

REVENUE

## \$26.5 billion

Since becoming a public company in 1996, The Hartford has more than **doubled its revenues**. The revenues are divided almost equally between the revenues of the life and the property and casualty operations. This **diversified business model** has differentiated The Hartford among its peers and contributed to its financial strength.

CORE EARNINGS\*

\$2.9 billion

Core earnings provides investors with a **valuable measure** of the performance of the company's ongoing businesses. It **reveals trends** in the insurance and financial services businesses that may be obscured by the net effect of certain realized capital gains and losses. **Core earnings increased 28% in 2006.** 

\*Please see the "non-GAAP financial measures" footnote, page 10.

In 2006, due to strong equity markets and more than **\$12** billion in positive net flows across The Hartford's

wealth management businesses, assets under manage-

ASSETS UNDER MANAGEMENT\*

\$377.6 billion

\* Please see the "non-GAAP financial measures" footnote, page 10.

ment rose 17%.

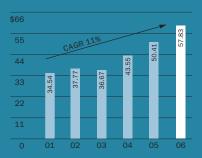
TOTAL EARNED PREMIUM

\$15.0 billion

Earned premium represents **total company premiums**, primarily consisting of premiums from Individual Life, Property and Casualty, and Group Benefits, that are recognized as revenues during a fiscal period. Earned premium growth, which was **5% in 2006**, contributed to **strong underwriting results**.

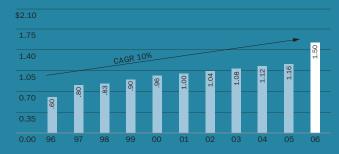
BOOK VALUE PER SHARE†

\$57.83



Book value per share (excluding accumulated other comprehensive income) enables investors to analyze the amount of the company's net worth that is primarily attributable to the company's business operations. This measure is useful to investors because it eliminates the effect of items that typically fluctuate significantly from period to period, primarily based on changes in interest rates. In 2006, book value per share increased 15%, to \$57.83.

#### ANNUAL DIVIDENDS PAID



Dividends paid have **more than doubled** in the past decade, demonstrating that The Hartford is committed to **returning value to its shareholders.** Total shareholder value, as measured by growth in book value per share plus dividends, rose 17.7% in 2006.

# 29% growth year-over-year



#### ON OUR COVER

When Ray Barnett turned 60, he and his wife, Rita (pictured on the cover with great-grandson Ryan), were pleased to discover that, in joining **AARP**, **The Hartford's exclusive direct provider of automobile and homeowners insurance**, Ray could purchase insurance policies on their vehicles and home in Odessa, Fla., at affordable rates. That was more than a decade ago—and the Barnetts have since found yet another way to count on The Hartford. Owners of a home-based recycling service called Energy Systems, Inc., the Barnetts learned through friends that they could rely on The Hartford for **small business insurance** as well. "It's worked out so well for us," Mrs. Barnett says. "We're very happy with The Hartford."

<sup>†</sup>Excludes accumulated other comprehensive income. Please see the "non-GAAP financial measures" footnote, page 10.



Ramani Ayer Chairman and Chief Executive Officer

"We are making decisions that place our businesses in a position of financial strength, to deliver value in almost any market, to be ready for risks as well as opportunities."

## Dear SHAREHOLDERS:

he Hartford had an exceptional 2006, and thanks to the culture of execution, service, and innovation fostered by our 31,000 employees, we are well-positioned for more success in 2007. Many of our insurance and investment businesses are market leaders, and we have the right strategies for profitable growth.

In fact, 2006 was the best year in The Hartford's history. Net income rose 21 percent year-over-year to \$2.7 billion, earned premiums topped \$15 billion, revenues reached \$26.5 billion, and assets under management surpassed \$377 billion.

Return on equity was a healthy 16 percent, and book value per share increased 15 percent year-over-year, to \$57.83.

Wall Street has acknowledged The Hartford's consistently strong performance. Our share price hit all-time highs several times throughout 2006, closing the year at \$93.31.

