HARTFORD FINANCIAL SERVICES GROUP INC/DE
Form 10-Q
April 30, 2009

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

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from __________ to __________

Commission File Number: 001-13958

THE HARTFORD FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3317783**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Hartford Plaza, Hartford, Connecticut 06155

(Address of principal executive offices) (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 þ No o

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 o No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of April 28, 2009, there were outstanding 325,430,976 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 MARCH 31, 2009
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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 March 31, 2009, and the related condensed consolidated statements of operations, comprehensive loss, changes in equity, and cash flows for the three-month periods ended March 31, 2009 and 2008. 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, 2008, and the related consolidated statements of operations, changes in stockholders equity, comprehensive loss, and cash flows for the year then ended prior to retrospective adjustment for the adoption of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, described in Note 1, (not presented herein); and in our report dated February 11, 2009 (which report includes an explanatory paragraph relating to the Company s change in its method of accounting and reporting for the fair value measurement of financial instruments in 2008, and defined benefit pension and other postretirement plans in 2006), we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 1 that were applied to retrospectively adjust the December 31, 2008 consolidated balance sheet of the Company (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted condensed consolidated balance sheet as of December 31, 2008.

DELOITTE & TOUCHE LLP
Hartford, Connecticut
April 29, 2009

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

(In millions, except for per share data)	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(Unaudited)	
Revenues		
Earned premiums	$ 3,829	$ 3,843
Fee income	1,167	1,337
Net investment income (loss)		
Securities available-for-sale and other	920	1,193
Equity securities, held for trading	(724)	(3,578)
Total net investment income (loss)	196	(2,385)
Other revenues	118	120
Net realized capital gains (losses)	84	(1,371)
Total revenues	**5,394**	**1,544**
Benefits, losses and expenses		
Benefits, losses and loss adjustment expenses	4,637	3,357
Benefits, losses and loss adjustment expenses returns credited on International variable annuities	(724)	(3,578)
Amortization of deferred policy acquisition costs and present value of future profits	2,259	468
Insurance operating costs and expenses	898	950
Interest expense	120	67
Goodwill impairment	32	
Other expenses	189	189
Total benefits, losses and expenses	**7,411**	**1,453**
Income (loss) before income taxes	**(2,017)**	**91**
Income tax benefit	(808)	(54)
Net income (loss)	**$ (1,209)**	**$ 145**
Earnings (Loss) per share		
Basic	**$ (3.77)**	**$ 0.46**
Diluted	**$ (3.77)**	**$ 0.46**
Weighted average common shares outstanding	320.8	313.8
Weighted average common shares outstanding and dilutive potential common shares	320.8	315.7
Cash dividends declared per share	$ 0.05	$ 0.53

See Notes to Condensed Consolidated Financial Statements.

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

(In millions, except for share and per share data)	**March 31, 2009**	**December 31, 2008**
	(Unaudited)	
Assets		
Investments		
Fixed maturities, available-for-sale, at fair value (amortized cost of $76,259 and $78,238)	$ 62,563	$ 65,112
Equity securities, held for trading, at fair value (cost of $32,447 and $35,278)	27,813	30,820
Equity securities, available-for-sale, at fair value (cost of $1,318 and $1,554)	1,080	1,458
Policy loans, at outstanding balance	2,197	2,208
Mortgage loans on real estate	6,389	6,469
Limited partnerships and other alternative investments	1,981	2,295
Other investments	3,121	1,723
Short-term investments	11,189	10,022
Total investments	116,333	120,107
Cash	1,851	1,811
Premiums receivable and agents balances	3,568	3,604
Reinsurance recoverables	6,514	6,357
Deferred policy acquisition costs and present value of future profits	12,077	13,248
Deferred income taxes	6,300	5,239
Goodwill	1,036	1,060
Property and equipment, net	1,062	1,075
Other assets	2,689	4,898
Separate account assets	124,738	130,184
Total assets	**$ 276,168**	**$ 287,583**
Liabilities		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses		
Property and casualty	$ 21,804	$ 21,933
Life	18,562	16,747
Other policyholder funds and benefits payable	52,952	53,753
Other policyholder funds and benefits payable International variable annuities	27,793	30,799
Unearned premiums	5,366	5,379
Short-term debt	419	398
Long-term debt	5,757	5,823
Consumer notes	1,202	1,210
Other liabilities	9,688	11,997
Separate account liabilities	124,738	130,184
Total liabilities	**268,281**	**278,223**

Commitments and Contingencies (Note 9)

Equity		
Preferred stock, $0.01 par value 50,000,000 shares authorized, 0 and 6,048,387 shares issued		
Common stock, $0.01 par value 750,000,000 shares authorized, 354,098,996 and 329,920,310 shares issued	4	3
Additional paid-in capital	7,600	7,569
Retained earnings	10,111	11,336
Treasury stock, at cost 28,664,237 and 29,341,378 shares	(2,054)	(2,120)
Accumulated other comprehensive loss, net of tax	(7,801)	(7,520)
Total stockholders equity	**7,860**	**9,268**
Noncontrolling interest	27	92
Total equity	**7,887**	**9,360**
Total liabilities and equity	**$ 276,168**	**$ 287,583**

See Notes to Condensed Consolidated Financial Statements.

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

(In millions, except for share data)	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(Unaudited)	
Preferred Stock	$	$
Common Stock	**4**	**3**
Additional Paid-in Capital		
Balance at beginning of period	7,569	6,627
Issuance of shares under incentive and stock compensation plans	(51)	(50)
Reclassification of warrants from other liabilities to equity	93	
Tax (expense) benefit on employee stock options and awards	(11)	4
Balance at end of period	7,600	6,581
Retained Earnings		
Balance at beginning of period, before cumulative effect of accounting change, net of tax	11,336	14,686
Cumulative effect of accounting change, net of tax		(3)
Balance at beginning of period, as adjusted	11,336	14,683
Net income (loss)	(1,209)	145
Dividends declared on common stock	(16)	(167)
Balance at end of period	10,111	14,661
Treasury Stock, at Cost		
Balance at beginning of period	(2,120)	(1,254)
Issuance of shares under incentive and stock compensation plans from treasury stock	69	87
Return of shares under incentive and stock compensation plans to treasury stock	(3)	(17)
Balance at end of period	(2,054)	(1,184)
Accumulated Other Comprehensive Loss, Net of Tax		
Balance at beginning of period	(7,520)	(858)
Total other comprehensive loss	(281)	(1,367)
Balance at end of period	(7,801)	(2,225)
Total stockholders equity	**7,860**	**17,836**
Noncontrolling interest (Note 13)		
Balance at beginning of period	92	92
Change in noncontrolling interest ownership	(64)	20

Noncontrolling loss	(1)	(23)
Balance at end of period	27	89
Total Equity	**$ 7,887**	**$ 17,925**
Outstanding Common Shares (in thousands)		
Balance at beginning of period	300,579	313,842
Treasury stock acquired	(15)	
Conversion of preferred to common shares	24,194	
Issuance of shares under incentive and stock compensation plans	860	930
Return of shares under incentive and stock compensation plans to treasury stock	(183)	(237)
Balance at end of period	**325,435**	**314,535**

Condensed Consolidated Statements of Comprehensive Loss

(In millions)	**Three Months Ended March 31, 2009**	**2008**
	(Unaudited)	
Comprehensive Income (Loss)		
Net income (loss)	$ (1,209)	$ 145
Other comprehensive income (loss)		
Change in net unrealized loss on securities	(33)	(1,606)
Change in net gain/loss on cash-flow hedging instruments	(48)	90
Change in foreign currency translation adjustments	(209)	142
Amortization of prior service cost and actuarial net losses included in net periodic benefit costs	9	7
Total other comprehensive loss	(281)	(1,367)
Total comprehensive loss	**$ (1,490)**	**$ (1,222)**

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)	Three Months Ended March 31, 2009	2008
	(Unaudited)	
Operating Activities		
Net income (loss)	$ (1,209)	$ 145
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Amortization of deferred policy acquisition costs and present value of future profits	2,259	468
Additions to deferred policy acquisition costs and present value of future profits	(734)	(956)
Change in:		
Reserve for future policy benefits and unpaid losses and loss adjustment expenses and unearned premiums	1,700	189
Reinsurance recoverables	(334)	54
Receivables and other assets	(21)	(60)
Payables and accruals	(396)	(525)
Accrued and deferred income taxes	(276)	(154)
Net realized capital (gains) losses	(84)	1,371
Net receipts to investment contracts related to policyholder funds International variable annuities	(387)	(3,175)
Net decrease in equity securities, held for trading	449	3,036
Depreciation and amortization	137	190
Goodwill impairment	32	
Other, net	(126)	(16)
Net cash provided by operating activities	**1,010**	**567**
Investing Activities		
Proceeds from the sale/maturity/prepayment of:		
Fixed maturities, available-for-sale	22,195	8,020
Equity securities, available-for-sale	311	48
Mortgage loans	27	118
Partnerships	153	28
Derivatives	610	144
Payments for the purchase of:		
Fixed maturities, available-for-sale	(22,655)	(9,038)
Equity securities, available-for-sale	(207)	(180)
Mortgage loans	(20)	(210)
Partnerships	(81)	(162)
Proceeds from business sold	8	
Purchase price of businesses acquired	(8)	(94)
Change in policy loans, net	11	(57)
Change in payables for collateral under securities lending, net	(1,450)	93
Change in all other securities, net	144	(463)
Additions to property and equipment, net	(49)	(67)

Net cash used for investing activities		**(1,011)**		**(1,820)**
Financing Activities				
Deposits and other additions to investment and universal life-type contracts		2,872		5,707
Withdrawals and other deductions from investment and universal life-type contracts		(4,715)		(6,499)
Net transfers from separate accounts related to investment and universal life-type contracts		2,136		1,677
Issuance of long-term debt				496
Payments on capital lease obligations		(24)		(26)
Change in short-term debt		(21)		
Proceeds from issuance of consumer notes				162
Repayments at maturity of consumer notes		(8)		
Proceeds from issuance of shares under incentive and stock compensation plans		7		19
Excess tax expense on stock-based compensation		(11)		
Return of shares under incentive and stock compensation plans to treasury stock		(3)		(17)
Dividends paid on preferred stock		(8)		
Dividends paid on common stock		(99)		(169)
Net cash provided by financing activities		**126**		**1,350**
Foreign exchange rate effect on cash		(85)		140
Net increase in cash		40		237
Cash beginning of period		1,811		2,011
Cash end of period	**$**	**1,851**	**$**	**2,248**
Supplemental Disclosure of Cash Flow Information				
Net Cash Paid (Received) During the Period For:				
Income taxes	$	(598)	$	
Interest	$	70	$	45

See Notes to Condensed Consolidated Financial Statements.

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

1. Basis of Presentation and Accounting Policies

Basis of Presentation

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

The condensed consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (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 March 31, 2009, and for the three months ended March 31, 2009 and 2008 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 2008 Form 10-K Annual Report. The results of operations for the interim periods should not be considered indicative of the results to be expected for the full year.

Consolidation

The condensed consolidated financial statements include the accounts of The Hartford Financial Services Group, Inc., companies in which the Company directly or indirectly has a controlling financial interest and those variable interest entities in which the Company is the primary beneficiary. The Company determines if it is the primary beneficiary using both qualitative and quantitative analyses. Entities in which The Hartford does not have a controlling financial interest but in which the Company has significant influence over the operating and financing decisions are reported using the equity method. All material intercompany transactions and balances between The Hartford and its subsidiaries and affiliates have been eliminated.

Use of Estimates

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

The most significant estimates include those used in determining property and casualty reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; living benefits required to be fair valued; valuation of investments and derivative instruments; evaluation of other-than-temporary impairments on available-for-sale securities; pension and other postretirement benefit obligations; contingencies relating to corporate litigation and regulatory matters; and goodwill impairment. 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 Notes to Consolidated Financial Statements included in The Hartford s 2008 Form 10-K Annual Report.

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

1. Basis of Presentation and Accounting Policies (continued)

Adoption of New Accounting Standards

Fair Value Measurements

In February 2008, the Financial Accounting Standards Board (FASB) issued Financial Statement of Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2) which delays the effective date of Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (SFAS 157) to fiscal years beginning after November 15, 2008 for certain nonfinancial assets and nonfinancial liabilities. Examples of applicable nonfinancial assets and nonfinancial liabilities to which FSP FAS 157-2 applies include, but are not limited to:

Nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination that are not subsequently remeasured at fair value;

Reporting units measured at fair value in the goodwill impairment test as described in SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), and nonfinancial assets and nonfinancial liabilities measured at fair value in the SFAS 142 goodwill impairment test, if applicable; and

Nonfinancial long-lived assets measured at fair value for impairment assessment under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

The Company applied the provisions of SFAS 157 to the nonfinancial assets, nonfinancial liabilities and reporting units within the scope of FSP FAS 157-2 on January 1, 2009. The Company s adoption of FAS 157 did not materially impact the fair values of nonfinancial assets, nonfinancial liabilities and reporting units within the scope of this FSP.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 amends and expands disclosures about an entity s derivative and hedging activities with the intent of providing users of financial statements with an enhanced understanding of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures. The Company adopted SFAS 161 on January 1, 2009. See Note 5 for the expanded disclosures related to derivative instruments and hedging activities.

Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). This statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements . Noncontrolling interest refers to the minority interest portion of the equity of a subsidiary that is not attributable directly or indirectly to a parent. SFAS 160 establishes accounting and reporting standards that require for-profit entities that prepare consolidated financial statements to: (a) present noncontrolling interests as a component of equity, separate from the parent s equity, (b) separately present the amount of consolidated net income attributable to noncontrolling interests in the income statement, (c) consistently account for changes in a parent s ownership interests in a subsidiary in which the parent entity has a controlling financial interest as equity transactions, (d) require an entity to measure at fair value its remaining interest in a subsidiary that is deconsolidated, and (e) require an entity to provide sufficient disclosures that identify and clearly distinguish between interests of the parent and interests of noncontrolling owners. SFAS 160 applies to all for-profit entities that prepare consolidated financial statements, and affects those for-profit entities that have outstanding noncontrolling interests in one or more subsidiaries or that deconsolidate a subsidiary. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 with earlier adoption prohibited. The Company adopted SFAS 160 on January 1, 2009. Upon adoption, the Company reclassified $92 of noncontrolling interest, recorded in other liabilities,

to equity as of January 1, 2008. See the Company s Condensed Consolidated Statement of Changes in Equity. The adoption of SFAS 160 did not have a material effect on the Company s Condensed Consolidated Statements of Operations and Comprehensive Loss and the adoption of SFAS 160 did not impact the Company s accounting for separate account assets and liabilities. The FASB has added the following topic to the Emerging Issues Task Force (EITF) agenda, Consideration of an Insurer s Accounting for Majority Owned Investments When the Ownership Is Through a Separate Account . This topic will be discussed at a future EITF meeting. The FASB has expressed three separate views on the treatment of noncontrolling interest in majority owned separate accounts, upon implementation of SFAS 160, all of which are acceptable to the United States Securities and Exchange Commission. The Company follows one of these three acceptable views and currently excludes the noncontrolling interest from its majority owned separate accounts. The resolution of this EITF agenda item on the Company s accounting for separate account assets and liabilities is not known at this time.

