For further discussion on fair value option securities, see Note 4 of the Notes to Condensed Consolidated Financial Statements.

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The following table presents the Company's AFS securities by type, as well as fixed maturities, FVO.

	Securities by Type June 30, 2011					December 31, 2010				
	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	\$ 2,729	\$ 26	\$ (172)	\$ 2,583	3.3%	\$ 2,496	\$ 23	\$ (221)	\$ 2,298	2.9%
Small business	449		(122)	327	0.4%	453		(141)	312	0.4%
Other	373	28	(14)	387	0.5%	298	15	(34)	279	0.4%
CDOs										
Collateralized loan obligations (CLOs)	2,370		(159)	2,211	2.8%	2,429	1	(212)	2,218	2.9%
CREs	552		(194)	358	0.5%	653		(266)	387	0.5%
Other	6			6		6			6	
CMBS										
Agency backed										
[1]	554	16	(1)	569	0.7%	519	9	(4)	524	0.7%
Bonds	6,136	162	(308)	5,990	7.7%	6,985	147	(583)	6,549	8.4%
Interest only (IOs)	670	72	(24)	718	0.9%	793	79	(28)	844	1.1%
Corporate										
Basic industry [2]	3,320	207	(53)	3,473	4.4%	2,993	190	(24)	3,159	4.1%
Capital goods	3,244	234	(19)	3,459	4.4%	3,179	223	(23)	3,379	4.3%
Consumer cyclical	1,960	123	(10)	2,073	2.7%	1,883	115	(12)	1,986	2.6%
Consumer non-cyclical	5,948	430	(22)	6,356	8.1%	6,126	444	(29)	6,541	8.4%
Energy	3,554	241	(15)	3,780	4.8%	3,377	212	(23)	3,566	4.6%
Financial services	7,991	281	(343)	7,929	10.2%	7,545	253	(470)	7,328	9.4%
Tech./comm.	4,306	283	(53)	4,536	5.8%	4,268	269	(68)	4,469	5.7%
Transportation	1,118	67	(9)	1,176	1.5%	1,141	69	(13)	1,197	1.5%
Utilities	7,743	436	(65)	8,114	10.4%	7,099	386	(58)	7,427	9.5%
Other [2]	788	9	(22)	733	0.9%	885	13	(27)	832	1.1%
Foreign govt./govt. agencies	1,765	107	(8)	1,864	2.4%	1,627	73	(17)	1,683	2.2%
Municipal										
Taxable	1,372	27	(100)	1,299	1.7%	1,319	9	(129)	1,199	1.5%
Tax-exempt	11,366	251	(135)	11,482	14.7%	11,150	141	(366)	10,925	14.0%
Residential mortgage-backed securities (RMBS)										

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Agency	3,876	138	(5)	4,009	5.2%	4,283	109	(27)	4,365	5.6%
Non-agency	68		(1)	67	0.1%	78		(3)	75	0.1%
Alt-A	122		(17)	105	0.1%	168		(19)	149	0.2%
Sub-prime	1,421	6	(394)	1,033	1.3%	1,507		(413)	1,094	1.4%
U.S. Treasuries	3,566	23	(94)	3,495	4.5%	5,159	24	(154)	5,029	6.5%

Fixed maturities,

AFS	77,367	3,167	(2,359)	78,132	100.0%	78,419	2,804	(3,364)	77,820	100.0%
Equity securities										
Financial services	515	9	(96)	428		569	4	(127)	446	
Other	555	103	(5)	653		444	88	(5)	527	

Equity

securities, AFS	1,070	112	(101)	1,081		1,013	92	(132)	973	
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Total AFS

securities	\$ 78,437	\$ 3,279	\$ (2,460)	\$ 79,213		\$ 79,432	\$ 2,896	\$ (3,496)	\$ 78,793	
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Fixed maturities,

FVO				\$ 1,227					\$ 649	
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[1] Represents securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

[2] Gross unrealized gains (losses) exclude the change in fair value of bifurcated embedded derivative features of certain securities. Subsequent changes in fair value are recorded in net realized capital gains (losses).

The Company continues to reallocate to investment grade corporate securities concentrated in high quality industrial, utility and financial services issuers, while reducing its exposure to U.S. Treasuries, commercial real estate and subordinated financial services securities. The Company's AFS net unrealized position improved primarily as a result of improved security valuations largely due to declining interest rates and credit spread tightening. Fixed maturities, FVO, represents securities containing an embedded credit derivative for which the Company elected the fair value option. The underlying credit risk of these securities is primarily high quality corporate bonds and CRE CDOs. For further discussion on fair value option securities, see Note 4 of the Notes to Condensed Consolidated Financial Statements.

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Included in the table above is the Company's gross European exposure with an amortized cost and fair value of \$7.7 billion and \$8.1 billion, respectively, as of June 30, 2011 and \$8.0 billion and \$8.3 billion, respectively, as of December 31, 2010. Approximately 71% of this exposure largely relates to corporate entities, primarily utility and industrial, which are domiciled in or generated a significant portion of their revenue within the United Kingdom, Germany, the Netherlands and Switzerland, the majority of which is US dollar-denominated. The securities that are pound and euro-denominated are hedged to US dollars or support foreign-denominated liabilities. Included in the Company's gross European exposure were investments in Greece, Ireland, Italy, Portugal and Spain (GIIPS) with an amortized cost and fair value of \$716 and \$708, respectively, as of June 30, 2011 and \$922 and \$905, respectively, as of December 31, 2010. The Company holds less than \$1 of corporate securities of companies domiciled in Greece. Additionally, the Company does not hold any sovereign debt exposure in GIIPS.

Not included in the table above is the Company's exposure to equity securities, trading, supporting the Japan variable annuity products. For further information, see Invested Assets of the Investment Results Section of this MD&A. The following sections highlight the Company's significant investment sectors.

Financial Services

The Company's exposure to the financial services sector is predominantly through banking institutions. The following table presents the Company's exposure to the financial services sector included in the Securities by Type table above.

	June 30, 2011			December 31, 2010		
	Amortized		Net	Amortized		Net
	Cost	Fair Value	Unrealized	Cost	Fair Value	Unrealized
AAA	\$ 368	\$ 379	\$ 11	\$ 302	\$ 309	\$ 7
AA	2,112	2,132	20	2,085	2,095	10
A	3,978	3,913	(65)	3,760	3,599	(161)
BBB	1,799	1,698	(101)	1,677	1,518	(159)
BB & below	249	235	(14)	290	253	(37)
Total	\$ 8,506	\$ 8,357	\$ (149)	\$ 8,114	\$ 7,774	\$ (340)

Financial companies continued to stabilize in 2011 due to positive earnings performance, continued improvement in asset quality and fewer loan defaults. However, during the second quarter, spread volatility in the financial sector intensified on heightened concerns around Greece and other European sovereign risks, uncertainty around additional capital requirements under Basel III and a weaker U.S. macroenvironment. Financial institutions remain vulnerable to ongoing stress in the real estate markets including high unemployment and global economic uncertainty, which could adversely impact the Company's net unrealized position.