Our shareholders' one-year return was 10.8 percent, lagging the S&P 500 by almost five points but remaining even with the S&P Insurance Composite Index. Our total return over the past three years was an annualized 18.6 percent, considerably outperforming the insurance composite index and the major U.S. stock indices.

#### **Our Growth Opportunities**

The story behind The Hartford's numbers is a compelling one. In recent years, two trends have been creating significant growth opportunities for The Hartford.

First, American Baby Boomers, as widely reported, are approaching retirement in great numbers. In the next five years, more than 17 million Boomers will turn 60. This enormous



wave of opportunity is compounded by an emerging "longevity bonus." In just two generations, life expectancy at birth has increased almost 10 years. The chances of living into your 90s—and spending as many years in retirement as in the workplace—are greater than ever.

Second, the U.S. economy is being fueled by the broad and consistent expansion of small and mid-sized businesses. Small businesses, for instance, now number 7.5 million, and they generate two of every three new jobs. In fact, small businesses account for nearly half of the nation's private sector employment, and their total spending is growing at a rate of 8 percent annually. Accompanying this broad business formation is a growing need to service the diverse needs of an enterprise as it grows and competes.

Both of the aforementioned trends are influenced by a new marketplace reality: Consumers have come to expect more choice and flexibility, especially with insurance and investment products and services. They now can choose between the high-touch service of advisers and agents or the convenience of a call center or web site.

Still, with such wide choices, consumers and business leaders may feel more on their own than ever. But The Hartford's expertise in understanding individual customers, families, entrepreneurs, and business decision-makers—as well as the market-place's key distribution partners—positions us to assist them all as they seek the most informed financial solutions.

#### **Growing and Ensuring Your Lifelong Wealth**

The Hartford's **personal wealth management products** include mutual funds, life insurance, and annuities. We've grown our reputation by providing smart financial solutions to investors in at least three ways: through the wealth accumulation phase of pre-retirement; in retirement, as they seek security with a lifelong guaranteed income stream; and finally, as they prepare to pass along their estate to heirs.

Mutual funds are the simplest ways for Americans to save for retirement, and **The Hartford's family of mutual funds** is more attractive than ever.



**Tom Marra**President and COO, Life Operations;
Member of the Office of the Chairman

"Retirement as a life phase has changed dramatically, and more and more people are turning to The Hartford for smart financial solutions. Think of the secure lifetime income found in our **market-leading variable annuities**. Or, consider our **mutual funds**; 93 percent of our funds with 10-year records have beaten the Lipper average. No wonder 'The Hartford' means **growth and security** to millions preparing for retirement."

## The Hartford is becoming a worldwide retirement solutions expert.



A World Leader in
Variable Annuity
Assets Under Management
The Hartford's Variable
Annuity Assets
United States
Japan
(\$ in billions)

RETIRED AFTER 27 YEARS OF TEACHING GRADE SCHOOL, Mary Ann Mathews of Franklin, Ky., still finds time to coach the local high school girls' golf team. But when it came to planning for her future, Mathews wanted to land a coach of her own. After conferring with a financial adviser, she now has several mutual funds from The Hartford, including **The Hartford Capital Appreciation Fund**, **The Hartford Growth Fund**, and **The Hartford Stock Fund**. Mathews feels she has that expert guidance she needs. "It is refreshing," she says, "and I feel good that what money I have is in the right place."

Early in 2006, our family of mutual funds celebrated its 10-year anniversary by becoming the fastest retail mutual fund family to hit \$30 billion in assets under management.\*

We had retail mutual fund deposits of \$11 billion, an increase of 92 percent over the prior year. Strong fund performance–93 percent of our funds with 10-year records beat the Lipper average—and the growing experience of our wholesale team deserve much of the credit for our success in this high-growth segment. At the close of 2006, total mutual fund assets under management surpassed \$40 billion, an increase of 34 percent over 2005.