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

1. Basis of Presentation and Accounting Policies (continued)

Future Adoption of New Accounting Standards

In April 2009, the FASB issued FSP No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP FAS 157-4). This FSP clarifies that the measurement objective in determining fair value when the volume and level of activity for the asset or liability have significantly decreased, is the price that would be received to sell the asset in an orderly transaction between willing market participants under current market conditions, and not the value in a hypothetical active market. The FSP includes additional factors for determining whether there has been a significant decrease in the volume and level of activity for an asset or liability compared to normal activity for that asset or liability (or similar assets or liabilities) and provides additional guidance in estimating fair value in those instances. The FSP requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. The FSP further requires an entity to disclose any change in valuation techniques, the related inputs, and the effects resulting from the application of the FSP.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP FAS 115-2 and FAS 124-2). The FSP replaces the existing requirement for debt securities, that in order for an entity to conclude impairment is not other-than-temporary, it must have the intent and ability to hold an impaired security for a period sufficient to allow for recovery in value of the investment. To conclude impairment is not other-than-temporary, the FSP requires management assert that it does not have the intent to sell the security and that it is more likely than not it will not have to sell the security before recovery of its cost basis. The FSP also changes the presentation in the financial statements of non-credit related impairment amounts for instruments within its scope. When the entity asserts it does not have the intent to sell the security and it is more likely than not it will not have to sell the security before recovery of its cost basis, only the credit related impairment losses are to be recorded in earnings; non-credit losses are to be recorded in accumulated other comprehensive income. The FSP also expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities.

FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2 are effective for interim and annual reporting periods ending after June 15, 2009 with early adoption permitted for periods ending after March, 15, 2009, provided both FSPs are adopted concurrently. The Company will adopt both FSPs for the interim period ending on June 30, 2009. The Company has not yet determined the effect of the adoption of these FSPs on the Company s condensed consolidated financial statements.

Income Taxes

The effective tax rate for the three months ended March 31, 2009 and 2008 was 40% and (59%), respectively. The principal causes of the difference between the effective rate and the U.S. statutory rate of 35% were tax-exempt interest earned on invested assets and the separate account dividends received deduction (DRD). This caused an increase in the tax benefit on the 2009 pre-tax loss, whereas the negative effective tax rate in 2008 is a result of a tax benefit on pre-tax income.

The separate account DRD is estimated for the current year using information from the prior year-end, adjusted for current year equity market performance and other appropriate factors, including estimated levels of corporate dividend payments. The actual current year DRD can vary from estimates based on, but not limited to, changes in eligible dividends received by the mutual funds, amounts of distribution from these mutual funds, amounts of short-term capital gains at the mutual fund level and the Company s taxable income before the DRD. Given recent financial markets volatility, the Company is reviewing its DRD computations on a quarterly basis. The Company recorded benefits related to the separate account DRD of $38 and $41 in the three months ended March 31, 2009 and 2008, respectively.

The Company s unrecognized tax benefits decreased by $8 during the first three months of 2009 as a result of the settlement of the 2002-2003 Internal Revenue Service (IRS) audit, bringing the total unrecognized tax benefits to $83 as of March 31, 2009. This entire amount, if it were recognized, would increase the effective tax rate for the applicable

periods.
The Company s federal income tax returns are routinely audited by the IRS. During the first quarter of 2009, the Company received notification of the approval by the Joint Committee on Taxation of the results of the 2002 through 2003 examination. As a result, the Company recorded a tax benefit of $7. The 2004 through 2006 examination began during the second quarter of 2008, and is expected to close in early 2010. In addition, the Company is working with the IRS on a possible settlement of a DRD issue related to prior periods which, if settled, may result in the booking of tax benefits in 2009. Such benefits are not expected to be material to the statement of operations.
The Company s deferred tax asset valuation allowance has been determined pursuant to the provisions of FASB SFAS No. 109, Accounting for Income Taxes (SFAS 109), including the Company s estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. 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 defined in SFAS 109, as well as tax planning strategies that include holding debt securities with market value losses until maturity, selling appreciated securities to offset capital losses, 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.

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

2. Earnings (Loss) Per Share

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

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
(Shares in millions)	**Net Loss**	**Shares**	**Per Share Amount**	**Net Income**	**Shares**	**Per Share Amount**
Basic Earnings (Loss) per Share						
Net income (loss) available to common shareholders	$ (1,209)	320.8	$ (3.77)	$ 145	313.8	$ 0.46
Diluted Earnings (Loss) per Share [1]						
Stock compensation plans					1.9	
Net income (loss) available to common shareholders plus assumed conversions	$ (1,209)	320.8	$ (3.77)	$ 145	315.7	$ 0.46

[1] As a result of the net loss in the three months ended March 31, 2009, SFAS No. 128, Earnings per Share (SFAS 128) requires the Company to use basic weighted average common shares outstanding in the calculation of the three months ended March 31, 2009 diluted loss per share, since the inclusion of 0.7 million shares for stock compensation

plans would have been antidilutive to the earnings per share calculation. In the absence of the net loss, weighted average common shares outstanding and dilutive potential common shares would have totaled 321.5 million.

3. Segment Information

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

Life

Life is organized into four groups which are comprised of six reporting segments: The Retail Products Group (Retail) and Individual Life segments make up the Individual Markets Group. The Retirement Plans and Group Benefits segments make up the Employer Markets Group. The Institutional Solutions Group (Institutional) and International segments each make up their own group.

Life charges direct operating expenses to the appropriate segment and allocates the majority of indirect expenses to the segments based on an intercompany expense arrangement. Inter-segment revenues primarily occur between Life s Other category and the reporting segments. These amounts primarily include interest income on allocated surplus and interest charges on excess separate account surplus. In addition, during the first quarter of 2009, Institutional and International entered into a $1.5 billion funding agreement. The resulting interest income and interest expense in International and Institutional, respectively, are eliminated in consolidation.

Property & Casualty

Property & Casualty is organized into five reporting segments: the underwriting segments of Personal Lines, Small Commercial, Middle Market and Specialty Commercial (collectively, Ongoing Operations); and the Other Operations segment. For the three months ended March 31, 2009 and 2008, AARP accounted for earned premiums of $703 and $687, respectively, in Personal Lines.

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

Net assumed (ceded) earned premiums under inter-segment arrangements	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Personal Lines	$ (1)	$ (1)
Small Commercial	(6)	(8)
Middle Market	(6)	(8)
Specialty Commercial	13	17

Total	**$**	**$**

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

3. Segment Information (continued)

Financial Measures and Other Segment Information

For further discussion of the types of products offered by each segment, see Note 3 of Notes to Consolidated Financial Statements included in The Hartford s 2008 Form 10-K Annual Report.

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

The following tables present revenues and net income (loss) by segment. Underwriting results are presented for the Personal Lines, Small Commercial, Middle Market and Specialty Commercial segments, while net income (loss) is presented for each of Life s reporting segments, total Property & Casualty, Ongoing Operations, Other Operations, and Corporate.

Revenues

	Three Months Ended March 31,	
	2009	**2008**
Life		
Retail	$ 1,205	$ 176
Individual Life	319	256
Total Individual Markets Group	1,524	432
Retirement Plans	91	122
Group Benefits	1,232	1,144
Total Employer Markets Group	1,323	1,266
International [1]	472	147
Institutional	203	304
Other [1]	14	11
Total Life segment revenues	3,536	2,160
Net investment loss on equity securities, held for trading [2]	(724)	(3,578)
Total Life	**2,812**	**(1,418)**
Property & Casualty		
Ongoing Operations		
Earned premiums		
Personal Lines	979	983
Small Commercial	652	687
Middle Market	548	593
Specialty Commercial	332	350
Ongoing Operations earned premiums	2,511	2,613

Net investment income		185		310
Other revenues [3]		118		120
Net realized capital losses		(289)		(134)
Total Ongoing Operations		2,525		2,909
Other Operations		6		38
Total Property & Casualty		**2,531**		**2,947**
Corporate		51		15
Total revenues	**$**	**5,394**	**$**	**1,544**

[1] Included in International s revenues for the three months ended March 31, 2009 is $11 of investment income from an inter-segment funding agreement for $1.5 billion with Institutional. This investment income is eliminated in Life Other.

[2] Management does not include net investment income (loss) and the mark-to-market effects of equity securities, held for trading, supporting the international variable annuity business in its segment revenues since corresponding amounts are credited to policyholders.

[3] Represents servicing revenue.

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

3. Segment Information (continued)

Net Income (Loss)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Life		
Retail	$ (744)	$ (77)
Individual Life	(18)	20
Total Individual Markets Group	(762)	(57)
Retirement Plans	(88)	(5)
Group Benefits	69	46
Total Employer Markets Group	(19)	41
International [1]	(293)	8
Institutional [1]	(174)	(120)
Other [1]	(10)	(27)
Total Life	**(1,258)**	**(155)**
Property & Casualty		
Ongoing Operations		
Underwriting results		
Personal Lines	75	105
Small Commercial	87	119
Middle Market	69	55
Specialty Commercial	23	39
Total Ongoing Operations underwriting results	254	318
Net servicing income (loss) [2]	8	(1)
Net investment income	185	310
Net realized capital losses	(289)	(134)
Other expenses	(50)	(57)
Income tax (expense) benefit	3	(124)
Ongoing Operations	111	312
Other Operations	1	14
Total Property & Casualty	**112**	**326**
Corporate	(63)	(26)
Net income (loss)	**$ (1,209)**	**$ 145**

[1] Included in net income (loss) for the

three months ended March 31, 2009 of International and Institutional is investment income and interest expense of $11, respectively, on an inter-segment funding agreement for $1.5 billion. This investment income and interest expense is eliminated in Life Other.

[2] *Net of expenses related to service business.*

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

4. Fair Value Measurements

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad Levels (Level 1, 2 or 3). The following table presents assets and (liabilities) carried at fair value by SFAS 157 Hierarchy Level.

	March 31, 2009			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, available-for-sale	$ 62,563	$ 1,066	$ 50,223	$ 11,274
Equity securities, held for trading	27,813	1,743	26,070	
Equity securities, available-for-sale	1,080	236	334	510
Other investments				
Customized derivatives used to hedge U.S. GMWB	937			937
Other derivatives used to hedge U.S. GMWB	1,249		(67)	1,316
Macro hedge program	175		24	151
Other investments [1]	616		620	(4)
Total other investments	2,977		577	2,400
Short-term investments	11,189	6,969	4,220	
Reinsurance recoverable for U.S. GMWB	1,058			1,058
Separate account assets [2] [3]	119,224	87,230	31,355	639
Total assets accounted for at fair value on a recurring basis	**$ 225,904**	**$ 97,244**	**$ 112,779**	**$ 15,881**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
U.S. GMWB	$ (5,829)	$	$	$ (5,829)
U.K. GMWB	(70)			(70)
Japan GMWB	(28)			(28)
Japan GMAB	(3)			(3)
Institutional notes	(25)			(25)
Equity linked notes	(5)			(5)
Total other policyholder funds and benefits payable	(5,960)			(5,960)
Other liabilities [4]				
Other derivatives used to hedge U.S. GMWB	136		10	126

Macro hedge program	22			22
Other liabilities	(510)		(134)	(376)
Total other liabilities	(352)		(124)	(228)
Consumer notes [5]	(4)			(4)
Total liabilities accounted for at fair value on a recurring basis	**$ (6,316)**	**$**	**$ (124)**	**$ (6,192)**

[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 March 31, 2009, $2,350 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 4 below for derivative liabilities.*

[2] *Pursuant to the conditions set forth in the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 03-1 Accounting and Reporting by Insurance Enterprises for Certain*

Nontraditional Long-Duration Contracts and for Separate Accounts (SOP 03-1), the value of separate account liabilities is set to equal the fair value for separate account assets.

[3] *Excludes approximately $6 billion of investment sales receivable net of investment purchases payable that are not subject to SFAS 157.*

[4] *Includes over-the-counter derivative instruments in a net negative market value position (derivative liability). In the SFAS 157 Level 3 roll-forward table included below in this Note, the derivative asset and liability are referred to as freestanding derivatives and are presented on a net basis.*

[5] *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 (continued)

Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended March 31, 2009.