Commercial Real Estate

The commercial real estate market continued to show signs of improving fundamentals, such as increases in market pricing, more readily available financing and new issuances. Although credit spreads tightened significantly during the first quarter, they were adversely impacted during the second quarter as the market reacted to an oversupply of sub-prime securities sold by the government. Additionally, delinquencies still remain at historically high levels but are expected to move lower in late 2011.

The following table presents the Company's exposure to commercial mortgage backed-securities (CMBS) bonds by current credit quality and vintage year, included in the Securities by Type table above. 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, 2011**

	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	\$ 509	\$ 523	\$ 131	\$ 132	\$ 84	\$ 82	\$ 36	\$ 34	\$ 59	\$ 57	\$ 819	\$ 828
2004	403	425	33	34	57	54	53	50	12	9	558	572
2005	527	555	111	106	132	123	261	232	121	112	1,152	1,128
2006	597	625	408	404	300	296	489	453	562	500	2,356	2,278
2007	207	220	154	159	160	149	295	250	215	183	1,031	961
2008					55	60					55	60
2010	10	10									10	10
2011	155	153									155	153
Total	\$ 2,408	\$ 2,511	\$ 837	\$ 835	\$ 788	\$ 764	\$ 1,134	\$ 1,019	\$ 969	\$ 861	\$ 6,136	\$ 5,990
Credit protection		28.3%		25.4%		18.6%		17.3%		10.1%		21.8%

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	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	\$ 782	\$ 803	\$ 146	\$ 142	\$ 107	\$ 103	\$ 24	\$ 21	\$ 26	\$ 22	\$ 1,085	\$ 1,091
2004	489	511	35	35	68	61	33	27	6	5	631	639
2005	610	632	131	121	213	177	182	147	123	96	1,259	1,173
2006	1,016	1,050	566	536	256	224	496	416	436	339	2,770	2,565
2007	305	320	278	250	71	55	253	200	278	198	1,185	1,023
2008	55	58									55	58
Total	\$ 3,257	\$ 3,374	\$ 1,156	\$ 1,084	\$ 715	\$ 620	\$ 988	\$ 811	\$ 869	\$ 660	\$ 6,985	\$ 6,549

Credit protection	28.8%	22.5%	13.3%	13.8%	8.0%	21.5%
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[1] The vintage year represents the year the pool of loans was originated.

The Company also has AFS exposure to commercial real estate (CRE) collateralized debt obligations (CDOs) with an amortized cost and fair value of \$552 and \$358, respectively, as of June 30, 2011 and \$653 and \$387, respectively, as of December 31, 2010. These securities are comprised of diversified pools of commercial mortgage loans or equity positions of other CMBS securitizations. Although the Company does not plan to invest in this asset class going forward, we continue to monitor these investments as economic and market uncertainties regarding future performance impacts market liquidity and results in higher risk premiums.

In addition to CMBS bonds and CRE CDOs, 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, 2011, loans within the Company's mortgage loan portfolio have had minimal extensions or restructurings other than what is allowable under the original terms of the contract.

	Commercial Mortgage Loans			December 31, 2010		
	June 30, 2011					
	Amortized Cost [1]	Valuation Allowance	Carrying Value	Amortized Cost [1]	Valuation Allowance	Carrying Value
Agricultural	\$ 278	\$ (20)	\$ 258	\$ 339	\$ (23)	\$ 316
Whole loans	4,321	(30)	4,291	3,326	(23)	3,303
A-Note participations	267		267	319		319
B-Note participations	312	(72)	240	327	(70)	257
Mezzanine loans	146	(7)	139	181	(36)	145
Total [2]	\$ 5,324	\$ (129)	\$ 5,195	\$ 4,492	\$ (152)	\$ 4,340

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

[2] *Includes commercial whole loans and excludes residential mortgage loans related to Federal Trust Corporation. For further information on the total mortgage loan portfolio, see Note 5 of the Notes to Condensed Consolidated Financial Statements.*

Since December 31, 2010, the Company funded \$1.1 billion of commercial whole loans with a weighted average loan-to-value (LTV) ratio of 63% and a weighted average yield of 4.65%. The Company continues to originate commercial whole loans in primary markets, focusing on loans with strong LTV ratios and high quality property collateral. As of June 30, 2011, the Company had mortgage loans held-for-sale with a carrying value and valuation allowance of \$110 and \$16, respectively.

Municipal Bonds

The Company holds investments in securities backed by states, municipalities and political subdivisions (municipal) with an amortized cost and fair value of \$12.7 billion and \$12.8 billion, respectively, as of June 30, 2011 and \$12.5 billion and \$12.1 billion, respectively, as of December 31, 2010. The Company s municipal bond portfolio is well diversified and primarily consists of essential service revenue and general obligation bonds. As of June 30, 2011 and December 31, 2010, the largest issuer concentrations were the states of California, Massachusetts and Georgia, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation securities.

Table of Contents***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, 2011		December 31, 2010	
	Amount	Percent	Amount	Percent
Hedge funds	\$ 435	21.4%	\$ 439	22.8%
Mortgage and real estate funds	470	23.2%	406	21.2%
Mezzanine debt funds	122	6.0%	132	6.9%
Private equity and other funds	1,001	49.4%	941	49.1%
Total	\$ 2,028	100.0%	\$ 1,918	100.0%

Available-for-Sale Securities Unrealized Loss Aging

The total gross unrealized losses were \$2.5 billion as of June 30, 2011, which is an improvement of \$1.0 billion, or 30%, from December 31, 2010 as interest rates declined and credit spreads tightened. As of June 30, 2011, \$1.3 billion of the gross unrealized losses were associated with securities depressed less than 20% of cost or amortized cost.

The remaining \$1.1 billion of gross unrealized losses were associated with securities depressed greater than 20%, which includes \$235 associated with securities depressed over 50% for twelve months or more. These securities are backed primarily by commercial and residential real estate that have market spreads that continue to be wider than the spreads at the security's respective purchase date. Although many of these securities improved in price during the quarter, the unrealized losses remain largely due to the continued market and economic uncertainties surrounding residential and certain commercial real estate. Based upon the Company's cash flow modeling and current market and collateral performance assumptions, these securities have sufficient credit protection levels to receive contractually obligated principal and interest payments. Also included in the gross unrealized losses depressed greater than 20% are financial services securities that have a floating-rate coupon and/or long-dated maturities.

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, 2011 and that these securities are temporarily depressed and are expected to recover in value as the securities approach maturity or as real estate related market spreads continue to improve. 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. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities. For further information regarding the Company's impairment analysis, see Other-Than-Temporary Impairments in the Investment Credit Risk Section of this MD&A.

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.