In 2006, The Hartford was again among the U.S. market leaders in **variable annuity** products, with our **guaranteed lifetime income** options becoming a popular choice for those customers seeking to secure supplemental income throughout their retirement years. With longevity increasing, ensuring a lifelong income stream is more important than ever. In 2006, variable annuity sales and deposits increased 8 percent over the prior year. Total domestic variable annuity assets under management reached \$114 billion, 9 percent higher than the prior year.

In Japan, the market for variable annuities is growing at a rate of more than 20 percent each year, attracting more intense competition from stronger domestic and international players. The Hartford added new products and maintained its lead over its competitors in variable annuity assets, with a 26 percent share of the market. Sales topped \$6.1 billion, and total assets under management in Japan reached \$31 billion at the close of 2006, up 20 percent from the prior year.

In addition to mutual funds and variable annuities, The Hartford offers a full suite of **life insurance products: term life, whole life, universal life, and variable life,** each backed by excellent service. We're positioning our suite of individual life insurance products as key components of our retirement solutions, especially for **estate planning and succession planning for entrepreneurs**.

Growth rates in the individual life insurance industry are near zero, and yet The Hartford's individual life insurance business set sales records for 2006. We grew by expanding sales efforts in many of our distribution channels, particularly among life insurance professionals, where sales have increased

<sup>\*</sup> Strategic Insight, May 2006.



David Zwiener

President and COO, Property

and Casualty Operations; Member

of the Office of the Chairman

"Our industry is challenged by flat growth and soft pricing, but The Hartford has a proven strategy for **profitable growth**. We're building scale, managing expenses, developing new products, and taking on smart risks. **Customer satisfaction is very high**. Add it all up—we had \$1.5 billion in core earnings in 2006, and we're **building market share from a position of real strength**."

## We are finding profitable growth even amid intense competition.



#### **Agency and Customer Growth**

- Number of independent agencies selling The Hartford's auto, home, and business insurance products
- Number of auto and homeowners insurance customers
- Number of business insurance customers



28 percent. In 2006, life insurance in-force rose 9 percent, and account values were up 10 percent over the prior year.

#### **Protecting Your Personal Property and Assets**

The Hartford has demonstrated success in helping consumers, especially Baby Boomers, navigate their many choices with its customer-friendly approach to personal lines insurance. We distribute **auto and homeowners insurance** through not one, but two channels. We sell via independent agents, and we sell direct to customers through our exclusive partnership with AARP, a growing organization with 38 million members, all 50 years and older.

In the personal lines marketplace in 2006, prices were flat and competition intensified. But the new features found in The Hartford's key auto and home protection product—called Dimensions—offer more flexibility and better pricing for consumers. We saw written premium in both distribution channels grow faster than industry growth rates.

In **agency sales**, we grew 8 percent to \$1.1 billion, largely from business generated by our newly appointed agents. We've

invested heavily in our agency distribution platform, doubling our national network of agencies in the past four years. In our **AARP direct channel**, we expanded marketing efforts and provided auto and homeowners insurance to 2.6 million AARP members, generating \$2.6 billion in written premium, a 9 percent increase over the prior year. Excellence in our products and service helped us to extend The Hartford's contract to 2020, securing AARP's exclusive endorsement and enabling our partnership to grow through the end of the next decade.

#### **Protecting and Growing Your Business**

The Hartford is one of just a few financial services companies in the United States that offer a suite of financial solutions for all businesses. From property and casualty insurance to group benefits and retirement plans, The Hartford is a key resource for growing businesses in a very competitive world.

The Hartford's centerpiece is its **small business insurance** product, which offers a comprehensive set of coverages to businesses with annual revenues under \$15 million.



Ann de Raismes

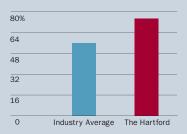
Executive Vice President, Human

Resources; Member of the Office

of the Chairman

"Industry analysts routinely point out that we have **exceptionally strong leadership** throughout The Hartford's businesses. Employees feel motivated to go the extra mile and understand the connection between their work and The Hartford's profitability and growth. Here's the end result—a **highly engaged workforce** that delivers exceptional value to customers and shareholders every day."