Asset (Liability)	Fair value as of December 31, 2008	Total Realized/unrealized gains (losses) included in: Net income [1], [2]	AOCI [3]	Purchases, issuances, and settlements	Transfers in and/or (out) of Level 3 [4]	Fair value as of March 31, 2009	Changes in unrealized gains (losses) included in net income related to financial instruments still held at March 31, 2009 [2]
Assets							
Fixed maturities, available-for-sale	$ 11,810	$ (221)	$ (449)	$ 175	$ (41)	$ 11,274	$ (93)
Equity securities, available-for-sale	541	(1)	(75)	(4)	49	510	(1)
Freestanding derivatives [5]							
Customized derivatives used to hedge U.S. GMWB	941	(4)				937	(4)
Other freestanding derivatives used to hedge U.S. GMWB	1,696	133		(387)		1,442	116
Macro hedge program	137	(21)		57		173	(21)
Other freestanding derivatives	(281)	(90)	(5)	(1)	(3)	(380)	(82)
Total freestanding derivatives	2,493	18	(5)	(331)	(3)	2,172	9
Reinsurance recoverable for U.S. GMWB [1]	1,302	(252)		8		1,058	(252)
Separate accounts [6]	786	(123)		87	(111)	639	(85)

Supplemental Information:

Total freestanding derivatives used to hedge U.S. GMWB including those in Levels 1, 2 and 3 [7]	$ 2,664	$ 118	$	$ (460)	$	$ 2,322	$ 118
Liabilities							
Other policyholder funds and benefits payable accounted for at fair value [1]							
U.S. GMWB	$ (6,526)	$ 728	$	$ (31)	$	$ (5,829)	$ 728
U.K. GMWB	(64)	(4)		(2)		(70)	(4)
Japan GMWB	(30)	(1)	4	(1)		(28)	(1)
Japan GMAB		(2)		(1)		(3)	(2)
Institutional notes	(41)	16				(25)	16
Equity linked notes	(8)	3				(5)	3
Total other policyholder funds and benefits payable accounted for at fair value[1]	(6,669)	740	4	(35)		(5,960)	740
Other Liabilities							
Derivative Liabilities							
Warrants [8]	(163)	70		93			70
Consumer notes	(5)	1				(4)	1
Supplemental Information:							
Net U.S. GMWB (Embedded derivatives, freestanding derivatives including those in Levels 1, 2 and 3 and reinsurance recoverable)[9]	$ (2,560)	$ 594	$	$ (483)	$	$ (2,449)	$ 594

[1] *The Company classifies all the gains and losses on GMWB reinsurance derivatives and GMWB 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 in these columns are reported in net realized capital gains/losses except for $1 for the three months ended March 31, 2009, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization of deferred policy acquisition costs and present value of future profits (DAC).*

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

4. Fair Value Measurements (continued)

[3] *AOCI refers to Accumulated other comprehensive income in the condensed consolidated statement of comprehensive loss. All amounts are before income taxes and amortization of DAC.*

[4] *Transfers in and/or (out) of Level 3 during the three months ended March 31, 2009 are attributable to a change in the availability of market observable information for individual securities within the respective categories.*

[5] *The freestanding derivatives, excluding reinsurance derivatives 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.

[6] *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.*

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

[8] *On March 26, 2009, certain of the Allianz warrants were reclassified to equity, at their current fair value, as shareholder approval of the conversion of these warrants to common shares was received. See Note 13 for further discussion.*

[9] *The net gain on U.S. GMWB since December 31, 2008 was primarily related to liability*

model assumption updates for withdrawals, lapses and credit standing, which totaled $550, pre-tax, and $219, after-tax and DAC amortization.

During the first quarter of 2009, the Company updated the following assumptions used in its estimates of fair value for living benefit obligations and related uncollateralized reinsurance recoverable assets:

Credit Standing Adjustment. This assumption makes an adjustment that market participants would make to reflect the risk that guaranteed benefit obligations or the GMWB reinsurance recoverables will not be fulfilled (nonperformance risk). As a result of sustained volatility in the Company s credit default spreads, the Company changed its estimate of the Credit Standing Adjustment to incorporate observable Company and reinsurer credit default spreads from capital markets, adjusted for market recoverability. Prior to the first quarter of 2009, the Company calculated the Credit Standing Adjustment by using default rates provided by rating agencies, adjusted for market recoverability. The changes made in the first quarter of 2009, resulted in a realized gain of $383, before-tax, for U.S. GMWB liabilities and a realized loss of $185, before-tax, for uncollateralized reinsurance recoverable assets.

Behavior Risk Margin and Other Policyholder Behavior Assumptions. The behavior risk margin adds a margin that market participants would require 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. During the first quarter of 2009, the Company revised certain adverse assumptions in the behavior risk margin for withdrawals, lapses and annuitization behavior as emerging policyholder behavior experience suggested the prior adverse policyholder behavior assumptions were no longer representative of an appropriate margin for risk. These changes, as well as other policyholder behavior assumption updates, resulted in a realized gain of $352, before-tax.

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

4. Fair Value Measurements (continued)

Assets (Liabilities) Carried at Fair Value by SFAS 157 Hierarchy Level

	December 31, 2008			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets accounted for at fair value on a recurring basis				
Fixed maturities, available-for-sale	$ 65,112	$ 3,541	$ 49,761	$ 11,810
Equity securities, held for trading	30,820	1,634	29,186	
Equity securities, available-for-sale	1,458	246	671	541
Other investments				
Other derivatives used to hedge U.S. GMWB	600		13	587
Other investments [1]	976		1,005	(29)
Total other investments	1,576		1,018	558
Short-term investments	10,022	7,025	2,997	
Reinsurance recoverables for U.S. GMWB	1,302			1,302
Separate account assets [2] [3]	126,777	94,804	31,187	786
Total assets accounted for at fair value on a recurring basis	**$ 237,067**	**$ 107,250**	**$ 114,820**	**$ 14,997**
Liabilities accounted for at fair value on a recurring basis				
Other policyholder funds and benefits payable				
U.S. GMWB	$ (6,526)	$	$	$ (6,526)
U.K. GMWB	(64)			(64)
Japan GMAB	(30)			(30)
Institutional notes	(41)			(41)
Equity linked notes	(8)			(8)
Total other policyholder funds and benefits payable	(6,669)			(6,669)
Other liabilities [4]				
Customized derivatives used to hedge U.S. GMWB	941			941
Other derivatives used to hedge U.S. GMWB	1,123		14	1,109
Macro hedge program	137			137
Other liabilities	(339)		76	(415)
Total other liabilities	1,862		90	1,772

Consumer notes [5]		(5)						(5)
Total liabilities accounted for at fair value on a recurring basis	**$**	**(4,812)**	**$**		**$**	**90**	**$**	**(4,902)**

[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, 2008, $574 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 4 below for derivative liabilities.

[2] Pursuant to the conditions set forth in SOP 03-1, the value of separate account liabilities is set to equal the fair value for separate account assets.

[3] Excludes approximately $3 billion of investment sales receivable net of investment purchases payable that are not

subject to SFAS 157.

[4] *Includes over-the-counter derivative instruments in a net negative market value position (derivative liability). In the SFAS 157 Level 3 roll-forward table included below in this Note, the derivative asset and liability are referred to as freestanding derivatives and are presented on a net basis.*

[5] *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 (continued)

Roll-forward of Financial Instruments Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) for the three months ended March 31, 2008.

Asset (Liability)	SFAS 157 Fair value as of January 1, 2008	Total Realized/unrealized gains (losses) included in: Net income [1], [2]	AOCI [3]	Purchases, issuances, and settlements	Transfers in and/or (out) of Level 3 [4]	Fair value as of March 31, 2008	Changes in unrealized gains (losses) included in net income related to financial instruments still held at March 31, 2008 [2]
Assets							
Fixed maturities	$ 17,996	$ (103)	$ (1,110)	$ 973	$ (1,309)	$ 16,447	$ (78)
Equity securities, available-for-sale	1,339	(5)	(119)	91	(21)	1,285	(4)
Freestanding derivatives [5]							
Customized derivatives used to hedge U.S. GMWB	91	53				144	53
Other freestanding derivatives used to hedge U.S. GMWB	564	209		54		827	197
Macro hedge program	18	9				27	9
Other freestanding derivatives	(419)	(192)	3	167	107	(334)	(80)
Total freestanding derivatives	254	79	3	221	107	664	179
Reinsurance recoverable for U.S. GMWB [1] [6]	238	48		5		291	48
Separate accounts [7]	701	(78)		77	(120)	580	(72)
Supplemental Information:							
Total freestanding derivatives used to	$ 643	$ 334	$	$ 94	$	$ 1,071	$ 334

hedge U.S. GMWB including those in Levels 1, 2 and 3 [8]							
Liabilities							
Other policyholder funds and benefits payable accounted for at fair value [1]							
U.S. GMWB	$ (1,433)	$ (493)	$	$ (23)	$	$ (1,949)	$ (493)
U.K. GMWB	(17)					(17)	
Japan GMAB	(22)	(4)		(1)		(27)	(4)
Institutional notes	(24)	(26)				(50)	(26)
Equity linked notes	(21)	6				(15)	6
Total other policyholder funds and benefits payable accounted for at fair value [1]	(1,517)	(517)		(24)		(2,058)	(517)
Consumer notes	(5)	1				(4)	1
Supplemental Information:							
Net U.S. GMWB (Embedded derivatives, freestanding derivatives including those in Levels 1, 2 and 3 and reinsurance recoverable) [9]	$ (552)	$ (111)	$	$ 76	$	$ (587)	$ (111)

[1] *The Company classifies all the gains and losses on GMWB reinsurance derivatives and GMWB 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 in these columns are reported in net realized capital gains/losses except for $1 for the three months ended March 31, 2008, which is reported in benefits, losses and loss adjustment expenses. All amounts are before income taxes and amortization of DAC.*

[3] *AOCI refers to Accumulated other comprehensive income in the consolidated statement of comprehensive loss. All amounts are before income taxes and amortization of DAC.*

[4] *Transfers in and/or (out) of Level 3 during the three months ended March 31, 2008 are attributable to a change in the availability of market observable information for individual securities within the respective categories.*

[5] *The freestanding derivatives, excluding reinsurance*

derivatives 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.

[6] *The January 1, 2008 fair value of $238 includes the pre-SFAS 157 fair value of $128 and transitional adjustment of $110.*

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

4. Fair Value Measurements (continued)

[7] *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.*

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

[9] *The net loss on U.S. GMWB since January 1, 2008 was primarily related to liability model assumption updates for mortality in the first quarter of 2008.*

Fair Value of Significant Asset Sectors within the SFAS 157 Level 3 Securities Classification

	March 31, 2009		December 31, 2008	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
ABS				
Below Prime	$ 1,261	10.7%	$ 1,643	13.3%

Collateralized Loan Obligations (CLOs)		2,043	17.3%		2,131	17.3%
Other		567	4.8%		560	4.5%
Corporate						
Matrix priced private placements		4,679	39.7%		4,641	37.6%
Other		1,918	16.3%		1,755	14.2%
Commercial mortgage-backed securities (CMBS)		549	4.7%		802	6.5%
Preferred stock		330	2.8%		337	2.7%
Other		437	3.7%		482	3.9%
Total Level 3 securities	**$**	**11,784**	**100.0%**	**$**	**12,351**	**100.0%**

ABS below prime primarily represents sub-prime and Alt-A securities which are classified as Level 3 due to the lack of liquidity in the market.

ABS CLOs represent senior secured bank loan CLOs which are primarily priced by independent brokers.

ABS Other primarily represents broker priced securities.

Corporate-matrix priced represents private placement securities that are thinly traded and priced using a pricing matrix which includes significant non-observable inputs.

Corporate-Other primarily represents broker-priced public securities and private placement securities qualified for sale under rule 144A, and long dated fixed maturities where the term of significant inputs may not be sufficient to be deemed observable.

CMBS primarily represents CMBS bonds and commercial real estate collateralized debt obligations (CRE CDOs), which were either fair valued by the Company or by independent brokers due to the illiquidity of this sector.

Preferred stock primarily represents lower quality preferred securities that are less liquid due to market conditions.

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

4. Fair Value Measurements (continued)

The following table summarizes the notional amount and fair value of freestanding derivatives in other investments, reinsurance recoverables, embedded derivatives in other policyholder funds and benefits payable and consumer notes as of March 31, 2009 and December 31, 2008. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and are not necessarily reflective of credit risk. The fair value amounts of derivative assets and liabilities are presented on a net basis in the following table.

	March 31, 2009		December 31, 2008	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Reinsurance recoverables for U.S. GMWB [1]	$ 11,115	$ 1,058	$ 11,437	$ 1,302
Customized derivatives used to hedge U.S. GMWB[2]	9,341	937	10,464	941
Freestanding derivatives used to hedge U.S. GMWB[3]	7,232	1,385	8,156	1,723
U.S. GMWB [1]	46,137	(5,829)	46,734	(6,526)
U.K. GMWB	1,905	(70)	1,672	(64)
Japan GMWB	383	(28)	361	(30)
Japan GMAB	205	(3)	206	
Macro hedge program [3] [4]	7,102	197	2,188	137
Consumer Notes	64	(4)	70	(5)
Equity Linked Notes	55	(5)	55	(8)
Total	**$ 83,539**	**$ (2,362)**	**$ 81,343**	**$ (2,530)**

[1] The decline in fair value for U.S. GMWB and Reinsurance recoverables for U.S. GMWB was primarily related to model assumption updates for withdrawals, lapses and credit standing.

[2] The decrease in notional amount of customized derivatives used to hedge U.S. GMWB was

primarily due to current market conditions causing policyholder account values to decrease. The notional amount on these customized derivatives is the policyholder account value.

[3] *The increase in notional amount and fair value of the macro hedge program and the related decrease in notional and fair value of freestanding derivatives used to hedge U.S. GMWB are primarily due to the rebalancing of the Company s risk management program to place a greater relative emphasis on protection of statutory surplus.*

[4] *The notional amount as of March 31, 2009, includes approximately $1.0 billion of short put option contracts, therefore resulting in a net notional*

amount of approximately $6.1 billion.

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

5. Investments and Derivative Instruments

	March 31, 2009				December 31, 2008			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Bonds and Notes								
ABS	$ 8,528	$ 14	$ (2,938)	$ 5,604	$ 8,863	$ 13	$ (2,608)	$ 6,268
CMBS								
Agency backed	339	24		363	433	16		449
Non-agency backed	13,923	35	(6,010)	7,948	14,303	29	(6,005)	8,327
CMOs								
Agency backed	732	60	(7)	785	849	46	(8)	887
Non-agency backed	381		(133)	248	413	1	(124)	290
Corporate	31,621	480	(4,750)	27,351	31,059	623	(4,501)	27,181
Government/Government agencies								
Foreign	862	26	(35)	853	2,786	100	(65)	2,821
United States	5,732	76	(118)	5,690	5,883	112	(39)	5,956
MBS	2,402	69	(3)	2,468	2,243	42	(7)	2,278
States, municipalities and political subdivisions	11,739	247	(733)	11,253	11,406	202	(953)	10,655
Fixed maturities	**76,259**	**1,031**	**(14,727)**	**62,563**	**78,238**	**1,184**	**(14,310)**	**65,112**
Equity securities, available-for-sale	1,318	212	(450)	1,080	1,554	203	(299)	1,458
Total securities, available-for-sale	**$ 77,577**	**$ 1,243**	**$ (15,177)**	**$ 63,643**	**$ 79,792**	**$ 1,387**	**$ (14,609)**	**$ 66,570**

Securities Lending

The Company participates in securities lending programs to generate additional income, whereby certain domestic fixed income securities are loaned from the Company s portfolio to qualifying third party borrowers, in return for collateral in the form of cash or U.S. government securities. Borrowers of these securities provide collateral of 102% of the market value of the loaned securities at the time of the loan and can return the securities to the Company for cash at varying maturity dates. As of March 31, 2009 and December 31, 2008, under terms of securities lending programs, the fair value of loaned securities was approximately $1.5 billion and $2.9 billion, respectively, which was included in fixed maturities in the condensed consolidated balance sheets. As of March 31, 2009 and December 31, 2008, the Company held collateral associated with the loaned securities in the amount of $1.5 billion and $3.0 billion, respectively.