Items	June 30, 2011			Items	December 31, 2010		
	Cost or Amortized Cost	Fair Value	Unrealized Loss [1]		Cost or Amortized Cost	Fair Value	Unrealized Loss [1]
806	\$ 6,867	\$ 6,727	\$ (140)	1,503	\$ 17,431	\$ 16,783	\$ (643)

Three months or less								
Greater than three to six months	142	636	600	(36)	115	732	690	(42)
Greater than six to nine months	567	6,569	6,312	(252)	91	438	397	(41)
Greater than nine to eleven months	49	484	461	(23)	42	185	169	(16)
Twelve months or more	1,051	13,208	11,161	(2,009)	1,231	15,599	12,811	(2,754)
Total	2,615	\$ 27,764	\$ 25,261	\$ (2,460)	2,982	\$ 34,385	\$ 30,850	\$ (3,496)

[1] Unrealized losses exclude the fair value of bifurcated embedded derivative features of certain securities. Subsequent changes in fair value are recorded in net realized capital gains (losses).

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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	Items	June 30, 2011			Items	December 31, 2010		
		Cost or Amortized Cost	Fair Value	Unrealized Loss		Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	100	\$ 757	\$ 584	\$ (173)	99	\$ 771	\$ 582	\$ (189)
Greater than three to six months	32	24	17	(7)	22	136	104	(32)
Greater than six to nine months	38	223	161	(62)	28	234	169	(65)
Greater than nine to eleven months	8	55	42	(13)	13	43	32	(11)
Twelve months or more	269	2,426	1,541	(885)	390	4,361	2,766	(1,595)
Total	447	\$ 3,485	\$ 2,345	\$ (1,140)	552	\$ 5,545	\$ 3,653	\$ (1,892)

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	Items	June 30, 2011			Items	December 31, 2010		
		Cost or Amortized Cost	Fair Value	Unrealized Loss		Cost or Amortized Cost	Fair Value	Unrealized Loss
Three months or less	23	\$ 39	\$ 17	\$ (22)	20	\$ 27	\$ 12	\$ (15)
Greater than three to six months	10	9	4	(5)	1	2	1	(1)
Greater than six to nine months	11	16	6	(10)	12	65	29	(36)
Greater than nine to eleven months								
Twelve months or more	65	354	119	(235)	94	722	260	(462)
Total	109	\$ 418	\$ 146	\$ (272)	127	\$ 816	\$ 302	\$ (514)

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,	
	2011	2010	2011	2010
ABS	\$ 2	\$ 5	\$ 10	\$ 5
CRE CDOs		29	15	93
CMBS				
Bonds	14	39	14	111
IOs	2	1	3	1

Corporate	3	6	21	6
Equity		4	10	5
RMBS				
Non-agency		1		1
Alt-A		7		9
Sub-prime		16	3	29
Other	2		2	
Total	\$ 23	\$ 108	\$ 78	\$ 260

Three and six months ended June 30, 2011

For the three and six months ended June 30, 2011, impairments recognized in earnings were comprised of credit impairments of \$16 and \$61, respectively, impairments on equity securities of \$0 and \$10, respectively, and securities that the Company intends to sell of \$7 for both periods.

Credit impairments were primarily concentrated in structured securities associated with commercial real estate, as well as direct private equity investments. The structured securities were impaired primarily due to continued property-specific deterioration of the underlying collateral. The Company calculated these impairments utilizing both a top down modeling approach and a security-specific 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 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. 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, 2011 were largely driven by actual or expected collateral deterioration, largely as a result of the Company's security-specific collateral review.

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The security-specific 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 security-specific 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.

Included in corporate and equity security types were direct private equity investments that were impaired primarily due to the likelihood of a disruption in contractual principal and interest payments due to the restructuring of the debtor's obligation. Impairments on equity securities were related to preferred stock associated with these direct private equity investments.

Impairments on securities for which the Company has the intent to sell consisted of CMBS bonds as market pricing continues to improve and the Company would like the ability to reduce its exposure to certain commercial real estate investments.

In addition to the credit impairments recognized in earnings, the Company recognized non-credit impairments in other comprehensive income of \$8 and \$72, respectively, for the three and six months ended June 30, 2011, predominantly concentrated in CRE CDOs and RMBS. 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, as well as a discount for variable-rate coupons which are paying less than at purchase date. 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 and security-specific performance below current expectations. Continued improvement in commercial real estate property valuations will positively impact future loss development, with future impairments driven by idiosyncratic security-specific risk.

Three and six months ended June 30, 2010

For the three and six months ended June 30, 2010, impairments recognized in earnings were comprised of credit impairments of \$104 and \$255, respectively, primarily concentrated in CMBS bonds and CRE CDOs due to continued property-specific deterioration of the underlying collateral and increased delinquencies. Also included were impairments on equity securities of \$4 and \$5, respectively.

Valuation Allowances on Mortgage Loans

The following table presents (additions) and reductions to valuation allowances on mortgage loans.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Credit-related concerns	\$ 26	\$ (34)	\$ 26	\$ (68)
Held for sale Agricultural loans		(5)	(3)	(10)
B-note participations				(22)
Mezzanine loans		(1)		(52)
Total	\$ 26	\$ (40)	\$ 23	\$ (152)

For the three and six months ended June 30, 2011, valuation allowances on mortgage loans were largely driven by the release of a reserve associated with the sale of a previously reserved for mezzanine loan. Excluded from the table above are valuation allowances of \$50 for the three and six months ended June 30, 2011, respectively, of mortgage loans held-for-sale related to the divestiture of Federal Trust Corporation. For further information regarding the

divestiture of Federal Trust Corporation, see Note 12 of the Notes to the Condensed Consolidated Financial Statements. Continued improvement in commercial real estate property valuations will positively impact future loss development, with future impairments driven by idiosyncratic loan-specific risk.

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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. The Company invests in various types of investments including derivative instruments, in order to meet its portfolio objectives. 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 compliance and risk management teams 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 associated with changes in interest rates, credit spreads including issuer defaults, equity prices or market indices, and foreign currency exchange rates. The Company is also exposed to credit and counterparty repayment risk. Derivative instruments are utilized in compliance with established Company policy and regulatory requirements and are monitored internally and reviewed by senior management. For further discussion of market risk, see the Capital Markets Risk Management section of the MD&A in The Hartford's 2010 Form 10-K Annual Report.

Interest Rate Risk

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 may include the use of derivatives. The Company analyzes interest rate risk using various models including parametric models and cash flow simulation under various market scenarios of the liabilities and their supporting investment portfolios, which may include derivative instruments. 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 2010 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 2010 Form 10-K Annual Report. In addition, management evaluates performance of certain Wealth Management products based on net investment spread which is, in part, influenced by changes in interest rates. For further discussion, see the Global Annuity, Life Insurance, and Retirement Plans sections of the MD&A.

A decline in interest rates results in certain mortgage-backed securities being 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 cost 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 and possibly reduced profit margins associated with guaranteed crediting rates on certain Wealth Management 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.