# Leadership and commitment among our 31,000 employees means great customer value.



#### **Highly Engaged Employees**

"I would recommend The Hartford as an employer to family, friends, and business associates." 2006 employee survey SINCE STARTING HIS OWN FIRM, Quality Engineering Services, in 1994, Bill Booth of North Carolina has brought more than 20 employees on board. In promising superior service to his clients, Booth wanted to do the same for his workforce—and so he and his benefits manager, Debbie Taylor, decided to switch to The Hartford for its 401(k) group retirement plan. "It's just been a blessing," Taylor says. "That alone has made my job easier." Booth and Taylor subsequently sought group disability, life, and accident coverage from The Hartford, as well as a comprehensive business insurance policy. "Moving to The Hartford was the best move in the world," Booth says. "Everything has been smooth sailing since."

Our small business insurance franchise now boasts more than 1 million policies, a national market leader in a segment that's adding more opportunity for The Hartford every year. The growth we experienced in the marketplace is the result of the business' strategic plan, set in motion two years ago. The Hartford increased distribution through newly endorsed agencies, and we also pioneered more sophisticated data-driven underwriting capabilities. In spite of a competitive pricing environment in 2006, written premium topped \$2.7 billion, a 7 percent increase over 2005.

In middle market business insurance—generally serving those businesses with annual revenues of more than \$15 million—The Hartford has more than 54,000 business customers. Our **specialty commercial insurance** group offers large national companies a range of customized protection solutions, including risk management services and workers' compensation.

In the past year, middle market and specialty commercial saw increased competition. Our strategy in this softening market is to continue to emphasize underwriting discipline, retain our most attractive customers, and selectively write new business where we can achieve long-term profitability. The strategy is working. In 2006, The Hartford's middle market and specialty commercial insurance results were strong. They posted written premium of \$2.5 billion and \$1.6 billion, respectively, and continued to maintain strong profitability.

Across the United States, small and mid-sized businesses are being challenged by competitors to attract and retain employees with **comprehensive retirement and insurance benefits**.

In 2006, when the Pension Protection Act was signed into law, it acknowledged that planning for retirement through the workplace had changed dramatically for most Americans.

In the past 25 years, the number of traditional defined benefit pension plans—previously a key source of retirement income for many of our parents and grandparents—has decreased precipitously, from a high of 112,000 to fewer than 29,000.

Defined contribution plans such as 401(k), 403b, and 457 plans—employer-sponsored but employee-owned—have become the de facto primary retirement savings vehicles for the majority of Americans. With only one-fifth of small businesses offering their employees a 401(k) plan, The Hartford is perfectly



Dave Znamierowski

Executive Vice President and Chief Investment
Officer; President, Hartford Investment
Management Company; Member of the Office
of the Chairman

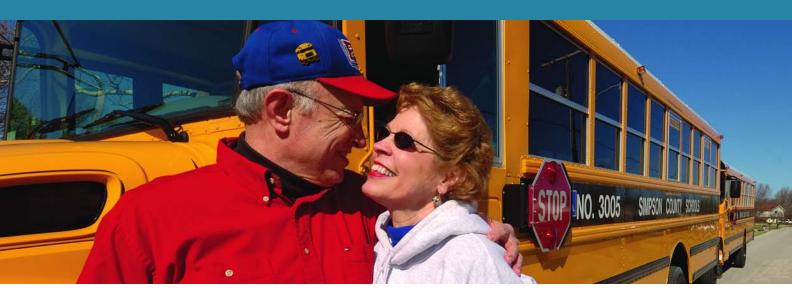
We turn research and ideas into smart, risk-adjusted investments.

"At Hartford Investment Management, we anticipate the needs of individual and institutional investors today and tomorrow. Our collective focus is to capitalize on ideas that have **the greatest risk-adjusted return potential**. Take our innovative Floating Rate Fund—in 2006 it had more than \$3 billion in sales and was ranked the **top-selling bank loan fund** in the United States.\*"



Floating Rate Fund
Asset Growth Since Inception
(\$ in billions)

<sup>\*</sup>Investment Company Institute



positioned for this growing market opportunity. We specialize in the micro and small retirement plan markets, and are moving into larger market segments as we grow our capabilities.