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

5. Investments and Derivative Instruments (continued)

Security Unrealized Loss Aging

As part of the Company s ongoing security monitoring process by a committee of investment and accounting professionals, the Company identifies securities in an unrealized loss position that could potentially be other-than-temporarily impaired. For further discussion regarding the Company s other-than-temporary impairment policy, see the Investments section of Note 1 in The Hartford s 2008 Form 10-K Annual Report. Due to the issuers continued satisfaction of the securities obligations in accordance with their contractual terms and the expectation that they will continue to do so, management s intent and ability to hold these securities for a period of time sufficient to allow for any anticipated recovery in fair value which includes the evaluation of the fundamentals of the issuers financial condition and other objective evidence, the Company believes that the prices of the securities in the sectors identified in the tables below were temporarily depressed as of March 31, 2009 and December 31, 2008.

The following tables present the Company s unrealized loss aging for total fixed maturity and equity securities classified as available-for-sale, by investment type and length of time the security was in a continuous unrealized loss position.

	March 31, 2009								
	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	$ 2,527	$ 1,952	$ (575)	$ 5,797	$ 3,434	$ (2,363)	$ 8,324	$ 5,386	$ (2,938)
CMBS Non-agency backed	5,191	3,683	(1,508)	8,357	3,855	(4,502)	13,548	7,538	(6,010)
CMOs									
Agency backed	36	31	(5)	43	41	(2)	79	72	(7)
Non-agency backed	240	169	(71)	140	78	(62)	380	247	(133)
Corporate	14,535	12,406	(2,129)	8,551	5,930	(2,621)	23,086	18,336	(4,750)
Government/Government agencies									
Foreign	256	233	(23)	68	56	(12)	324	289	(35)
United States	2,762	2,644	(118)				2,762	2,644	(118)
MBS	18	17	(1)	132	130	(2)	150	147	(3)
States, municipalities and political subdivisions	2,428	2,286	(142)	4,762	4,171	(591)	7,190	6,457	(733)
Total fixed maturities	27,993	23,421	(4,572)	27,850	17,695	(10,155)	55,843	41,116	(14,727)
Equity securities, available-for-sale	945	625	(320)	256	126	(130)	1,201	751	(450)
Total temporarily impaired securities	**$ 28,938**	**$ 24,046**	**$ (4,892)**	**$ 28,106**	**$ 17,821**	**$ (10,285)**	**$ 57,044**	**$ 41,867**	**$ (15,177)**

	December 31, 2008								
	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	$ 1,870	$ 1,487	$ (383)	$ 6,811	$ 4,586	$ (2,225)	$ 8,681	$ 6,073	$ (2,608)

CMBS Non-agency backed	5,986	4,354	(1,632)	8,110	3,737	(4,373)	14,096	8,091	(6,005)
CMOs									
Agency backed	75	68	(7)	34	33	(1)	109	101	(8)
Non-agency backed	332	235	(97)	82	55	(27)	414	290	(124)
Corporate	16,604	14,145	(2,459)	7,028	4,986	(2,042)	23,632	19,131	(4,501)
Government/government agencies									
Foreign	1,263	1,211	(52)	43	30	(13)	1,306	1,241	(65)
United States	4,120	4,083	(37)	66	64	(2)	4,186	4,147	(39)
MBS	50	50		250	243	(7)	300	293	(7)
States, municipalities and political subdivisions	5,153	4,640	(513)	2,578	2,138	(440)	7,731	6,778	(953)
Total fixed maturities	35,453	30,273	(5,180)	25,002	15,872	(9,130)	60,455	46,145	(14,310)
Equity securities, available-for-sale	1,017	796	(221)	277	199	(78)	1,294	995	(299)
Total temporarily impaired securities	**$ 36,470**	**$ 31,069**	**$ (5,401)**	**$ 25,279**	**$ 16,071**	**$ (9,208)**	**$ 61,749**	**$ 47,140**	**$ (14,609)**

The majority of securities in an unrealized loss position are related to securitized assets, more specifically CMBS and sub-prime residential mortgage-backed securities (RMBS), and corporate securities, most significantly within the financial services sector, which have experienced significant price deterioration. Based upon the Company s cash flow modeling and the expected continuation of contractually required principal and interest payments, and the Company s assertion of its intent and ability to retain the securities until recovery, it has been determined that these securities are temporarily impaired as of March 31, 2009.

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

5. Investments and Derivative Instruments (continued)

Mortgage Loans

The Company has whole loan commercial real estate investments with a carrying value of $6.4 billion and $6.5 billion as of March 31, 2009 and December 31, 2008, respectively. The Company s mortgage loans are collateralized by a variety of commercial and agricultural properties and are diversified both geographically throughout the United States and by property type. As of March 31, 2009, the Company held four mortgage loans with a carrying value of $191 prior to valuation allowances of $99. As of December 31, 2008, the Company held three mortgage loans with a carrying value $91 prior to valuation allowances of $26. The following table presents the activity in the Company s valuation allowance for mortgage loans.

	Valuation Allowance
Balance at December 31, 2008	$ 26
Additions	74
Deductions	(1)
Balance at March 31, 2009	**$ 99**

Variable Interest Entities (VIEs)

The Company is involved with VIEs primarily as a collateral manager and as an investor through normal investment activities. The Company s involvement includes providing investment management and administrative services for a fee and holding ownership or other interests as an investor. The Company also has involvement with VIEs as a means of accessing capital.

The following table presents the carrying value of assets and liabilities and the maximum exposure to loss relating to VIEs for which the Company has concluded that it is the primary beneficiary and therefore are consolidated in the Company s consolidated financial statements.

	March 31, 2009			December 31, 2008		
	Total Assets	Total Liabilities [1]	Maximum Exposure to Loss [2]	Total Assets	Total Liabilities [1]	Maximum Exposure to Loss
CLOs	$ 312	$ 62	$ 250	$ 339	$ 69	$ 257
Limited partnerships	59	2	57	151	43	108
Other investments	152	27	147	249	59	221
Total	**$ 523**	**$ 91**	**$ 454**	**$ 739**	**$ 171**	**$ 586**

[1] Creditors have no recourse against the Company in the event of default by the VIE. Includes noncontrolling interest in

limited partnerships and other investments of $21 and $82 as of March 31, 2009 and December 31, 2008, respectively, that is reported as a separate component of equity in the Company s Condensed Consolidated Balance Sheet pursuant to SFAS 160.

[2] *The Company s 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 consolidated assets at cost net of liabilities. The Company has no implied or unfunded commitments to these VIEs.*

During the three months ended March 31, 2009, the Company liquidated an investment trust and partially liquidated a hedge fund limited partnership; in each case, the Company was an investor. As a result, the Company is no longer the primary beneficiary and accordingly, it deconsolidated the VIEs.

The following table presents the carrying value of assets and liabilities and the maximum exposure to loss relating to VIEs for which the Company has concluded that it is not the primary beneficiary and therefore are not consolidated. Each of these investments has been held by the Company for over two years.

	March 31, 2009			**December 31, 2008**		
			Maximum			**Maximum**

	Assets	Liabilities	Exposure to Loss	Assets	Liabilities	Exposure to Loss
CLOs [1]	$ 281	$	$ 329	$ 308	$	$ 349
CDOs [1]			14	3		15
Other [2]	39	37	5	42	40	5
Total [3]	**$ 320**	**$ 37**	**$ 348**	**$ 353**	**$ 40**	**$ 369**

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

[2] Maximum exposure to loss represents issuance costs that were incurred to establish the contingent capital facility. For further information on the contingent capital facility, see the Variable Interest Entities section of Note 5 in The Hartford s 2008 Form 10-K Annual Report.

[3] The Company has no implied or unfunded commitments to these VIEs.

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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

Derivative instruments are recorded in the Condensed Consolidated Balance Sheets at fair value and are presented as assets or liabilities as determined by calculating the net position for each derivative counterparty by legal entity, taking into account income accruals and cash collateral held. The fair value of derivative instruments, excluding income accruals and cash collateral held, are presented as follows:

	Net Derivatives		Asset Derivatives		Liability Derivatives	
	Mar. 31, 2009	Dec. 31, 2008	Mar. 31, 2009	Dec. 31, 2008	Mar. 31, 2009	Dec. 31, 2008
Fixed maturities, available-for-sale	$ (11)	$ (3)	$	$	$ (11)	$ (3)
Other investments	2,977	1,576	4,147	2,172	(1,170)	(596)
Reinsurance recoverables	1,058	1,302	1,058	1,302		
Other policyholder funds and benefits payable	(5,935)	(6,628)			(5,935)	(6,628)
Consumer notes	(4)	(5)			(4)	(5)
Other liabilities [1]	(352)	1,862	658	3,460	(1,010)	(1,598)
Total	**$ (2,267)**	**$ (1,896)**	**$ 5,863**	**$ 6,934**	**$ (8,130)**	**$ (8,830)**

[1] Included in Other liabilities in the Condensed Consolidated Balance Sheet is a liability value of $(97) and $(2,531) related to derivative collateral as of March 31, 2009 and December 31, 2008, respectively.

The following table summarizes the derivative instruments used by the Company and the primary hedging strategies to which they relate. 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 tables below. The notional amount of derivative contracts represents the basis upon which pay or receive amounts are calculated and are not necessarily reflective of credit risk.

	Net Derivatives		Asset Derivatives	Liability Derivatives
	Notional Amount	Fair Value	Fair Value	Fair Value
Derivatives designated as hedging				

instruments under SFAS 133	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
Cash Flow								
Interest rate swaps								
Interest rate swaps are primarily used to convert interest receipts on floating-rate fixed maturity securities to fixed rates. These derivatives are predominantly used to better match cash receipts from assets with cash disbursements required to fund liabilities.								
The Company also enters into forward starting swap agreements to hedge the interest rate exposure related to the purchase of fixed-rate securities or the anticipated future cash flows of floating-rate fixed maturity securities due to changes in the benchmark interest rate, London-Interbank Offered Rate (LIBOR). These derivatives are primarily structured to hedge interest rate risk inherent in the assumptions used to price certain liabilities.								
Interest rate swaps are also used to hedge a portion of the Company s floating-rate guaranteed investment contracts. These derivatives convert the floating-rate guaranteed investment contract payments to a fixed rate to better match the cash receipts earned from the supporting investment portfolio.								
Balance sheet location Other investments	$ 7,035	$ 4,760	$ 410	$ 429	$ 418	$ 429	$ (8)	$
Balance sheet location Other liabilities	3,066	4,270	117	211	118	214	(1)	(3)
Total interest rate swaps	10,101	9,030	527	640	536	643	(9)	(3)

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

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Derivatives designated as hedging instruments under SFAS 133	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
Foreign currency swaps								
Foreign currency swaps are used to convert foreign denominated cash flows associated with certain foreign denominated fixed maturity investments to U.S. dollars. The foreign fixed maturities are primarily denominated in Euros and are swapped to minimize cash flow fluctuations due to changes in currency rates. In addition, foreign currency swaps are also used to convert foreign denominated cash flows associated with certain liability payments to U.S. dollars in order to minimize cash flow fluctuations due to changes in currency rates.								
Balance sheet location Other investments	$ 582	$ 570	$ 41	$ 50	$ 93	$ 99	$ (52)	$ (49)
Balance sheet location Other liabilities	530	640	(10)	(57)	43	55	(53)	(112)
Total foreign currency swaps	1,112	1,210	31	(7)	136	154	(105)	(161)
Total cash flow	**$ 11,213**	**$ 10,240**	**$ 558**	**$ 633**	**$ 672**	**$ 797**	**$ (114)**	**$ (164)**
Fair Value								
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 changes in the benchmark interest rate, LIBOR.								
Balance sheet location Other investments	$ 1,051	$ 1,043	$ (40)	$ (45)	$ 12	$ 16	$ (52)	$ (61)
Balance sheet location Other liabilities	990	1,095	(40)	(41)	14	25	(54)	(66)

Total interest rate swaps	2,041	2,138	(80)	(86)	26	41	(106)	(127)
Foreign currency swaps								
Foreign currency swaps are used to hedge the changes in fair value of certain foreign denominated fixed rate liabilities due to changes in foreign currency rates.								
Balance sheet location Other investments	450	164	(18)	36	33	36	(51)	
Balance sheet location Other liabilities	246	532	(51)	(93)		11	(51)	(104)
Total foreign currency swaps	696	696	(69)	(57)	33	47	(102)	(104)
Total fair value	**$ 2,737**	**$ 2,834**	**$ (149)**	**$ (143)**	**$ 59**	**$ 88**	**$ (208)**	**$ (231)**
Total derivatives designated as hedging instruments under SFAS 133	**$ 13,950**	**$ 13,074**	**$ 409**	**$ 490**	**$ 731**	**$ 885**	**$ (322)**	**$ (395)**

	Net Derivatives				**Asset Derivatives**		**Liability Derivatives**	
	Notional Amount		**Fair Value**		**Fair Value**		**Fair Value**	
Derivatives not designated as hedging instruments under SFAS 133	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
Interest rate swaps, caps, floors, and forwards								
The Company uses interest rate swaps, caps and floors to manage duration risk between assets and liabilities in certain 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 March 31, 2009 and December 31, 2008, the notional amount of interest rate swaps in offsetting relationships was $6.8 billion.								
Balance sheet location Other investments	$ 5,052	$ 3,139	$ 130	$ 112	$ 618	$ 329	$ (488)	$ (217)
Balance sheet location Other liabilities	2,968	5,017	(213)	(209)	120	602	(333)	(811)
Total interest rate swaps, caps, floors, and forwards	8,020	8,156	(83)	(97)	738	931	(821)	(1,028)