An increase in interest rates from the current levels is generally a favorable development for the Company. Rate increases are expected to provide additional net investment income, increase sales of fixed rate Wealth Management investment products, reduce the cost of the variable annuity hedging program, limit the potential risk of margin erosion due to minimum guaranteed crediting rates in certain Wealth Management products and, if sustained, could reduce the Company's prospective pension expense. Conversely, a rise in interest rates will reduce the fair value of the investment portfolio, increase interest expense on the Company's variable rate debt obligations and, if long-term interest rates rise dramatically within a six to twelve month time period, certain Wealth Management businesses may be exposed to disintermediation risk. Disintermediation risk refers to the risk that policyholders will surrender their contracts in a rising interest rate environment requiring the Company to liquidate assets in an unrealized loss position. In conjunction with the interest rate risk measurement and management techniques, certain of Wealth Management's fixed income product offerings have market value adjustment provisions at contract surrender. An increase in interest rates may also impact the Company's tax planning strategies and in particular its ability to utilize tax benefits to offset certain previously recognized realized capital losses.

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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. These policies are regularly reviewed and approved by the Enterprise Risk Management group and senior management. For further discussion of credit risk, see the Credit Risk section of the MD&A in The Hartford's 2010 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 widening will reduce the fair value of the investment portfolio and will increase net investment income on new purchases. If issuer credit spreads increase significantly or for an extended period of time, it may result in higher impairment losses. Credit spread tightening will reduce net investment income associated with new purchases of fixed maturities and increase the fair value of the investment portfolio. For further discussion of sectors most significantly impacted, see the Investment Credit Risk Section of the MD&A. Also, 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.

Variable Product Equity Risk

The Company's variable products 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 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 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. Declines in equity markets will generally increase the Company's liability for the in-force GMWB riders. As of June 30, 2011, U.S. GMWB account value was \$42.5 billion and International GMWB account value was \$2.5 billion. As of December 31, 2010, U.S. GMWB account value was \$44.8 billion and International GMWB account value was \$2.5 billion. 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, 2011 and December 31, 2010, 19% and 35%, respectively, of all unreinsured U.S. GMWB contracts were in the money. For those contracts that

were in the money, the average contract was 10% and 9% in the money as of June 30, 2011 and December 31, 2010, respectively. For U.S. GMWB contracts that were in the money, the Company's net amount at risk (i.e. GRB less account value), after reinsurance, as of June 30, 2011 and December 31, 2010, was \$0.6 billion and \$1.1 billion, respectively. For U.K. and Japan GMWB contracts that were in the money, the Company's net amount at risk, after reinsurance, as of June 30, 2011 and December 31, 2010, was \$80 and \$73, 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 the Company's current carried liability. For additional information on the Company's GMWB liability, see Note 4a of the Notes to Condensed Consolidated Financial Statements.

Table of Contents**GMDB**

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, 2011 and December 31, 2010 is \$8.6 billion and \$10.7 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, 2011 and December 31, 2010, 63% and 70%, respectively, of all unreinsured U.S. GMDB contracts were in the money. For those contracts that were in the money, the average contract was 11% and 12% in the money as of June 30, 2011 and December 31, 2010, respectively. The Company reinsured 64% and 60% of these death benefit guarantees as of June 30, 2011 and December 31, 2010, 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 \$3.1 billion and \$4.3 billion, as of June 30, 2011 and December 31, 2010, 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 a GMDB. 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 riders. This increase may be significant in extreme market scenarios. In general, the GMDB riders entitle the policyholder to receive the original investment value at the date of death. If the original investment value exceeds the account value upon death then the contract is in the money. As of June 30, 2011 and December 31, 2010, substantially all of the unreinsured Japan GMDB contracts were in the money. For those contracts that were in the money, the average contract was 22% and 22% in the money as of June 30, 2011 and December 31, 2010, respectively. The Company's total gross exposure (i.e., before reinsurance) to the GMDB offered in Japan is \$8.5 billion and \$8.8 billion as of June 30, 2011 and December 31, 2010, respectively. The Company reinsured 15% and 14% of the GMDB to a third-party reinsurer as of June 30, 2011 and December 31, 2010, respectively. Under certain of these reinsurance agreements, the reinsurers' exposure is subject to an annual cap. The Company's net GMDB exposure (i.e. after reinsurance) is \$7.2 billion and \$7.6 billion as of June 30, 2011 and December 31, 2010, respectively. Many policyholders with a GMDB also have a GMWB in the U.S. or GMIB in Japan. Policyholders that have a product that offer both guarantees can only receive the GMDB or the GMIB benefit in Japan or the GMDB or GMWB in the U.S. For additional information on the Company's GMDB liability, see Note 7 of the Notes to Condensed Consolidated Financial Statements.

GMIB

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 a GMIB. For GMIB contracts, in general, the policyholder has the right to elect to annuitize benefits, beginning (for certain products) on the tenth or fifteenth anniversary year of contract commencement, receive lump sum payment of account value, or remain in the variable sub-account. For GMIB contracts, the policyholder is entitled to receive the original investment value over a 10- to 15- year annuitization period. 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. In addition, upon annuitization the contractholder surrenders access to the account value and the account value is transferred to the Company's general account where it is invested and the additional investment proceeds are used towards payment of the original investment value. If the original investment value exceeds the account value upon annuitization then the contract is in the money. As of June 30, 2011 and December 31, 2010, substantially all of the Japan GMIB contracts were in the money. For those contracts that were in the money, the average contract was 16% and 17% in the money as of June 30, 2011 and December 31, 2010, respectively. In addition, as of June 30, 2011, 68% of retained net amount at risk is reinsured to an affiliate of The Hartford. For additional information on the Company's GMIB liability, see Note 9 of the Notes to Condensed Consolidated Financial Statements.

The following table represents the timing of account values eligible for annuitization under the Japan GMIB as of June 30, 2011, as well as the retained net amount at risk. The account values reflect 100% annuitization at the earliest point allowed by the contract and no adjustments for future market returns and policyholder behaviors. Future market

returns, changes in the value of the Japanese yen and policyholder behaviors will impact account values eligible for annuitization in the years presented.

(\$ in billions)	GMIB [1]	
	Account Value	Net Amount at Risk
2013	\$ 0.3	\$ 0.6
2014	4.7	1.4
2015	7.6	0.6
2016	2.6	0.7
2017	2.9	1.5
2018 & beyond [2]	7.2	
Total	\$ 25.3	\$ 4.8

[1] Excludes certain non-GMIB living benefits of \$3.2 billion of account value and \$0.6 billion of net amount at risk where annuitization is based on attained age.

[2] In 2018 & beyond, \$2.7 billion of the \$7.2 billion is primarily associated with account value that is eligible in 2021.