Our reputation for excellence in plan administration is also growing. In fact, *PlanSponsor* magazine has awarded The Hartford its best-in-class designation. Our **retirement plans'** deposits rose to \$5.5 billion in 2006, a 23 percent increase over the prior year. Total assets under management in all of our plans reached \$24.7 billion at the end of 2006.

A key offering in our suite of business solutions is **group benefits**, which includes **group disability**, **life**, **and accident**. These products, offered at the work site, provide financial security to millions of American families. Ensuring income continuity is particularly important to those many individuals and families living paycheck to paycheck.

We have a positive outlook on the group benefits market. Employment and wages in the United States have been steadily increasing, and the "voluntary" group benefits market—where employees either pay 100 percent of the coverage or purchase supplemental insurance—has doubled in just eight years.

The Hartford's group benefits business—a market leader in group disability and group life—posted fully insured sales of \$861 million, up 11 percent over the prior year. Cross-selling has been one of the keys to The Hartford's success: 42 percent of 2006 employer sales were new, additional products sold to existing group benefits customers.

#### **Looking Ahead**

As I have noted, The Hartford's growth opportunities are exciting. Of course, any discussion of growth opportunities in our portfolio of businesses wouldn't be complete without a few remarks about the outlook for the equity markets and the property and casualty insurance pricing cycle.

In 2006, we were favored by the tailwinds of an expanding U.S. and global economy, with positive forces—strong corporate earnings reports, low unemployment, solid domestic growth, and increasing wages and consumer spending—outweighing the negatives: a slumping housing market, volatile oil prices and interest rates, instability in the Middle East, and the threat of rising inflation.



#### Neal Wolin

Executive Vice President, Public Policy and Communications; General Counsel; Member of the Office of the Chairman Our brand speaks to nearly 200 years of delivering on our promises every day.

"The Hartford's **brand has tremendous strength** in the marketplace. We put that brand value to work in our advertising to help communicate that The Hartford is both **an insurance** *and* **investment company**. Awareness among affluent Boomers that The Hartford sells investment products has tripled in the past four years. Our **renewed partnership with the NCAA**, one of our most visible efforts, will help keep our brand top-of-mind for years to come."





MARRIED 4I YEARS, Wally and Joyce Byrne know what it takes to build a relationship based on trust. The Hartford understands the value of trust, too; it has worked hard—for nearly 200 years—to build its reputation as a trusted solutions provider, earning the confidence of its customers worldwide. The Byrnes, of Simpson County in Kentucky, depend on The Hartford to protect not only their property, with automobile and homeowners insurance through AARP, but their assets as well—through a number of Hartford mutual funds and a life insurance policy. "Our savings have grown. And we feel secure," says Mr. Byrne, a former accountant, who, along with his wife, chose to keep active in retirement by driving school buses for special-needs children. "Our experience with The Hartford has always been a positive one," he says.

In 2006, we began to see some erosion in property and casualty pricing, and competition is likely to pick up in the coming year. However, I don't believe we will see the irrational competition that we saw in earlier decades, due to the disciplining force of ratings agencies and the improved transparency in insurance company financial statements.

Looking forward to the rest of 2007, industry analysts believe we are in for more of the same—modest growth in the equity markets and flat or eroding pricing in the property and casualty markets. Of course, these are predictions, not guarantees. At The Hartford, we are making decisions that place our businesses in a position of strength, to deliver value in almost any market and in all cycles, to be ready for risks as well as opportunities.

In 2007, we will expand our growing expertise in insurance and investment solutions for individuals, families, and businesses, especially Boomers and small businesses. Our operational strategy is straightforward. We will grow by continuing to build scale and expanding product and distribution capabilities. We will also manage our processes and expenses to competitive levels.

As always, The Hartford's nearly 200-year-old reputation for delivering on its promises will be our calling card. I am confident that this disciplined approach will assure us success in the marketplace, and that profitable growth will underscore The Hartford's performance next year and going forward.