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

		Net Derivatives				Asset Derivatives		Liability Derivatives	
		Notional Amount		Fair Value		Fair Value		Fair Value	
Derivatives not designated as hedging instruments under SFAS 133		**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
Foreign currency swaps, forwards, and swaptions									
The Company enters into foreign currency swaps and forwards to hedge the foreign currency exposures in certain of its foreign fixed maturity investments. The Company also enters into foreign currency interest rate swaps and swaptions to hedge Yen interest rate exposures related to certain liability contracts assumed from HLIKK.									
Balance sheet location	Fixed maturities, available-for-sale	$ 185	$ 185	$	$	$	$	$	$
Balance sheet location	Other investments	101	256	9	11	12	13	(3)	(2)
Balance sheet location	Other liabilities	134	672	13	10	14	19	(1)	(9)
Total foreign currency swaps, forwards, and swaptions		420	1,113	22	21	26	32	(4)	(11)
Credit derivatives that purchase credit protection									
The Company enters into credit default swap agreements in which the Company reduces credit risk to an individual entity. These contracts require the Company to pay a derivative counterparty a periodic fee in exchange for compensation from the counterparty should a credit event occur on the part of the referenced security issuer. The Company enters into these agreements as an efficient means to reduce credit exposure to specified issuers or sectors.									
Balance sheet location	Other investments	2,558	2,528	166	248	190	267	(24)	(19)
Balance sheet location	Other liabilities	1,950	1,140	71	92	100	94	(29)	(2)
		4,508	3,668	237	340	290	361	(53)	(21)

Total credit derivatives that purchase credit protection									
Credit derivatives that sell credit protection [1]									
The Company enters into credit default swap agreements in which the Company assumes credit risk of an individual entity, referenced index or asset pool. These contracts entitle the Company to receive a periodic fee in exchange for an obligation to compensate the derivative counterparty should a credit event occur on the part of the referenced security issuers. Also included are embedded derivatives associated with credit linked notes. The maximum potential future exposure to the Company is the notional amount of the swap contracts.									
Balance sheet location available-for-sale	Fixed maturities,	117	117	(11)	(3)			(11)	(3)
Balance sheet location investments	Other	335	625	(101)	(155)			(101)	(155)
Balance sheet location	Other liabilities	740	457	(368)	(245)			(368)	(245)
Total credit derivatives that sell credit protection		1,192	1,199	(480)	(403)			(480)	(403)
Credit derivatives in offsetting positions									
The Company enters into credit default swap agreements to terminate existing credit default swaps, thereby offsetting the changes in value of the original swap going forward.									
Balance sheet location investments	Other	1,946	1,663	(5)	47	79	111	(84)	(64)
Balance sheet location	Other liabilities	655	963	(5)	(58)	71	14	(76)	(72)
Total credit derivatives in offsetting positions		2,601	2,626	(10)	(11)	150	125	(160)	(136)
Contingent Capital Facility Put Option									
During the first quarter of 2007, 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. The instrument is accounted									

for as a derivative.						
Balance sheet location Other investments	500	500	39	42	39	42
Total contingent capital facility	500	500	39	42	39	42

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

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Derivatives not designated as hedging instruments under SFAS 133	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
Japanese fixed annuity hedging instruments								
The Company enters into currency rate swaps and forwards to mitigate the foreign currency exchange rate and Yen interest rate exposures associated with the Yen denominated individual fixed annuity product.								
Balance sheet location Other investments	$ 2,031	$ 922	$ 176	$ 165	$ 191	$ 165	$ (15)	$
Balance sheet location Other liabilities	242	1,412	12	218	16	218	(4)	
Total Japanese fixed annuity hedging instruments	2,273	2,334	188	383	207	383	(19)	
Guaranteed Minimum Accumulation Benefit (GMAB) product derivatives [1]								
During 2007, the Company launched its 3Win product with both GMAB and GMIB riders attached to certain Japanese variable annuity products. The GMAB is a bifurcated embedded derivative that provides the policyholder with their initial deposit in a lump sum after a specified waiting period. The notional value of the embedded derivative is the Yen denominated GRB balance converted to U.S. dollars at the current March 31, 2009, and December 31, 2008, foreign spot exchange rate, respectively.								
Balance sheet location Other policyholder funds and benefits payable	205	206	(3)				(3)	
Total GMAB product derivatives	205	206	(3)				(3)	
Japan 3Win hedging derivatives								
The Japan 3Win product offers both GMAB and GMIB riders attached to certain variable annuity contracts. If the								

policyholder account value drops below 80% of the initial deposit, either a GMIB must be exercised or the policyholder can elect a lump sum payment. During the fourth quarter of 2008, nearly all contract holder account values had dropped below 80% of the initial deposit, at which point the majority of policyholders had elected to exercise the GMIB. During the first quarter of 2009, the Company traded foreign currency swaps to hedge the foreign currency risk associated with the GMIB reinsurance fixed payments.

Balance sheet location	Other investments	2,214		(196)				(196)	
Balance sheet location	Other liabilities	526		(35)				(35)	
Total Japanese fixed annuity hedging instruments		2,740		(231)				(231)	

GMWB product derivatives [1]

The Company offers certain variable annuity products with a GMWB rider, primarily in the U.S. and, to a lesser extent, the U.K. and Japan. The GMWB is a bifurcated embedded derivative that provides the policyholder with a 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 balance. For a further discussion, see the Derivative Instruments section of Note 1.

Balance sheet location	Other policyholder funds and benefits payable	48,425	48,767	(5,927)	(6,620)			(5,927)	(6,620)
Total GMWB product derivatives		48,425	48,767	(5,927)	(6,620)			(5,927)	(6,620)

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

	Net Derivatives				Asset Derivatives		Liability Derivatives	
	Notional Amount		Fair Value		Fair Value		Fair Value	
Derivatives not designated as hedging instruments under SFAS 133	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**	**Mar. 31, 2009**	**Dec. 31, 2008**
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.								
Balance sheet location Reinsurance recoverables	$ 11,115	$ 11,437	$ 1,058	$ 1,302	$ 1,058	$ 1,302	$	$
Total GMWB reinsurance contracts	11,115	11,437	1,058	1,302	1,058	1,302		
GMWB hedging instruments								
The Company enters into derivative contracts to partially hedge exposure to the income volatility associated with the portion of the GMWB liabilities which are not reinsured. These derivative contracts include customized swaps, interest rate swaps and futures, and equity swaps, put and call options, and futures, on certain indices including the S&P 500 index, EAFE index, and NASDAQ index.								
Balance sheet location Other investments	13,589	2,265	2,186	599	2,252	627	(66)	(28)
Balance sheet location Other liabilities	2,985	16,355	136	2,065	140	2,070	(4)	(5)
Total GMWB hedging instruments	16,574	18,620	2,322	2,664	2,392	2,697	(70)	(33)
Equity index swaps, options, and futures								
The Company offers certain equity indexed products, which may contain an embedded derivative that requires bifurcation. The Company enters into S&P index swaps and options to economically hedge the equity volatility								

risk associated with these embedded derivatives. In addition, the Company is exposed to bifurcated options embedded in certain fixed maturity investments. The Company may also enter into equity indexed futures to hedge the equity volatility of certain liability contracts.									
Balance sheet location	Fixed maturities, available-for-sale		2						
Balance sheet location	Other investments	88	25	(7)	1	2	2	(9)	(1)
Balance sheet location	Other liabilities	9	101	(1)	(4)		1	(1)	(5)
Balance sheet location	Consumer notes	64	70	(4)	(5)			(4)	(5)
Balance sheet location	Other policyholder funds and benefits payable	58	58	(5)	(8)			(5)	(8)
Total equity index swaps, options, and futures		219	256	(17)	(16)	2	3	(19)	(19)
Japanese variable annuity hedging instruments									
The Company enters into foreign currency forward and option contracts that convert Euros to Yen in order to economically hedge the foreign currency risk associated with certain assumed Japanese variable annuity products.									
Balance sheet location	Other investments	239	207	12	36	20	36	(8)	
Balance sheet location	Other liabilities		52		(1)				(1)
Total Japanese variable annuity hedging instruments		239	259	12	35	20	36	(8)	(1)
Macro hedge program									
The Company utilizes option contracts as well as futures contracts to partially hedge the statutory reserve impact of equity risk and foreign currency risk arising primarily from GMDB and GMWB obligations against a decline in the equity markets or changes in foreign currency exchange rates. The notional amount as of March 31, 2009, includes approximately $1.0 billion of short put option contracts, therefore resulting in a net notional amount of approximately $6.1 billion.									
Balance sheet location	Other investments	2,302		175		188		(13)	
Balance sheet location	Other liabilities	4,800	2,188	22	137	22	137		
Total macro hedge program		7,102	2,188	197	137	210	137	(13)	

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

5. Investments and Derivative Instruments (continued)

Derivatives not designated as hedging instruments under SFAS 133	Notional Amount Mar. 31, 2009	Notional Amount Dec. 31, 2008	Net Derivatives Fair Value Mar. 31, 2009	Net Derivatives Fair Value Dec. 31, 2008	Asset Derivatives Fair Value Mar. 31, 2009	Asset Derivatives Fair Value Dec. 31, 2008	Liability Derivatives Fair Value Mar. 31, 2009	Liability Derivatives Fair Value Dec. 31, 2008
Warrants [1]								
During the fourth quarter of 2008, the Company issued warrants to purchase the Company s Series C Non-Voting Contingent Convertible Preferred Stock. See Note 21 of Notes to Consolidated Financial Statements in The Hartford s 2008 Form 10-K Annual Report for a discussion of Allianz SE s investment in The Hartford. These warrants were subject to the receipt of certain shareholder approvals and upon the Company s inability to obtain such approvals on a timely basis, the Company was subject to a separate cash payment to the investor. EITF 00-19 required that the warrants and the separate cash payment be accounted for as a derivative liability at December 31, 2008. During the first quarter of 2009, the requisite approvals were obtained and the warrants were no longer required to be accounted for as derivatives and were reclassified to equity.								
Balance sheet location Other liabilities	$	$ 869	$	$ (163)	$	$	$	$ (163)
Total warrants		869		(163)				(163)
Total derivatives not designated as hedging instruments under SFAS 133	**$ 106,133**	**$ 102,198**	**$ (2,676)**	**$ (2,386)**	**$ 5,132**	**$ 6,049**	**$ (7,808)**	**$ (8,435)**
Total derivatives	**$ 120,083**	**$ 115,272**	**$ (2,267)**	**$ (1,896)**	**$ 5,863**	**$ 6,934**	**$ (8,130)**	**$ (8,830)**

[1] The derivative instruments related to these hedging strategies are

held for other investment purposes.

Change in Notional Amount

The notional amount of derivatives in cash-flow hedge relationships increased $973 during the first quarter of 2009 primarily due to an increase in interest rate swaps used to convert interest receipts from floating-rate securities to fixed rates.

The notional amount of derivatives not designated as hedging instruments under SFAS 133 increased $3.9 billion during the first quarter of 2009 primarily due to the following:

The Company increased the notional amount of derivatives associated with the macro hedge program by approximately $4.9 billion as a result of the Company rebalancing its risk management strategy to place a greater relative emphasis on the protection of statutory surplus. Approximately $1.0 billion of the $4.9 billion increase in notional amount represents short put option contracts, therefore resulting in a net increase in notional of approximately $3.9 billion.

The Company added approximately $2.7 billion in notional related to foreign currency swaps used to hedge the GMIB fixed payments associated with the Japan 3Win product.

These amounts were partially offset by a decrease in notional amount of derivatives associated with GMWB riders. Refer to Note 4 for further discussion.

Change in Fair Value

The decrease of $371 in the total fair value of derivative instruments since December 31, 2008, was primarily related to the following:

During the first quarter of 2009, the Company began hedging the foreign currency risk associated with the Japan 3Win product. The hedging derivatives declined in value due to the Japanese Yen weakening against the U.S. dollar since inception of the hedges.

The fair value of the Japanese fixed annuity hedging instruments decreased primarily due to the Japanese Yen weakening against the U.S. dollar.

The fair value related to credit derivatives that purchase credit protection decreased as a result of credit spreads tightening.

The fair value related to credit derivatives that sell credit protection decreased as a result of credit spreads widening on certain credit default basket swaps.

The decrease was partially offset by an increase in fair value of GMWB related derivatives primarily due to liability model assumption updates. Refer to Note 4 for further discussion.

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

5. Investments and Derivative Instruments (continued)

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 other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing hedge ineffectiveness are recognized in current earnings. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness.

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

Derivatives in Cash-Flow Hedging Relationships For The Three Months Ended March 31,

	Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)		Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)		
	2009	**2008**	**Location**	**2009**	**2008**
Interest rate swaps	$ (85)	$ 139	Net realized capital gain/(loss)	$ (1)	$ 2
Foreign currency swaps	15	(64)	Net realized capital gain/(loss)	14	(1)
Total	**$ (70)**	**$ 75**		**$ 13**	**$ 1**

Derivatives in Cash-Flow Hedging Relationships For The Three Months Ended March 31,

	Gain or (Loss) Reclassified from AOCI into Income (Effective Portion)		
	Location	**2009**	**2008**
Interest rate swaps	Net realized capital gain/(loss)	$ (9)	$
Interest rate swaps	Net investment income (loss)	9	(8)
Foreign currency swaps	Net realized capital gain/(loss)	(18)	(42)
Foreign currency swaps	Net investment income	1	
Total		**$ (17)**	**$ (50)**

For the three months ended March 31, 2009 and 2008, 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 $39 and $(21), respectively. 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 four years.

For the three months ended March 31, 2009 and 2008, 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.

Fair-Value Hedges

For derivative instruments that are designated and qualify as a fair-value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. The Company includes the gain or loss on the derivative in the same line item as the offsetting loss or gain on the hedged item. All components of each derivative s gain or loss were included in the assessment of hedge effectiveness.

The Company recognized in income gains (losses) representing the ineffective portion of all fair-value hedges as follows:

Derivatives in Fair-Value Hedging Relationships

		Gain or (Loss) Recognized in Income [1]			
		Derivative Three Months Ended March 31,		**Hedge Item Three Months Ended March 31,**	
	Location	**2009**	**2008**	**2009**	**2008**
Interest rate swaps	Net realized capital gain/(loss)	$ 17	$ (83)	$ (17)	$ 82
Interest rate swaps	Benefits, losses and loss adjustment expenses	(16)	28	17	(26)
Foreign currency swaps	Net realized capital gain/(loss)	(16)	31	16	(31)
Foreign currency swaps	Benefits, losses and loss adjustment expenses	5	1	(5)	(1)
Total		**$ (10)**	**$ (23)**	**$ 11**	**$ 24**

[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.