Table of Contents**Variable Product Equity 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]
<i>U.S. Variable Guarantees</i>		
GMDB	Accumulation of the portion of fees required to cover expected claims, less accumulation of actual claims paid	Equity Market Levels
GMWB	Fair Value	Equity Market Levels / Implied Volatility / Interest Rates
For Life Component of GMWB	Accumulation of the portion of fees required to cover expected claims, less accumulation of actual claims paid	Equity Market Levels
<i>International Variable Guarantees</i>		
GMDB & GMIB	Accumulation of the portion of fees required to cover expected claims, less accumulation of actual claims paid	Equity Market Levels / Interest Rates / Foreign Currency
GMWB	Fair Value	Equity Market Levels / Implied Volatility / Interest Rates / Foreign Currency
GMAB	Fair Value	Equity Market Levels / Implied Volatility / Interest Rates / Foreign Currency

[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 GMDB, GMWB, GMIB, GMAB market risk exposures arising from equity markets, interest rates, 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, statutory surplus, and ultimately cash flow liability. 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 has increased GMWB rider fees on 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.

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, 2011:

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
GMIB
GMAB

ü
ü
ü

- [1] *Through the second quarter in 2011, the Company continued to maintain a reduced level of dynamic hedge protection on GMWB 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 cash flows, statutory liability and surplus volatility.*

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Reinsurance

The Company uses reinsurance for a portion of contracts 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 and a set of underlying fund mix 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 risks associated with the GMWB 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. 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 such as options, futures, swaps and forwards 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 cash flows, statutory surplus and the associated target RBC ratios (see Capital Resources and Liquidity). These macro hedges cover some of the residual risks not otherwise covered by specific dynamic hedging programs. Management assesses this residual risk under various scenarios in designing and executing the macro hedge program. During the second quarter, the Company has increased its currency and equity hedging coverage. The macro hedge program, which is designed to reduce statutory reserve and capital volatility, will result in additional U.S. GAAP earnings volatility as changes in the fair value of the macro hedge derivatives will not be closely aligned to changes in U.S. GAAP liabilities, since the macro hedge derivatives are marked to market and the non-fair value U.S. GAAP liabilities are not.

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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, and changes in the hedge strategies, underlying exposures and other factors, an independent change in the following capital market factors is likely to have the impacts outlined in the table below. These sensitivities do not capture the impact of elapsed time on liabilities or hedge assets. Each of the sensitivities set forth below is estimated individually under the indicated level of market movement and from the market levels at December 31, 2010 and June 30, 2011, and without consideration of any correlation among the key assumptions. In addition, there are other factors, including changes to the underlying hedging program, policyholder behavior and variation in underlying fund performance relative to the hedged index, which could materially impact the GMWB liability. As a result, these sensitivities do not necessarily reflect the financial impact from large shifts in the underlying indices or when multiple risk factors are impacted. 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:

Market Factor	U.S. GAAP Hedging Program Gain (Loss), Pre-Tax and DAC					
	Net Impact			Net Impact		
	GMWB Liability		Total Net Impact	GMWB Liability		Total Net Impact
	and Dynamic Hedge Program Expected for second quarter 2011 based on March 31, 2011	Macro Hedge Program [5]		and Dynamic Hedge Program Expected for third quarter 2011 based on June 30, 2011	Macro Hedge Program [5]	
Markets increase / decrease 1% [1] [2]			\$ (23) / \$23			\$ (23) / \$23
Yield increases / decreases 1% [3]	\$ (0) / \$0	\$ (23) / \$23	\$23	\$ (1) / \$1	\$ (33) / \$33	\$ (32) / \$32
Interest rates increase / decrease 1 basis point [4]	\$ (23) / \$23	\$8 / \$(8)	\$15	\$ (23) / \$23	\$8 / \$(8)	\$15
Duration strengthens /weakens 1% versus all other currencies	\$1 / \$(1)	\$(2) / \$2	\$(1) / \$1	\$ 2 / \$(2)	\$(3) / \$3	\$(1) / \$1
			\$48 / \$(48)			\$48 / \$(48)
	N/A	\$48 / \$(48)	\$(48)	N/A	\$53 / \$(53)	\$(53)

[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, the increase in equity sensitivity was primarily due to additional purchase of equity macro hedges in the second quarter of 2011.

[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] Represents the aggregate net impact of a 1 basis point parallel shift on the global LIBOR yield curve.

For the three months ended June 30, 2011, the net realized pre-tax gain of \$4 related to the Company's variable annuity hedge programs was primarily comprised of the following:

- A net realized pre-tax gain of \$41 associated with the macro hedge program (including other currency hedges) primarily due to a general decline in Japanese interest rates and a strengthened Yen, partially offset by the impact of elapsed time from the hedges.
- A net realized pre-tax loss of \$37 related to the net of GMWB derivatives primarily as a result of a general decrease in long-term interest rates.

The table below provides a predicted pre-tax net realized gain (loss) calculated using the Company's sensitivities expected for the second quarter disclosed above, as compared to the actual net changes:

	Predicted Earnings Impact Three Months Ended June 30, 2011
GMWB Net Liability and Dynamic and Global Macro Programs	
Equity markets flat	\$
Volatility increased approximately 1%	(15)
Interest rates decreased approximately 30 basis points	30
Yen strengthened approximately 3% against USD and 1% against euro	96
Total implied pre-tax net realized gain [2]	\$ 111
Actual reported pre-tax net realized gain [1] [2]	\$ 4

[1] *The actual reported pre-tax net realized gain of \$4 includes a gain of \$6 from other FX hedges that are disclosed in the Other, net line of the Net Realized Capital Gains (Losses) within Investment Results of Key Performance Measures and Ratios of this MD&A.*

[2] *For the three months ended June 30, 2011, the major factors to the variance in the actual reported result and the implied first order sensitivities calculation pre-tax net realized gain/(loss) were attributed to the following: (i) the impact of elapsed time on short duration hedge assets, (ii) hedging activities including timing of rebalancing, trading, and changes in the composition of the underlying hedging instruments, and (iii) partially offset by favorable policyholder behavior.*

Additional factors attributed to the variance, the impact of which cannot be incorporated in the calculation of these simplified sensitivities, include non-parallel shifts in capital market factors, specific market index and interest rate movements, interest rate and currency volatilities, variation in the 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.

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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 affected, 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, GMIB and GMWB) reinsured from our international 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 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 insurance subsidiaries' 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 have experienced, 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.

With respect to our fixed annuity business, sustained low interest rates may result in a reduction in statutory surplus and an increase in National Association of Insurance Commissioners (NAIC) required capital.

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.

The Company has reinsured approximately 20% of its risk associated with U.S. GMWB and 63% of its risk associated with the aggregate U.S. GMDB exposure. These reinsurance agreements serve to reduce the Company's exposure to changes in the statutory reserves and the related capital and RBC ratios associated with changes in the capital market. The Company also continues to explore other solutions for mitigating the capital market risk effect on surplus, such as internal and external reinsurance solutions, modifications to our hedging program, changes in product design, increasing pricing and expense management.