In reviewing 2006 and looking ahead to 2007 and beyond, there's so much at The Hartford that makes me proud and optimistic. Special thanks, of course, go to The Hartford's employees and Board of Directors for all that they do to help us win in the marketplace.

In a relatively short period, we have built a growing, diversified financial services company, and we've positioned ourselves for sustainable growth well into the future. I look forward to more success in 2007.

Sincerely,

Ramani Ayer

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Chairman and CEO

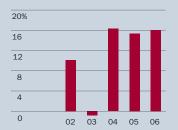


David M. Johnson

Executive Vice President and
Chief Financial Officer; Member
of the Office of the Chairman

Financial discipline protects our customers and builds shareholder value.

"The Hartford will always be disciplined in managing risk and our shareholders' capital. In 2006, we committed to an \$800 million share repurchase program, and we increased our annual dividend from \$1.60 to \$2.00 per share. And over the last three years, we've added \$1.5 billion to fully fund our employee pension plan. Strong, consistent ROEs, combined with growth in book value per share, is the key to delivering shareholder value."



#### Return on Equity

The Hartford's ROE target range is 13 percent to 15 percent; we met or exceeded that in each of the past three years.

### Business profiles: LIFE

## RETAIL INVESTMENT PRODUCTS

		Change	
	In millions	from 2005	
Sales/deposits	\$24,878	40%	
Net income	\$ 628	1%	

#### Overview

The retail investment products team is a leading provider of investment vehicles designed to help individual investors achieve their long-term financial goals. We provide the investor access to superior asset management through such products as annuities, mutual funds, 529 college savings plans, and other specialty products. Mutual fund offerings include a range of risk and return profiles, from money market and bond funds to asset allocation and high-growth funds.

#### Top products/services

- · Variable annuities
- Fixed annuities
- Mutual funds
- 529 college savings plans

#### RETIREMENT PLANS

		Change
	In millions	from 2005
Sales/deposits	\$5,473	23%
Net income	\$ 109	45%

#### Overview

The retirement plans team provides 401(k) retirement plans for corporate customers, 457 plans for government entities, and 403(b) plans for education, health care, and non-profit organizations. The retirement plans team also supports small and mid-size company-sponsored retirement plans by offering employers the option of having full program administration handled by The Hartford.

#### Top products/services

- 401(k) retirement plans
- 457 retirement plans
- 403(b) retirement plans
- 405(b) retirement plans
- Administration services

## INSTITUTIONAL FINANCIAL SOLUTIONS

		Change
	In millions	from 2005
Sales/deposits	\$6,215	16%
Net income	\$ 99	13%

#### Overview

The institutional financial solutions team provides customized wealth creation and financial protection solutions for institutions, corporations, and high-net-worth individuals. We provide lifetime income products and other asset protection and wealth management solutions.

#### Top products/services

- Guaranteed investment products
- Institutional mutual funds
- Structured settlement annuities
- Institutional annuities
- Private placement life insurance

#### INDIVIDUAL LIFE INSURANCE

	In millions	Change from 2005
Sales	\$284	14%
Net income	\$170	2%

#### Overview

The individual life insurance team offers a broad product portfolio of variable universal life, universal life, whole life, and term life insurance. Our products provide liquidity for estate taxes, income replacement for families, protection and tax-preferred benefits for small businesses, and more. These products are distributed through a wide network of national and regional brokerdealer organizations, banks, and independent financial advisors, as well as through independent life and property-casualty agents and Woodbury Financial Services, a subsidiary retail broker-dealer.

#### Top products/services

- Variable universal life
- Universal life
- Whole life
- Term life

#### **GROUP BENEFITS**

		Change
	In millions	from 2005
Sales	\$861	11%
Net income	\$303	11%

#### Overview

The group benefits insurance team provides a portfolio of insurance products to employers, associations, and affinity groups that offer protection to employees and group members. These products include short- and long-term disability insurance, and group life and accident insurance. Other specialty products include retiree health insurance policies sold through brokers and third-party administrators. The group benefits team also offers a comprehensive suite of voluntary employee insurance products to meet the needs of today's consumers.