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

5. Investments and Derivative Instruments (continued)

Derivatives Not Designated as Hedging Instruments

For derivative instruments that are not designated as hedges under SFAS 133, 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 derivatives not designated as hedging instruments for the three months ended March 31, 2009 and 2008:

Derivatives Not Designated as SFAS 133 Hedging Instruments
Gain or (Loss) Recognized within Net Realized Capital Gains and Losses

	Three Months Ended March 31,	
	2009	**2008**
Interest rate swaps, caps, floors, and forwards	$ 15	$ 41
Foreign currency swaps, forwards, and swaptions	10	(6)
Credit derivatives that purchase credit protection	(111)	137
Credit derivatives that sell credit protection	(80)	(345)
Contingent capital facility put option	(4)	1
Japanese fixed annuity hedging instruments[1]	(168)	182
GMAB product derivatives	(2)	(28)
Japan 3Win hedging derivatives[2]	(229)	
GMWB product derivatives	723	(1,223)
GMWB reinsurance contracts	(252)	158
GMWB hedging instruments	118	329
Equity index swaps, options, and futures	(3)	3
Japanese variable annuity hedging instruments	(11)	3
Macro hedge program	204	9
Warrants	70	
Total	**$ 280**	**$ (739)**

[1] The associated liability is adjusted for changes in spot rates through realized capital gains and losses and was $205 and $(203) for the three months ended March 31, 2009 and 2008, respectively.

[2] The associated liability is adjusted for changes in spot rates through realized capital gains and losses and was $184 from inception of the hedge through March 31, 2009.

For the three months ended March 31, 2009, the net realized capital gain of $280 related to derivatives not designated as hedging instruments under SFAS 133 was primarily due to the following:

- The net gain associated with GMWB related derivatives was primarily due to liability model changes and assumption updates. For further discussion, refer to Note 4.

- The net gain on the macro hedge program was primarily the result of a decline in the equity markets.

- The gain on warrants associated with the Allianz transaction was primarily due to a decrease in the Company s stock price. See Note 21 of Notes to Consolidated Financial Statements in The Hartford s 2008 Form 10-K Annual Report for a discussion of Allianz SE s investment in The Hartford.

- These gains were partially offset by a loss on credit derivatives that purchase credit protection primarily due to corporate credit spreads tightening and a loss on credit derivatives that sell credit protection driven by credit spreads widening on certain credit default basket swaps.

- There were also losses on the Japanese fixed annuity hedging instruments and the Japan 3Win hedging derivatives, primarily resulting from the Japanese Yen weakening against the U.S. dollar.

For the three months ended March 31, 2008, the net realized capital loss of $739 related to derivatives not designated as hedging instruments under SFAS 133 was primarily due to the following:

- For a discussion on the net loss associated with GMWB related derivatives, refer to Note 4.

- The loss on credit derivatives that sell credit protection and the gain on credit derivatives that purchase credit protection were primarily due to credit spreads widening.

- These losses were partially offset by a gain on the Japanese fixed annuity hedging instruments, primarily resulting from the Japanese Yen strengthening against the U.S. dollar.

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

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

5. Investments and Derivative Instruments (continued)

Credit Risk Assumed through Credit Derivatives

The Company enters into credit default swaps that assume credit risk from 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. A credit event is generally defined as 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, baskets of up to five corporate issuers, and 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 March 31, 2009 and December 31, 2008.

As of March 31, 2009

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
Single name credit default swaps							
Investment grade risk exposure	$ 60	$ (1)	4 years	Corporate Credit	A-	$ 35	$ (7)
Below investment grade risk exposure	75	(14)	3 years	Corporate Credit	B-		
Basket credit default swaps [4]							
Investment grade risk exposure	1,766	(324)	5 years	Corporate Credit	BBB+	991	45
Investment grade risk exposure	275	(105)	8 years	CMBS Credit	AAA-	275	105
Below investment grade risk exposure	200	(177)	6 years	Corporate Credit	CCC		
Credit linked notes							
Investment grade risk exposure	117	106	2 years	Corporate Credit	BBB+		
Total	**$ 2,493**	**$ (515)**				**$ 1,301**	**$ 143**

As of December 31, 2008

Credit Derivative type by derivative risk exposure	Notional Amount [2]	Fair Value	Weighted Average Years to Maturity	Underlying Referenced Credit Obligation(s) [1] Type	Average Credit Rating	Offsetting Notional Amount [3]	Offsetting Fair Value [3]
Single name credit default swaps							
Investment grade risk exposure	$ 60	$ (1)	4 years	Corporate Credit	A-	$ 35	$ (9)
Below investment grade risk exposure	82	(19)	4 years	Corporate Credit	B-		
Basket credit default swaps [4]							
Investment grade risk exposure	1,778	(235)	5 years	Corporate Credit	A-	1,003	21
Investment grade risk exposure	275	(92)	8 years	CMBS Credit	AAA	275	92
Below investment grade risk exposure	200	(166)	6 years	Corporate Credit	BB+		
Credit linked notes							
Investment grade risk exposure	117	106	2 years	Corporate Credit	BBB+		
Total	**$ 2,512**	**$ (407)**				**$ 1,313**	**$ 104**

[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 $1.9 billion 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 $325 of customized diversified portfolios of corporate issuers referenced*

through credit default swaps.

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

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

Life

Unlock Results

During the first quarter of 2009, the Company failed its quarterly tests resulting in an Unlock of future estimated gross profits (the Unlock). The policy related in-force or account values at March 31, 2009 were used to project future gross profits. The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the first quarter was as follows:

Segment After-tax (Charge) Benefit	DAC and PVFP	Unearned Revenue Reserves	Death and Income Benefit Reserves [1]	Sales Inducement Assets	Total
Retail	$ (666)	$ 52	$ (328)	$ (43)	$ (985)
Retirement Plans	(54)		(2)	(1)	(57)
Individual Life	(67)	41			(26)
International	(88)		(333)	(1)	(422)
Corporate	(4)				(4)
Total	**$ (879)**	**$ 93**	**$ (663)**	**$ (45)**	**$ (1,494)**

[1] As a result of the Unlock, death benefit reserves, in Retail, increased $1,048, pre-tax, offset by an increase of $543, pre-tax, in reinsurance recoverables. In International, death benefit reserves increased $536 pre-tax, offset by an increase of $25, pre-tax, in reinsurance recoverables.

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

	2009	2008
Balance, January 1	**$ 11,988**	**$ 10,514**

Deferred costs		222		428
Amortization Deferred policy acquisition costs and present value of future profits [1]		(392)		55
Amortization Unlock, pre-tax		(1,344)		
Adjustments to unrealized gains and losses on securities, available-for-sale and other		513		368
Effect of currency translation adjustment		(159)		221
Balance, March 31	**$**	**10,828**	**$**	**11,586**

[1] The increase in amortization from the prior year period is due to lower actual gross profits in 2008 resulting from increased realized capital losses primarily from the adoption of SFAS 157 at the beginning of the first quarter of 2008.

Property & Casualty

		2009		2008
Balance, January 1	**$**	**1,260**	**$**	**1,228**
Deferred costs		512		528
Amortization Deferred policy acquisition costs		(523)		(523)
Balance, March 31	**$**	**1,249**	**$**	**1,233**

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

7. Separate Accounts, Death Benefits and Other Insurance Benefit Features

The Company records the variable portion of individual variable annuities, 401(k), institutional, 403(b)/457, private placement life and variable life insurance products within separate account assets and liabilities. Separate account assets are reported at fair value. Separate account liabilities are set equal to separate account assets. Separate account assets are segregated from other investments. Investment income and gains and losses from those separate account assets, which accrue directly to, and whereby investment risk is borne by the policyholder, are offset by the related liability changes within the same line item in the condensed consolidated statements of operations. The fees earned for administrative and contract holder maintenance services performed for these separate accounts are included in fee income. For the three months ended March 31, 2009 and 2008, there were no gains or losses on transfers of assets from the general account to the separate account.

Many of the variable annuity and universal life (UL) contracts issued by the Company offer various guaranteed minimum death, withdrawal, income, accumulation, and UL secondary guarantee benefits. UL secondary guarantee benefits ensure that the policy will not terminate, and will continue to provide a death benefit, even if there is insufficient policy value to cover the monthly deductions and charges. Guaranteed minimum death and income benefits are offered in various forms as described in further detail throughout this Note 7. The Company reinsures a portion of the death benefit guarantees associated with its in-force block of business. Changes in the gross U.S. guaranteed minimum death benefit (GMDB), Japan GMDB/guaranteed minimum income benefits (GMIB), and UL secondary guarantee benefits sold with annuity and/or UL products accounted for and collectively known as SOP 03-1 reserve liabilities are as follows:

	U.S. GMDB [1]	Japan GMDB/GMIB [1]	UL Secondary Guarantees [1]
Liability balance as of January 1, 2009	**$ 870**	**$ 229**	**$ 40**
Incurred	108	29	7
Paid	(161)	(41)	
Unlock	1,051	534	
Currency translation adjustment		(23)	
Liability balance as of March 31, 2009	**$ 1,868**	**$ 728**	**$ 47**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $1,116 as of March 31, 2009. The reinsurance recoverable asset related to the Japan GMDB was $49 as of March 31, 2009. The reinsurance

recoverable asset related to the UL secondary guarantees was $17 as of March 31, 2009.

	U.S. GMDB [1]	Japan GMDB/GMIB [1]	UL Secondary Guarantees [1]
Liability balance as of January 1, 2008	**$ 529**	**$ 42**	**$ 19**
Incurred	44	6	2
Paid	(37)	(6)	
Currency translation adjustment		5	
Liability balance as of March 31, 2008	**$ 536**	**$ 47**	**$ 21**

[1] The reinsurance recoverable asset related to the U.S. GMDB was $332 as of March 31, 2008. The reinsurance recoverable asset related to the Japan GMDB was $9 as of March 31, 2008. The reinsurance recoverable asset related to the UL secondary guarantees was $11 as of March 31, 2008.

The net SOP 03-1 reserve liabilities are established by estimating the expected value of net reinsurance costs and death and income benefits in excess of the projected account balance. The excess death and income benefits and net reinsurance costs are recognized ratably over the accumulation period based on total expected assessments. The SOP 03-1 reserve liabilities are recorded in reserve for future policy benefits in the Company s condensed consolidated balance sheets. Changes in the SOP 03-1 reserve liabilities are recorded in benefits, losses and loss adjustment expenses in the Company s condensed consolidated statements of operations. In a manner consistent with the Company s accounting policy for deferred acquisition costs, the Company regularly evaluates estimates used and adjusts the additional liability balances, with a related charge or credit to benefit expense if actual experience or other evidence suggests that earlier assumptions should be revised.

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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 March 31, 2009:

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

Maximum anniversary value (MAV) [1]	**Account Value**	**Net Amount at Risk [9]**	**Retained Net Amount at Risk [9]**	**Weighted Average Attained Age of Annuitant**
MAV only	$ 23,212	$ 15,815	$ 5,452	66
With 5% rollup [2]	1,689	1,238	519	65
With Earnings Protection Benefit Rider (EPB) [3]	4,698	2,707	277	62
With 5% rollup & EPB	676	437	85	65
Total MAV	30,275	20,197	6,333	
Asset Protection Benefit (APB) [4]	23,290	9,335	6,212	63
Lifetime Income Benefit (LIB) Death Benefit [5]	1,038	550	550	61
Reset [6] (5-7 years)	3,093	1,313	1,312	67
Return of Premium [7]/Other	16,757	4,592	4,319	63
Subtotal U.S. Guaranteed Minimum Death Benefits	74,453	35,987	18,726	64
Japan Guaranteed Minimum Death and Income Benefit [8]	26,567	8,960	7,619	67
Total at March 31, 2009	**$ 101,020**	**$ 44,947**	**$ 26,345**	

[1] MAV: the death benefit is the greatest of current account value, net premiums paid and the highest account value on any anniversary before age 80 (adjusted for withdrawals).

[2] Rollup: the death benefit is the greatest of the MAV, current account

value, net premium paid and premiums (adjusted for withdrawals) accumulated at generally 5% simple interest up to the earlier of age 80 or 100% of adjusted premiums.

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

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

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

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

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

[8] Death benefits include a Return of Premium and MAV (before age 80) paid in a single lump sum. The income benefit is a guarantee to return initial investment, adjusted for earnings

liquidity, paid through a fixed annuity, after a minimum deferral period of 10, 15 or 20 years. The guaranteed remaining balance related to the Japan GMIB was $28 billion and $30.6 billion as of March 31, 2009 and December 31, 2008, respectively.

[9] *Net amount at risk and retained net amount at risk are highly sensitive to equity markets movements for example, as equity market declines, net amount at risk and retained net amount at risk will generally increase.*

See Note 4 for a description of the Company s guaranteed living benefits that are accounted for at fair value.

8. Sales Inducements

The Company currently offers enhanced crediting rates or bonus payments to contract holders on certain of its individual and group annuity products. The expense associated with offering a bonus is deferred and amortized over the life of the related contract in a pattern consistent with the amortization of deferred policy acquisition costs. Amortization expense associated with expenses previously deferred is recorded over the remaining life of the contract. Consistent with the Company s Unlock, the Company unlocked the amortization of the sales inducement asset. See Note 6 for more information concerning the Unlock.

Changes in deferred sales inducement activity were as follows for the three months ended March 31:

	2009	2008
Balance, January 1	**$ 553**	**$ 467**
Sales inducements deferred	15	40
Amortization charged to income	(39)	(4)
Amortization Unlock	(69)	

Balance, end of period, March 31	**$**	**460**	**$**	**503**

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

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 and structured settlements. The Hartford also is involved in individual actions in which punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. Like many other insurers, The Hartford also has been joined in actions by asbestos plaintiffs asserting, among other things, that insurers had a duty to protect the public from the dangers of asbestos and that insurers committed unfair trade practices by asserting defenses on behalf of their policyholders in the underlying asbestos cases. Management expects that the ultimate liability, if any, with respect to such lawsuits, after consideration of provisions made for estimated losses, will not be material to the consolidated financial condition of The Hartford. Nonetheless, given the large or indeterminate amounts sought in certain of these actions, and the inherent unpredictability of litigation, an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s consolidated results of operations or cash flows in particular quarterly or annual periods.