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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 a combination of cash and exchange-traded instruments, in addition to using the available OTC derivatives.

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 and U.K. 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. Also, foreign currency exchange rate risk is inherent when the Japan policyholders' variable annuity sub-account investments are non-Japanese yen denominated securities while the related GMDB and GMIB guarantees are effectively yen-denominated. A portion of the Company's foreign currency exposure is mitigated through the use of derivatives.

Fixed Maturity Investments

The risk associated with the non-U.S. dollar denominated fixed maturities relates to potential decreases in value and income resulting from unfavorable changes in foreign exchange rates. In order to manage its currency exposures, the Company enters into foreign currency swaps and forwards to hedge the variability in cash flows as fair value associated with certain foreign denominated fixed maturities declines. These foreign currency swap and forward agreements are structured to match the foreign currency cash flows of the hedged foreign denominated securities.

Liabilities

The Company issued non-U.S. dollar denominated funding agreement liability contracts, and hedges the foreign currency risk associated with these liability contracts with currency rate swaps.

The yen based fixed annuity product was written by Hartford Life Insurance K.K. (HLIKK), a wholly-owned Japanese subsidiary of Hartford Life, Inc. (HLI), and subsequently reinsured to Hartford Life Insurance Company, a U.S. dollar based wholly-owned indirect subsidiary of HLI. In 2009, the Company suspended new sales of the Japan business. The underlying investment involves investing in U.S. securities markets, which offer favorable credit spreads. The yen denominated fixed annuity product (yen fixed annuities) is recorded in the consolidated balance sheets with invested assets denominated in dollars while policyholder liabilities are denominated in yen and converted to U.S. dollars based upon the June 30, yen to U.S. dollar spot rate. The difference between U.S. dollar denominated investments and yen denominated liabilities exposes the Company to currency risk. The Company manages this currency risk associated with the yen fixed annuities primarily with pay variable U.S. dollar and receive fixed yen currency swaps. Prior to 2010, the Company had also issued guaranteed benefits (GMDB and GMIB) that were reinsured from HLIKK to the U.S. insurance subsidiaries. During 2010, the Company entered into foreign currency forward contracts that convert U.S. dollars to yen in order to hedge the foreign currency risk due to U.S. dollar denominated assets backing the yen denominated liabilities. The Company also enters into foreign currency forward contracts that convert euros to yen in order to economically hedge the risk arising when the Japan policyholders' variable annuity sub-accounts are invested in non-Japanese yen denominated securities while the related GMDB and GMIB guarantees are effectively yen-denominated.

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CAPITAL RESOURCES AND LIQUIDITY

The following section discusses the overall financial strength of The Hartford and its insurance operations including 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 \$2.2 billion at June 30, 2011, dividends from its 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 \$490, maturity of senior notes of \$400, common stockholder dividends, subject to the discretion of the Board of Directors, of approximately \$180, and preferred stock dividends of approximately \$42.

In addition, in 2010 The Hartford entered into an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to \$2.0 billion for liquidity and other general corporate purposes. The Connecticut Insurance Department granted approval for the Connecticut domiciled insurance companies that are parties to the agreement to treat receivables from a parent, including the HFSG Holding Company, as admitted assets for statutory accounting purposes.

Dividends

On May 19, 2011, The Hartford's Board of Directors declared a quarterly dividend of \$0.10 per common share payable on July 1, 2011 to common shareholders of record as of June 1, 2011 and a dividend of \$18.125 on each share of Series F preferred stock payable on July 1, 2011 to shareholders of record as of June 15, 2011.

On July 27, 2011, The Hartford's Board of Directors declared a quarterly dividend of \$0.10 per common share payable on October 3, 2011 to common shareholders of record as of September 1, 2011 and a dividend of \$18.125 on each share of Series F preferred stock payable on October 3, 2011 to shareholders of record as of September 15, 2011.

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 Plan for 2011 and the funding requirements for all of its pension plans are expected to be immaterial. The Company contributed approximately \$120 to its pension plans and other postretirement plans in July 2011, and presently anticipates contributing approximately \$80 during the remainder of 2011, 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.

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 \$1.5 billion in dividends to HFSG Holding Company in 2011 without prior approval from the applicable insurance commissioner. The Company's life insurance subsidiaries are permitted to pay up to a maximum of approximately \$83 in dividends to HLI in 2011 without 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 2011 without prior approval from the applicable insurance commissioner. For the six months ended June 30, 2011, HFSG Holding Company and HLI received no dividends from the life insurance subsidiaries, and HFSG Holding Company received \$631 in dividends from its property-casualty insurance subsidiaries.

Table of Contents*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.

Shelf Registrations

On August 4, 2010, The Hartford filed with the Securities and Exchange Commission (the SEC) an automatic shelf registration statement (Registration No. 333-168532) for the potential offering and sale of debt and equity securities. The registration statement allows for the following types of securities to be offered: debt securities, junior subordinated debt securities, preferred stock, common stock, depository shares, warrants, stock purchase contracts, and stock purchase units. In that The Hartford is a well-known seasoned issuer, as defined in Rule 405 under the Securities Act of 1933, the registration statement went effective immediately upon filing and The Hartford may offer and sell an unlimited amount of securities under the registration statement during the three-year life of the shelf.

Contingent Capital Facility

The Hartford has a put option agreement (the Put Option Agreement) with Glen Meadow ABC Trust, a Delaware statutory trust (the ABC Trust), and a 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.

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, 2011	December 31, 2010	June 30, 2011	December 31, 2010
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	\$	\$

The revolving credit facility provides for up to \$1.9 billion of unsecured credit through August 9, 2012. 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, 2011, the consolidated net worth of the Company as calculated in accordance with the terms of the credit facility was \$23 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, 2011, as calculated in accordance with the terms of the credit facility, the Company's debt to capitalization ratio was 17%. Quarterly, the Company certifies compliance with the financial covenants for the syndicate of participating financial institutions. As of June 30, 2011, the Company was in compliance with all such covenants.

The Hartford's Japan operations also maintain two lines of credit in support of the subsidiary operations. Both lines of credit are in the amount of \$62, or ¥5 billion, and individually have expiration dates of September 30, 2011 and January 4, 2012.

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, 2011, is \$552. Of this \$552 the legal entities have posted collateral of \$487 in the normal course of business. Based on derivative market values as of June 30, 2011, a downgrade of one level below the current financial strength ratings by either Moody's or S&P could require approximately an additional \$63 to be posted as collateral. Based on derivative market values as of June 30, 2011, 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 \$91 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 would post, if required, would be primarily in the form of U.S. Treasury bills and U.S. Treasury notes.