#### Top products/services

- Short-term disability
- Long-term disability
- Group life
- Group accident
- Group retiree health
- Voluntary insurance products for consumer customers

#### INTERNATIONAL

		Change
	In millions	from 2005
Sales (Japan)*	\$6,107	(49%)
Net income	\$ 246	156%

#### Overview

The Hartford's international team provides retirement savings, wealth creation, and financial protection solutions for individual investors in Japan, Brazil, and the United Kingdom.

#### Top products/services

- Variable annuities
- Fixed annuities

<sup>\*</sup>At this time, The Hartford discloses sales and asset information only for its Japan operation.

#### 2006 highlights

- Variable annuity assets exceeded \$114 billion, up 9%.
- Mutual fund business celebrated its 10-year anniversary; became the fastest retail-oriented fund family in history to reach \$30 billion; and achieved record retail mutual fund assets of \$38.5 billion, an increase of 33%.
- · Launched new variable annuity income benefits including Lifetime Income Builder II and Lifetime Income Foundation.
- Award-winning annuity and mutual fund service, DALBAR Awards recipient.
- Investor Advisor magazine named Woodbury Financial, a subsidiary retail broker-dealer, the "Broker/Dealer of the Year" in 2006 for companies with 1,000 or more reps.

#### 2006 highlights

- Assets under management exceeded \$24 billion, a 21% increase over 2005.
- 401(k) sales/deposits exceeded \$3.9 billion, up 21% over 2005.
- Developed products to allow for expansion into small and mid-size markets.

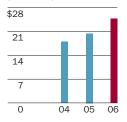
#### Assets Under Management (\$ in billions)

\$180 135 90 45 0 04 06

#### Assets Under Management

05

(\$ in billions)

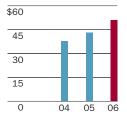


#### 2006 highlights

- Sales/deposits of \$6.2 billion, up 16% over 2005.
- Institutional mutual fund sales of \$991 million, up 23% over 2005.
- Top provider of corporate- and bank-owned life insurance; Private Placement Life Insurance deposits of \$1.1 billion, up 86% over 2005.
- Leader in structured settlement sales.
- Assets under management exceeded \$50 billion, an 18% increase over 2005.

#### Assets Under Management

(\$ in billions)

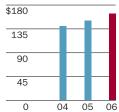


#### 2006 highlights

- Leader in variable universal life insurance.
- Record-breaking sales of \$284 million, up 14% over 2005.
- Life insurance in force exceeded \$164 billion, an increase of 9%.
- Launched private wealth management group to meet financial planning needs of ultra-affluent.
- Introduced new term life portfolio.
- Award-winning service, DALBAR Awards recipient.

#### Insurance in Force

(\$ in billions)

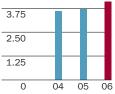


#### 2006 highlights

- No. 1 seller of fully insured group disability insurance.
- No. 3 seller of fully insured group life insurance.
- Exceeded \$4 billion of ongoing fully insured premium in 2006.
- After-tax margins have expanded from 5% in 2000 to 7.3% in 2006.

#### Fully Insured Premium (\$ in billions)

\$5.00 3.75

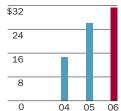


#### 2006 highlights

- Leading provider of variable annuities in Japan, with a 26% share of the market's assets under management as of September 30, 2006.
- Successfully launched an enhanced version of our variable annuity product in Japan in the third quarter of 2006 to address customer demand for shorter deferral periods.
- First full year of European operations-offering unit-linked investment bonds (variable annuities) in the United Kingdom.
- · Consistent profitability and growth in Brazil operations.