Broker Compensation Litigation Following the New York Attorney General s filing of a civil complaint against Marsh & McLennan Companies, Inc., and Marsh, Inc. (collectively, Marsh) in October 2004 alleging that certain insurance companies, including The Hartford, participated with Marsh in arrangements to submit inflated bids for business insurance and paid contingent commissions to ensure that Marsh would direct business to them, private plaintiffs brought several lawsuits against the Company predicated on the allegations in the Marsh complaint, to which the Company was not party. Among these is a multidistrict litigation in the United States District Court for the District of New Jersey. There are two consolidated amended complaints filed in the multidistrict litigation, one related to conduct in connection with the sale of property-casualty insurance and the other related to alleged conduct in connection with the sale of group benefits products. The Company and various of its subsidiaries are named in both complaints. The complaints assert, on behalf of a putative class of persons who purchased insurance through broker defendants, claims under the Sherman Act, the Racketeer Influenced and Corrupt Organizations Act (RICO), state law, and in the case of the group benefits complaint, claims under ERISA. The claims are predicated upon allegedly undisclosed or otherwise improper payments of contingent commissions to the broker defendants to steer business to the insurance company defendants. The district court has dismissed the Sherman Act and RICO claims in both complaints for failure to state a claim and has granted the defendants motions for summary judgment on the ERISA claims in the group-benefits products complaint. The district court further has declined to exercise supplemental jurisdiction over the state law claims, has dismissed those state law claims without prejudice, and has closed both cases. The plaintiffs have appealed the dismissal of the claims in both consolidated amended complaints, except the ERISA claims.

The Company is also a defendant in two consolidated securities actions and two consolidated derivative actions filed in the United States District Court for the District of Connecticut. The consolidated securities actions assert claims on behalf of a putative class of shareholders alleging that the Company and certain of its executive officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by failing to disclose to the investing public that

The Hartford s business and growth was predicated on the unlawful activity alleged in the New York Attorney General s complaint against Marsh. The consolidated derivative actions, brought by shareholders on behalf of the Company against its directors and an additional executive officer, allege that the defendants knew adverse non-public information about the activities alleged in the Marsh complaint and concealed and misappropriated that information to make profitable stock trades in violation of their duties to the Company. In July 2006, the district court granted defendants motion to dismiss the consolidated securities actions, and the plaintiffs appealed. In November 2008, the United States Court of Appeals for the Second Circuit vacated the decision and remanded the case to the district court. The Company will renew its motion to dismiss with respect to issues that the district court did not address in the prior ruling. Defendants filed a motion to dismiss the consolidated derivative actions in May 2005. Those proceedings are stayed by agreement of the parties.

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

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

9. Commitments and Contingencies (continued)

Investment and Savings Plan ERISA 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 in March 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. The Company disputes the allegations and intends to defend the actions vigorously.

Structured Settlement Class Action In October 2005, a putative nationwide class action was filed in the United States District Court for the District of Connecticut against the Company and several of its subsidiaries on behalf of persons who had asserted claims against an insured of a Hartford property & casualty insurance company that resulted in a settlement in which some or all of the settlement amount was structured to afford a schedule of future payments of specified amounts funded by an annuity from a Hartford life insurance company (Structured Settlements). The operative complaint alleges that since 1997 the Company has systematically deprived the settling claimants of the value of their damages recoveries by secretly deducting 15% of the annuity premium of every Structured Settlement to cover brokers commissions, other fees and costs, taxes, and a profit for the annuity provider, and asserts claims under the Racketeer Influenced and Corrupt Organizations Act (RICO) and state law. The plaintiffs seek compensatory damages, punitive damages, pre-judgment interest, attorney s fees and costs, and injunctive or other equitable relief. The Company vigorously denies that any claimant was misled or otherwise received less than the amount specified in the structured-settlement agreements. In March 2009, the district court certified a class for the RICO and fraud claims composed of all persons, other than those represented by a plaintiffs broker, who entered into a Structured Settlement since 1997 and received certain written representations about the cost or value of the settlement. The district court declined to certify a class for the breach-of-contract and unjust-enrichment claims. The Company has petitioned the United States Court of Appeals for the Second Circuit for permission to file an interlocutory appeal of the class-certification ruling. Proceedings in the district court are stayed until proceedings in the Second Circuit conclude.

Fair Credit Reporting Act Class Action In February 2007, the United States District Court for the District of Oregon gave final approval of the Company s settlement of a lawsuit brought on behalf of a class of homeowners and automobile policy holders alleging that the Company willfully violated the Fair Credit Reporting Act by failing to send appropriate notices to new customers whose initial rates were higher than they would have been had the customer had a more favorable credit report. The settlement was made on a claim-in, nationwide-class basis and required eligible class members to return valid claim forms postmarked no later than June 28, 2007. The Company has paid approximately $84.3 to eligible claimants in connection with the settlement. The Company has sought reimbursement from the Company s Excess Professional Liability Insurance Program for the portion of the settlement in excess of the Company s $10 self-insured retention. Certain insurance carriers participating in that program have disputed coverage for the settlement, and one of the excess insurers commenced an arbitration to resolve the dispute, which resulted in an award in the Company s favor. The primary insurer on the program has agreed to be bound by that award. Management believes it is probable that the Company s coverage position ultimately will be sustained as to all applicable layers of coverage.

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 2008 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.

Shareholder Demand Like the boards of directors of many other companies, the Board has received a demand from SEIU Pension Plans Master Trust, which purports to be a current holder of the Company s common stock. The demand requests the Board to bring suit to recover alleged excessive compensation paid to senior executives of the Company from 2005 through the present and to change the Company s executive compensation structure. The Board is conducting an investigation of the allegations in the demand.

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

9. Commitments and Contingencies (continued)

Derivative Commitments

Certain of the Company s derivative agreements contain provisions that are tied to the financial strength ratings of the individual legal entity with the derivative agreement as set by nationally recognized statistical rating agencies. If the insurance operating 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 insurance operating entity s ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the insurance operating entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of March 31, 2009, is $433. Of this $433, the insurance operating entities have posted collateral of $325 in the normal course of business. Based on derivative market values as of March 31, 2009, a downgrade of one level below the current financial strength ratings by either Moody s or S&P could require approximately an additional $50 to be posted as collateral. Based on derivative market values as of March 31, 2009, a downgrade by either Moody s or S&P of two levels below the insurance operating entities current financial strength ratings could require approximately an additional $95 of assets to be posted as collateral. These collateral amounts could change as derivative market values change or as a result of changes in our hedging activities.

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 March 31, 2009 and 2008 include the following components:

	Pension Benefits		Other Postretirement Benefits	
	2009	**2008**	**2009**	**2008**
Service cost	$ 26	$ 30	$ 1	$ 2
Interest cost	60	56	6	5
Expected return on plan assets	(69)	(69)	(3)	(3)
Amortization of prior service credit	(2)	(2)		
Amortization of actuarial (gain) loss	18	13		(1)
Net periodic benefit cost	**$ 33**	**$ 28**	**$ 4**	**$ 3**

11. Stock Compensation Plans

The Company has two primary stock-based compensation plans, The Hartford 2005 Incentive Stock Plan and The Hartford Employee Stock Purchase Plan. For a description of these plans, see Note 18 of Notes to Consolidated Financial Statements included in The Hartford s 2008 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. The compensation expense recognized for the stock-based compensation plans was $13 and $18 for the three months ended March 31, 2009 and 2008, respectively. The income tax benefit recognized for stock-based compensation plans was $4 and $6 for the three months ended March 31, 2009 and 2008, respectively. The Company did not capitalize any cost of stock-based compensation. As of March 31, 2009, the total compensation cost related to non-vested awards not yet recognized was $61, which is expected to be recognized over a weighted average period of 1.8 years.

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

12. Debt

Commercial Paper

The Federal Reserve Board authorized the Commercial Paper Funding Facility (CPFF) on October 7, 2008 under Section 13(3) of the Federal Reserve Act to provide a liquidity backstop to U.S. issuers of commercial paper. The CPFF is intended to improve liquidity in short-term funding markets by increasing the availability of term commercial paper funding to issuers and by providing greater assurance to both issuers and investors that firms will be able to roll over their maturing commercial paper.

The Company registered with the CPFF in order to sell up to a maximum of $375 to the facility of which it issued the full amount as of December 31, 2008. The Company s commercial paper must be rated A-1/P-1/F1 by at least two ratings agencies to be eligible for the program. In the first quarter of 2009, Moody s, S&P and Fitch downgraded the Company s commercial paper rating, rendering the Company ineligible to sell additional commercial paper under the CPFF program going forward. As a result, the Company will be required to pay the commercial paper issued under the CPFF program from existing sources of liquidity. As of March 31, 2009, the Company has paid $21 of maturing commercial paper with the remaining $354 paid as of April 30, 2009.

Consumer Notes

As of March 31, 2009 and December 31, 2008, $1.2 billion and $1.2 billion, respectively, of consumer notes were outstanding. As of March 31, 2009, these consumer notes have interest rates ranging from 4.0% to 6.3% for fixed notes and, for variable notes, based on March 31, 2009 rates, notes indexed to the consumer price index plus 80 to 267 basis points, or indexed to the S&P 500, Dow Jones Industrials, foreign currency, or the Nikkei 225. For the three months ended March 31, 2009 and 2008, interest credited to holders of consumer notes was $13 and $13, respectively. For additional information regarding consumer notes, see Note 14 of Notes to Consolidated Financial Statements in The Hartford s 2008 Form 10-K Annual Report.

13. Equity

Stockholders Equity

On March 26, 2009, the Company s shareholders approved the conversion of the Series C Preferred Stock underlying certain warrants issued to Allianz SE in October 2008 into 34,308,872 shares of The Hartford s common stock. As a result of this shareholder approval, the Company is not obligated to pay Allianz SE any cash payment related to these warrants and therefore these warrants no longer provide for any form of net cash settlement outside the Company s control. As such, the warrants to purchase the Series C Preferred Stock were reclassified from other liabilities to equity at their fair value. As of March 26, 2009, the fair value of these warrants was $93. For the three months ended March 31, 2009, the Company recognized a gain of $70, representing the change in fair value of the warrants through March 26, 2009.

Noncontrolling Interests

The Company adopted SFAS 160 on January 1, 2009. The scope of this Statement applies to all entities that prepare consolidated financial statements and as such, includes VIEs in which the Company has concluded that it is the primary beneficiary. See Note 5 for further discussion of the Company s involvement in VIEs. The Company also holds the majority interest in certain general account mutual funds, in which it has provided seed money. The scope of FAS 160 also applies to these mutual fund investments. Upon adoption of SFAS 160, the Company reclassified $92 as of January 1, 2008 from liabilities to equity, representing the noncontrolling interest of other investors in these VIEs and mutual fund investments. The noncontrolling interest within these entities is likely to change, as these entities represent investment vehicles whereby investors may frequently redeem or contribute to these investments. As such, the change in noncontrolling ownership interest represented in the Company s Condensed Consolidated Statement of Changes in Equity will primarily represent redemptions and additional subscriptions within these investment vehicles.

The following table represents the change in noncontrolling ownership interest recorded in the Company s Condensed Statement of Changes in Equity for the VIEs and Mutual Fund Seed Investments as of March 31, 2009 and 2008:

	Three Months Ended

	March 31, 2009	March 31, 2008
Redemptions of The Hartford s interest in VIEs and Mutual Fund Investments resulting in deconsolidation [1]	$ (41)	$ (5)
Net (Redemptions) and Subscriptions from noncontrolling interests	(23)	25
Total change in noncontrolling interest ownership	**$ (64)**	**$ 20**

[1] The redemptions of The Hartford s interest in VIEs and Mutual Fund Investments in the first quarter of 2009 and 2008 resulted in a loss of $1 and gain of less than $1, respectively which were recognized in realized capital gains (losses).

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

14. Goodwill

The carrying amount of goodwill allocated to reporting segments as of March 31, 2009 and December 31, 2008 is shown below.

	March 31, 2009	December 31, 2008
Life		
Retail	$ 159	$ 159
Individual Life	224	224
Retirement Plans	87	79
Total Life	**470**	**462**
Property & Casualty		
Personal Lines	119	119
Specialty Commercial	30	30
Total Property & Casualty	**149**	**149**
Corporate	**417**	**449**
Total Goodwill	**$ 1,036**	**$ 1,060**

The Company s goodwill impairment test performed during the first quarter of 2009 for the Life reporting units, resulted in a write-down of $32 in the Institutional reporting unit of Corporate. Goodwill within Corporate is primarily attributed to the Company s buy-back of Life in 2000 and is allocated to the various Life reporting units. As a result of rating agency downgrades of Life s financial strength ratings during the first quarter of 2009 and high credit spreads related to The Hartford, in the current market, the Company believes its ability to generate new business in the Institutional reporting unit will remain pressured for ratings-sensitive products. The Company believes goodwill associated with the Institutional line of business is impaired due to the pressure on new sales for Institutional s ratings-sensitive business and the significant unrealized losses in Institutional s investment portfolios.

15. Sale of First State Management Group

On March 31, 2009, the Company sold First State Management Group, Inc. (FSMG), its core excess and surplus lines property business, to Beazley Group PLC (Beazley) for $24, resulting in a gain on sale of $18 before-tax and $12 after-tax. Included in the sale were approximately $1 in net assets of FSMG and the sale price is adjustable subsequent to closing based on the value of the net assets at the closing date. The net assets sold to Beazley did not include invested assets, unearned premium or deferred policy acquisition costs related to the in-force book of business. Rather, the in-force book of business was ceded to Beazley under a separate reinsurance agreement, whereby the Company ceded $26 of unearned premium, net of $10 in ceding commission. Under the terms of the purchase and sale agreement, the Company continues to be obligated for all losses and loss adjustment expenses incurred on or before March 31, 2009. The retained net loss and loss adjustment expense reserves totaled $194 as of March 31, 2009.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts in millions except share data unless otherwise stated)

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) addresses the financial condition of The Hartford Financial Services Group, Inc. and its subsidiaries (collectively, The Hartford or the Company) as of March 31, 2009, compared with December 31, 2008, and its results of operations for the three months ended March 31, 2009, compared to the equivalent 2008 periods. This discussion should be read in conjunction with the MD&A in The Hartford s 2008 Form 10-K Annual Report.