The aggregate notional amount of derivative relationships that could be subject to immediate termination in the event of rating agency downgrades to either BBB+ or Baa1 as of June 30, 2011 was \$15.3 billion with a corresponding fair value of \$261. The notional and fair value amounts include a customized GMWB derivative with a notional amount of \$4.8 billion and a fair value of \$105, for which the Company has a contractual right to make a collateral payment in the amount of approximately \$54 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, including any obligations related to the Company's restructuring activities. For a discussion and tabular presentation of the Company's current 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 2010 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.

The Company's insurance operations consist of property and casualty insurance products (collectively referred to as Property & Casualty Operations) and life insurance products (collectively referred to as Life Operations).

Property & Casualty Operations

Property & Casualty Operations holds fixed maturity securities including a significant short-term investment position (securities with maturities of one year or less at the time of purchase) to meet liquidity needs.

The following table summarizes Property & Casualty Operations' fixed maturities, short-term investments, and cash, as of June 30, 2011:

Fixed maturities	\$ 25,286
Short-term investments	1,022
Cash	255
Less: Derivative collateral	(201)
Total	\$ 26,362

Liquidity requirements that are unable to be funded by Property & Casualty Operations' 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 Operations

Life Operations' total general account contractholder obligations are supported by \$71 billion of cash and total general account invested assets, excluding equity securities, trading, which includes a significant short-term investment position to meet liquidity needs.

The following table summarizes Life Operations' fixed maturities, short-term investments, and cash, as of June 30, 2011:

Fixed maturities	\$ 54,048
Short-term investments	5,565
Cash	1,638
Less: Derivative collateral	(1,833)
Cash associated with Japan variable annuities	(721)
Total	\$ 58,697

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 and Life Insurance obligations will be generally funded by both Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company; obligations of Retirement Plans and institutional investment products will be generally funded by Hartford Life Insurance Company; and

obligations of the Company's international annuity subsidiaries 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, 2011
Contractholder Obligations	
Total Life contractholder obligations	\$ 252,887
Less: Separate account assets [1]	(157,485)
International statutory separate accounts [1]	(32,237)
General account contractholder obligations	\$ 63,165
 Composition of General Account Contractholder Obligations	
Contracts without a surrender provision and/or fixed payout dates [2]	\$ 28,765
Fixed MVA annuities [3]	10,151
International fixed MVA annuities	2,644
Guaranteed investment contracts (GIC) [4]	767
Other [5]	20,838
General account contractholder obligations	\$ 63,165

- [1] *In the event customers elect to surrender separate account assets or international statutory separate accounts, Life Operations will use the proceeds from the sale of the assets to fund the surrender, and Life Operations liquidity position will not be impacted. In many instances Life Operations will receive a percentage of the surrender amount as compensation for early surrender (surrender charge), increasing Life Operations liquidity position. In addition, a surrender of variable annuity separate account or general account assets (see below) will decrease Life Operations 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 Operations 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 Operations 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 Operations is required to contribute additional capital to the statutory separate account. Life Operations 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 Operations.*
- [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 Operations 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's individual variable annuities and Life Insurance's variable life contracts, the general account option for Retirement Plans' annuities and universal life contracts sold by Life Insurance may be funded through operating cash flows of Life Operations, available short-term investments, or Life Operations 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 Operations may need to take other actions, including enforcing certain contract provisions which could restrict surrenders and/or slow or defer payouts.*

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 and aggregate contractual obligations since the filing of the Company's 2010 Form 10-K Annual Report.

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The capital structure of The Hartford as of June 30, 2011 and December 31, 2010 consisted of debt and stockholders equity, summarized as follows:

	June 30, 2011	December 31, 2010	Change
Short-term debt (includes current maturities of long-term debt)	\$ 400	\$ 400	
Long-term debt	6,214	6,207	
Total debt [1]	6,614	6,607	
Stockholders' equity excluding accumulated other comprehensive loss, net of tax (AOCI)	21,752	21,312	2%
AOCI, net of tax	(77)	(1,001)	92%
Total stockholders' equity	\$ 21,675	\$ 20,311	7%
Total capitalization including AOCI	\$ 28,289	\$ 26,918	5%
Debt to stockholders' equity	31%	33%	
Debt to capitalization	23%	25%	

[1] Total debt of the Company excludes \$368 and \$382 of consumer notes as of June 30, 2011 and December 31, 2010, respectively, and \$25 of Federal Home Loan Bank advances recorded in other liabilities as of June 30, 2011 and December 31, 2010.

The Hartford's total capitalization increased \$1.4 billion, or 5%, from December 31, 2010 to June 30, 2011 due to improvements in AOCI and increases in stockholders' equity, excluding AOCI. AOCI, net of tax, improved primarily due to decreases in net unrealized losses on available-for-sale securities of \$847 primarily as a result of improved security valuations largely due to declining interest rates and credit spread tightening. The increase in stockholders' equity, excluding AOCI, was primarily due to net income of \$535.

For additional information on equity and AOCI, net of tax, see Notes 15 and 16, respectively, of the Notes to Consolidated Financial Statements in The Hartford's 2010 Form 10-K Annual Report.

Cash Flows

	Six Months Ended June 30,	
	2011	2010
Net cash provided by operating activities	\$ 964	\$ 1,200
Net cash provided by (used for) investing activities	\$ (807)	\$ 1,600
Net cash used for financing activities	\$ (319)	\$ (1,967)
Cash end of period	\$ 1,898	\$ 2,998

Cash from operating activities compared to the prior year period decreased as a result of lower net investment income on available-for-sale securities, excluding limited partnerships and other alternative investments.

Cash used for investing activities in 2011 primarily relates to net purchases of mortgage loans of \$847, net purchases of fixed maturities, fair value option of \$533 and net payments on derivatives of \$300, partially offset by net proceeds of available-for-sale securities of \$711. 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 financing activities in 2011 consists primarily of \$212 of net outflows on investment and universal life-type contracts. In the comparable prior period of 2010, cash used for financing activities was primarily related to the redemption of preferred stock issued to the U.S. Treasury of \$3.4 billion, repayments of consumer notes of \$684, repayment of \$275 in senior notes in June 2010, and net outflows on investment and universal life-type contracts. Partially offsetting the outflows in 2010 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, 2011 and 2010 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 28, 2011.

	A.M. Best	Fitch	Standard & Poor's	Moody's
<i>Insurance Financial Strength Ratings:</i>				
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, 2010 in the table below is based on actual statutory filings with the applicable regulatory authorities. The statutory surplus amount as of June 30, 2011 is an estimate, as the second quarter 2011 statutory filings have not yet been made.

	June 30, 2011	December 31, 2010
U.S. life insurance subsidiaries, includes domestic captive insurance subsidiaries	\$ 7,951	\$ 7,731
Property and casualty insurance subsidiaries	7,627	7,721
Total	\$ 15,578	\$ 15,452

Total statutory capital and surplus increased by \$126 primarily due to a combined statutory net income of \$312 for the property and casualty insurance subsidiaries and U.S. life insurance subsidiaries, including domestic captive insurance subsidiaries, a combined net impact of unrealized gains of approximately \$189 for the property and casualty insurance subsidiaries and U.S. life insurance subsidiaries, including domestic captive insurance subsidiaries, and a \$252 increase in the admitted deferred tax asset for the U.S. life insurance subsidiaries, including domestic captive insurance subsidiaries, offset by dividends to the HFSG Holding Company of \$631.