Certain of the statements contained herein are forward-looking statements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and include estimates and assumptions related to economic, competitive and legislative developments. These forward-looking statements are subject to change and uncertainties that are, in many instances, beyond the Company s control and have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management s expectations or that the effect of future developments on The Hartford will be those anticipated by management. Actual results could differ materially from those expected by the Company, depending on the outcome of various factors, including, but not limited to, those set forth in Part II, Item 1A, Risk Factors as well as Part I, Item 1A, Risk Factors in The Hartford s 2008 Form 10-K Annual Report. These important risks and uncertainties include, without limitation, uncertainties related to the depth and duration of the current recession and financial market conditions, which continued to adversely affect the Company s business and results in the first quarter of 2009, the extent of the impact on the Company s results and prospects of recent downgrades in the Company s financial strength and credit ratings and the impact of any further downgrades on the Company s business and results; the success of management s initiatives to stabilize the Company s ratings and mitigate and reduce risks associated with various business lines; whether, if and to what extent the federal government will approve the Company s application to participate in the Capital Purchase Program under the Emergency Economic Stabilization Act of 2008; changes in financial and capital markets, including changes in interest rates, credit spreads, equity prices and foreign exchange rates; the inability to effectively mitigate the impact of equity market volatility on the Company s financial position and results of operations arising from obligations under annuity product guarantees; the amount of statutory capital that the Company has, changes to the statutory reserves and/or risk based capital requirements, and the Company s ability to hold sufficient statutory capital to maintain financial strength and credit ratings; the possibility of general economic and business conditions that are less favorable than anticipated; 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 availability of our commercial paper program; the potential for further acceleration of DAC amortization; the potential for further impairments of our goodwill; the difficulty in predicting the Company s potential exposure for asbestos and environmental claims; the possible occurrence of terrorist attacks; the response of reinsurance companies under reinsurance contracts and the availability, pricing and adequacy of reinsurance to protect the Company against losses; the possibility of unfavorable loss development; the incidence and severity of catastrophes, both natural and man-made; stronger than anticipated competitive activity; unfavorable judicial or legislative developments; the potential effect of domestic and foreign regulatory developments, including those which could increase the Company s business costs and required capital levels; the Company s ability to distribute its products through distribution channels, both current and future; the uncertain effects of emerging claim and coverage issues; the ability of the Company s subsidiaries to pay dividends to the Company; the Company s ability to adequately price its property and casualty policies; the ability to recover the Company s systems and information in the event of a disaster or other unanticipated event; potential for difficulties arising from outsourcing relationships; potential changes in federal or state tax laws, including changes impacting the availability of the separate account dividend received deduction; the Company s ability to protect its intellectual property and defend against claims of infringement; and other factors described in such forward-looking statements.

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OVERVIEW

The Hartford is an insurance and financial services company with operations dating back to 1810. The Company is headquartered in Connecticut and is organized into two major operations: Life and Property & Casualty, each containing reporting segments. Within the Life and Property & Casualty operations, The Hartford conducts business principally in eleven reporting segments. Corporate primarily includes the Company s debt financing and related interest expense, as well as other capital raising activities and purchase accounting adjustments. To present its operations in a more meaningful and organized way, management has included separate overviews within the Life and Property & Casualty sections of MD&A. For further overview of Life s profitability and analysis, see page 52. For further overview of Property & Casualty s profitability and analysis, see page 67.

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 from those estimates.

The Company has identified the following estimates as critical in that they involve a higher degree of judgment and are subject to a significant degree of variability: property and casualty reserves, net of reinsurance; life estimated gross profits used in the valuation and amortization of assets and liabilities associated with variable annuity and other universal life-type contracts; living benefits required to be fair valued; valuation of investments and derivative instruments; evaluation of other-than-temporary impairments on available-for-sale securities; pension and other postretirement benefit obligations; contingencies relating to corporate litigation and regulatory matters; and goodwill impairment. 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. For a discussion of the critical accounting estimates not discussed below, see MD&A in The Hartford s 2008 Form 10-K Annual Report.

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

Accounting Policy and Assumptions

Life s deferred policy acquisition costs asset and present value of future profits (PVFP) intangible asset (hereafter, referred to collectively as DAC) related to investment contracts and universal life-type contracts (including variable annuities) are amortized in the same way, over the estimated life of the contracts acquired using the retrospective deposit method. Under the retrospective deposit method, acquisition costs are amortized in proportion to the present value of estimated gross profits (EGPs). EGPs are also used to amortize other assets and liabilities on the Company s balance sheet, such as sales inducement assets and unearned revenue reserves (URR). Components of EGPs are used to determine reserves for guaranteed minimum death, income and universal life secondary guarantee benefits accounted for and collectively referred to as SOP 03-1 reserves . The specific breakdown of the most significant EGP based balances by segment is as follows:

	Individual Variable Annuities - U.S.		Individual Variable Annuities - Japan		Individual Life	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
DAC	$ 3,879	$ 4,844	$ 1,514	$ 1,834	$ 2,795	$ 2,931
Sales Inducements	$ 346	$ 436	$ 23	$ 19	$ 37	$ 36

URR	$	30	$	109	$		$		$	1,151	$	1,299
SOP 03-1 reserves	$	1,864	$	867	$	728	$	229	$	47	$	40

For most contracts, the Company estimates gross profits over a 20 year horizon as estimated profits emerging subsequent to that timeframe are immaterial. The Company uses other amortization bases for amortizing DAC, such as gross costs (net of reinsurance), as a replacement for EGPs when EGPs are expected to be negative for multiple years of the contract s life. Actual gross profits, in a given reporting period, that vary from management s initial estimates result in increases or decreases in the rate of amortization, commonly referred to as a true-up , which are recorded in the current period. The true-up recorded for the three months ended March 31, 2009 and 2008 was an increase to amortization of $171 and $24, respectively.

Products sold in a particular year are aggregated into cohorts. Future gross profits for each cohort are projected over the estimated lives of the underlying contracts, and are, to a large extent, a function of future account value projections for variable annuity products and to a lesser extent for variable universal life products. The projection of future account values requires the use of certain assumptions. The assumptions considered to be important in the projection of future account value, and hence the EGPs, include separate account fund performance, which is impacted by separate account fund mix, less fees assessed against the contract holder s account balance, surrender and lapse rates, interest margin, mortality, and hedging costs. The assumptions are developed as part of an annual process and are dependent upon the Company s current best estimates of future events.

The Company s current 20 year separate account return assumption is approximately 7.2% (after fund fees, but before mortality and expense charges) for U.S. products and 5.1% (after fund fees, but before mortality and expense charges) in aggregate for all Japanese products, but varies from product to product. Through March 31, 2009, the Company estimated gross profits using the mean of EGPs derived from a set of stochastic scenarios that had been calibrated to our estimated separate account return. Beginning in the second quarter of 2009, the Company will derive EGPs from a deterministic reversion to mean separate account return projection. Reversion to mean is a method commonly used by insurance entities to project future separate account returns. Through this method, the Company will true-up the DAC model account values to their actual amounts at the end of each quarter and through a consideration of recent returns, we will initially adjust future projected returns over a five year period so that the account value grows at the long-term expected rate of return for the entire period, providing that those projected returns for the next five years do not exceed certain caps or floors. This will result in a DAC unlock each quarter. However, benefits and assessments used in the determination of SOP 03-1 reserves will still be derived from a set of stochastic scenarios that have been calibrated to our reversion to mean separate account returns. The following table summarizes the general impacts to individual variable annuity EGPs and earnings for DAC amortization caused by changes in separate account returns, mortality and future lapse rate assumptions:

Assumption	Impact to EGPs	Impact on Earnings for DAC Amortization
Future separate account return increases	**Increase:** As expected fee income would increase and expected claims would decrease.	Benefit
Future separate account return decreases	**Decrease:** As expected fee income would decrease and expected claims would increase.	Charge
Future mortality increases	**Decrease:** As expected fee income would decrease because the time period in which fees would be collected would be reduced and claims would increase.	Charge
Future mortality decreases	**Increase:** As expected fee income would increase because the time period in which fees would be collected would increase and claims would decrease.	Benefit
Future lapse rate increases	**Decrease:** As expected fee income would decrease because the time period in which fees would be collected would be reduced at a greater rate than claims would decrease. [1]	Charge [1]
Future lapse rate decreases	**Increase:** As expected fee income would increase because the time period in which fees would be collected would increase at a greater rate than claims would increase. [1]	Benefit [1]

[1] If a contract is significantly in-the-money such that expected lifetime claims

exceed lifetime fee income, this relationship would reverse.

In addition to changes to the assumptions described above, changes to other policyholder behaviors such as resets, partial surrenders, reaction to price increases, and asset allocations could cause EGPs to fluctuate.

Estimating future gross profits is a complex process requiring considerable judgment and the forecasting of events well into the future. Even though the Company will be moving to a reversion to mean process for determining future separate account returns, the Company will continue to complete a comprehensive assumption study and refine its estimate of future gross profits, as a result of that study, during the third quarter of each year. Upon completion of an assumption study, the Company revises its assumptions to reflect its current best estimate, thereby changing its estimate of projected account values and the related EGPs in the DAC, sales inducement and unearned revenue reserve amortization models as well as SOP 03-1 reserving models. The DAC asset, as well as the sales inducement asset, unearned revenue reserves and SOP 03-1 reserves are adjusted with an offsetting benefit or charge to income to reflect such changes in the period of the revision, a process known as Unlocking . An Unlock that results in an after-tax benefit generally occurs as a result of actual experience or future expectations of product profitability being favorable compared to previous estimates. An Unlock that results in an after-tax charge generally occurs as a result of actual experience or future expectations of product profitability being unfavorable compared to previous estimates.

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Prior to adopting the reversion to mean process for determining future separate account returns, in addition to the comprehensive assumption study performed in the third quarter of each year, revisions to best estimate assumptions used to estimate future gross profits were also necessary when the EGPs in the Company s models fell outside of an independently determined reasonable range of EGPs. The Company performed a quantitative process each quarter to determine the reasonable range of EGPs. This process involved the use of internally developed models, which ran a large number of stochastically determined scenarios of separate account fund performance. Incorporated in each scenario are assumptions with respect to lapse rates, mortality and expenses, based on the Company s most recent assumption study. These scenarios were run for the Company s individual variable annuity businesses in the United States and Japan, the Company s Retirement Plans businesses, and for the Company s individual variable universal life business and were used to calculate statistically significant ranges of reasonable EGPs. The statistical ranges produced from the stochastic scenarios are compared to the present value of EGPs used in the Company s models. If EGPs used in the Company s models fell outside of the statistical ranges of reasonable EGPs, an Unlock would be necessary. If EGPs used in the Company s models fell inside of the statistical ranges of reasonable EGPs, the Company would not solely rely on the results of the quantitative analysis to determine the necessity of an Unlock. In addition, the Company considered, on a quarterly basis, other qualitative factors such as product, regulatory and policyholder behavior trends and would also revise EGPs if those trends were expected to be significant and were not or could not be included in the statistically significant ranges of reasonable EGPs. After reviewing both the quantitative test results and certain qualitative factors as of March 31, 2009, the Company determined an interim Unlock was necessary.

Unlock

The after-tax impact on the Company s assets and liabilities as a result of the Unlock during the first quarter of 2009 was as follows:

Segment **After-tax (Charge) Benefit**	**DAC and PVFP**	**Unearned Revenue Reserves**	**Death and Income Benefit Reserves [1]**	**Sales Inducement Assets**	**Total [2]**
Retail	$ (666)	$ 52	$ (328)	$ (43)	$ (985)
Retirement Plans	(54)		(2)	(1)	(57)
Individual Life	(67)	41			(26)
International	(88)		(333)	(1)	(422)
Corporate	(4)				(4)
Total	**$ (879)**	**$ 93**	**$ (663)**	**$ (45)**	**$ (1,494)**

[1] As a result of the Unlock, death benefit reserves in Retail, increased $1,048, pre-tax, offset by an increase of $543, pre-tax, in reinsurance recoverables. In International,

death benefit reserves increased $536, pre-tax, offset by an increase of $25, pre-tax, in reinsurance recoverables.

[2] *The most significant contributor to the Unlock amounts recorded during the first quarter of 2009 was actual separate account returns from the period ending October 1, 2008 to March 31, 2009 being significantly below our aggregated estimated return.*

An Unlock only revises EGPs to reflect current best estimate assumptions. With or without an Unlock, and even after an Unlock occurs, the Company must also test the aggregate recoverability of the DAC and sales inducement assets by comparing the existing DAC balance to the present value of future EGPs. In addition, the Company routinely stress tests its DAC and sales inducement assets for recoverability against severe declines in its separate account assets, which could occur if the equity markets experienced a significant sell-off, as the majority of policyholders funds in the separate accounts is invested in the equity market. As of March 31, 2009, the Company believed U.S. individual and Japan individual variable annuity EGPs could fall, through a combination of negative market returns, lapses and mortality, by at least 24% and 48%, respectively, before portions of its DAC and sales inducement assets would be unrecoverable.

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CONSOLIDATED RESULTS OF OPERATIONS
Operating Summary

	Three Months Ended March 31,		
	2009	2008	Change
Earned premiums	$ 3,829	$ 3,843	
Fee income	1,167	1,337	(13%)
Net investment income (loss)			
Securities available-for-sale and other	920	1,193	(23%)
Equity securities, held for trading [1]	(724)	(3,578)	80%
Total net investment income (loss)	196	(2,385)	NM
Other revenues	118	120	(2%)
Net realized capital gains (losses)	84	(1,371)	NM
Total revenues	**5,394**	**1,544**	**NM**
Benefits, losses and loss adjustment expenses	4,637	3,357	38%
Benefits, losses and loss adjustment expenses returns credited on International variable annuities [1]	(724)	(3,578)	80%
Amortization of deferred policy acquisition costs and present value of future profits	2,259	468	NM
Insurance operating costs and expenses	898	950	(5%)
Interest expense	120	67	79%
Goodwill impairment	32		NM
Other expenses	189	189	
Total benefits, losses and expenses	**7,411**	**1,453**	**NM**
Income (loss) before income taxes	**(2,017)**	**91**	**NM**
Income tax benefit	(808)	(54)	NM
Net income (loss)	**$ (1,209)**	**$ 145**	**NM**

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

amounts credited to policyholders within benefits, losses and loss adjustment expenses.

Segment Results	**2009**	**2008**	**Change**
Life			
Retail	$ (744)	$ (77)	NM
Individual Life	(18)	20	NM
Total Individual Markets Group	(762)	(57)	NM
Retirement Plans	(88)	(5)	NM
Group Benefits	69	46	50%
Total Employer Markets Group	(19)	41	NM
International	(293)	8	NM
Institutional	(174)	(120)	(45%)
Other	(10)	(27)	63%
Total Life	**(1,258)**	**(155)**	**NM**
Property & Casualty			
Ongoing Operations			
Underwriting results			