The Company also holds regulatory capital and surplus for its operations in Japan. Under the accounting practices and procedures governed by Japanese regulatory authorities, the Company's statutory capital and surplus was \$1.3 billion

as of June 30, 2011 and December 31, 2010.

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.

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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 on July 21, 2010, mandating changes to the regulation of the financial services industry. The Dodd-Frank Act may affect our operations and governance in ways that could adversely 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. Systemically important institutions are limited to large bank holding companies and nonbank financial companies that are so important that their potential failure could pose a threat to the financial stability of the United States. If we are designated as a systemically important institution, we could be subject to higher capital requirements and additional regulatory oversight imposed by The Federal Reserve, as well as to post-event assessments imposed by the Federal Deposit Insurance Corporation (FDIC) to recoup the costs associated with the orderly liquidation of other systemically important institutions in the event one or more such institutions fails. Further, the FDIC is authorized to petition a state court to commence an insolvency proceeding to liquidate an insurance company that fails in the event the insurer's state regulator fails 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.

While we expect to file an application to deregister as a savings and loan holding company in connection with the closing of the sale of FTC in the fourth quarter of 2011, a number of provisions of the Dodd-Frank Act affect us due to our current status as a savings and loan holding company. For example, because of our status as a savings and loan holding company or if we are designated a systemically important institution, the Dodd-Frank Act may restrict us from sponsoring and investing in private equity and hedge funds, which would limit our discretion in managing our general account. 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, as well as additional regulation of compensation.

Other provisions in the Dodd-Frank Act that may impact us, irrespective of whether or not we are a savings and loan holding company include: the possibility that regulators could break up firms that are considered too big to fail; 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; and enhancements to corporate governance, especially regarding risk management.

The changes resulting from the Dodd-Frank Act could adversely affect our results of operation and financial condition.

FY 2012, Budget of the United States Government

On February 15, 2011, the Obama Administration released its FY 2012, 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 Financial Crisis Responsibility Fee, of \$30 billion, in the aggregate, over 10 years on large financial institutions, including The Hartford.

IMPACT OF NEW ACCOUNTING STANDARDS

For a discussion of accounting standards, see Note 1 of the Notes to Consolidated Financial Statements included in The Hartford's 2010 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, 2011.

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 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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. Two consolidated amended complaints were 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 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 declined to exercise supplemental jurisdiction over the state law claims and dismissed those claims without prejudice. The plaintiffs appealed the dismissal of the claims in both consolidated amended complaints, except the ERISA claims. In August 2010, the United States Court of Appeals for the Third Circuit affirmed the dismissal of the Sherman Act and RICO claims against the Company. The Third Circuit vacated the dismissal of the Sherman Act and RICO claims against some defendants in the property casualty insurance case and vacated the dismissal of the state-law claims as to all defendants in light of the reinstatement of the federal claims. In September 2010, the district court entered final judgment for the defendants in the group benefits case. In March 2011, the Company reached an agreement in

principle to settle on a class basis the property casualty insurance case for an immaterial amount. The settlement was preliminarily approved in June 2011 and is contingent upon final court approval.

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. In February 2011, the parties reached an agreement in principle to settle on a class basis for an immaterial amount. The settlement is contingent upon the execution of a final settlement agreement and preliminary and final court approval.

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The Company and certain of its present or former officers are defendants in a putative securities class action lawsuit filed in the United States District Court for the Southern District of New York in March 2010. The operative complaint, filed in October 2010, is brought on behalf of persons who acquired Hartford common stock during the period of July 28, 2008 through February 5, 2009, and alleges that the defendants violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, by making false or misleading statements during the alleged class period about the Company's valuation of certain asset-backed securities and its effect on the Company's capital position. The Company disputes the allegations and has moved to dismiss the complaint.

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, 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, and booked an insurance recoverable for the amount paid under the settlement plus the cost of settlement administration, less the 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. As a result, the Company's insurance recoverable was reduced to \$45.5. 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. The Company counterclaimed for coverage, seeking approximately \$50 plus interest. That arbitration concluded in May 2011. A decision is expected in the third or fourth quarter of 2011. Management believes it is probable that the Company's coverage position ultimately will be sustained.

Mutual Funds Litigation In October 2010, a derivative action was brought on behalf of six Hartford retail mutual funds in the United States District Court for the District of Delaware, alleging that Hartford Investment Financial Services, LLC received excessive advisory and distribution fees in violation of its statutory fiduciary duty under Section 36(b) of the Investment Company Act of 1940. In February 2011, a nearly identical derivative action was brought against Hartford Investment Financial Services, LLC in the United States District Court for the District of New Jersey on behalf of six additional Hartford retail mutual funds. Both actions are assigned to the Honorable Renee Marie Bumb, a judge in the District of New Jersey who is sitting by designation with respect to the Delaware action. Plaintiffs in each action seek to rescind the investment management agreements and distribution plans between the Company and the mutual funds and to recover the total fees charged thereunder or, in the alternative, to recover any improper compensation the Company received. In addition, plaintiff in the New Jersey action seeks recovery of lost earnings. The Company disputes the allegations and has moved to dismiss both actions.

Asbestos and Environmental Claims As discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption Reserving for Asbestos and Environmental Claims within Other Operations, 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**Item 1A. RISK FACTORS**

Investing in The Hartford involves risk. In deciding whether to invest in The Hartford, you should carefully consider the risk factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2010, 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.

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, 2011:

Period		Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2] (in millions)
April 1, 2011	April 30, 2011	1,800	\$ 27.57		\$ 807
May 1, 2011	May 31, 2011	64,914	\$ 28.06		\$ 807
June 1, 2011	June 30, 2011		\$		\$
Total		66,714	\$ 28.04		N/A

[1] Primarily represents shares acquired from employees of the Company for tax withholding purposes in connection with the Company's stock compensation plans.

[2] On June 10, 2008, the Company's Board of Directors approved a \$1 billion stock repurchase program that authorized purchases of the Company's common stock and derivative transactions to facilitate future repurchases of the Company's common stock. This repurchase authorization expired on June 10, 2011.

Item 6. EXHIBITS

See Exhibits Index on page 124.

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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 hereunto duly authorized.

The Hartford Financial Services Group,
Inc.
(Registrant)

Date: August 3, 2011

/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 QUARTER ENDED JUNE 30, 2011
FORM 10-Q
EXHIBITS INDEX**

Exhibit No.	Description
*10.01	Written Summary of Compensation-related Arrangement with a Named Executive Officer effective May 18, 2011.
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.
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.

* Management compensation-related arrangement.