#### Assets Under Management

(Japan\* - \$ in billions)



### Business profiles: PROPERTY AND CASUALTY

#### **BUSINESS INSURANCE**

Change from 2005

Net Written Premium \$5.185 billion 4%

Net Written Premium \$5.185 billion 4%
GAAP Combined Ratio\* 87.9% down 3.8
points

#### Overview

The business insurance team provides a broad array of products and services for small and mid-sized business enterprises. The Hartford is the 5th largest commercial lines carrier in the United States based on direct written premium, per A.M. Best. It is a market leader in small business insurance, serving more than 770,000 customers, and in middle market, serving more than 54,000 customers. Business insurance is sold through approximately 6,000 independent agents and brokers.

#### Top products/services

- Property insurance
- Automobile insurance
- General liability insurance
- Marine insurance
- Workers' compensation insurance

#### PERSONAL LINES INSURANCE

Change from 2005

Net Written Premium \$3.877 billion

GAAP Combined Ratio\* 88.6% u

5% up 1.3 points

#### Overview

The personal insurance team offers home and automobile insurance through approximately 5,800 independent agents and directly through AARP. The Hartford is the 12<sup>th</sup>-largest personal lines insurance carrier in the United States, based on direct written premium, per A.M. Best. In the agent business, we continued to expand our ability to write and efficiently service a broader range of customers. The Hartford has partnered with AARP since 1984 and currently provides insurance coverage for approximately 12% of eligible households. The AARP partnership has recently been extended until 2020.

#### Top products/services

- Automobile insurance
- Home insurance
- Hartford Customer Services Group

## SPECIALTY COMMERCIAL INSURANCE

Change from 2005

Net Written Premium \$1.596 billion (12%)
GAAP Combined Ratio\* 95.9% down 13.5
points

#### Overview

The specialty commercial insurance team sells customized insurance products and risk management services through independent agents, brokers, and wholesalers. Through The Hartford's Specialty Risk Services, the specialty commercial insurance team also provides third-party administrator and risk management services.

#### Top products/services

- Workers' compensation insurance
- Automobile insurance
- Products liability insurance
- Property insurance
- Bond insurance
- Professional liability insurance
- Excess and surplus lines insurance
- Third-party administrator and risk management services

"Non-GAAP financial measures" as defined by the rules of the Securities and Exchange Commission are referenced herein. The Hartford uses non-GAAP financial measures to assist investors in analyzing The Hartford's operating performance. These measures should be considered in addition to our results prepared in accordance with GAAP, as set forth in our Annual Report on Form 10-K, but are not a substitute for GAAP results.

The Hartford uses the non-GAAP financial measure core earnings as an important measure of the Company's operating performance. We believe the measure core earnings provides investors with a valuable measure of the performance of the Company's ongoing businesses because core earnings excludes the cumulative effect of accounting changes and the effect of all realized gains and losses (net of tax) that tend to be highly variable from period to period

based on capital market conditions. Net income is the most directly comparable GAAP measure. A reconciliation of core earnings to net income for the periods presented herein is set forth on The Hartford's web site at www.thehartford.com/ir/financialmeasures.html.

Assets under management is an internal performance measure used by the Company because a significant portion of the Company's revenues are based upon asset values. These revenues increase or decrease with a rise or fall, correspondingly, in the level of assets under management. Assets under management is the sum of total assets, mutual fund assets, and third-party assets managed by Hartford Investment Management Company.

Book value per share excluding AOCI is calculated based upon a non-GAAP financial measure. It is calculated by dividing (a) stockholders' equity excluding AOCI, net of tax,

<sup>\*</sup>The combined ratio relates underwriting results to earned premium, and is the sum of the loss and loss adjustment expense ratio, the expense ratio, and the policy-holder dividend ratio. A combined ratio under 100% indicates an underwriting profit, while an underwriting loss occurs when the combined ratio is over 100%.

#### 2006 highlights

- Achieved overall written premium growth of 4%, driven by 7% growth in small commercial.
   Continue to be among the front-runners in growth, total written premium, and overall profitability in the small commercial market.
- Launched Technology Practice Group, a holistic underwriting approach bringing together the
  expertise of Middle Market, Small Commercial, and Hartford Financial Products to market
  our industry-leading errors and omissions FailSafe®, Spectrum®, General Liability Choice®, and
  Property Choice® products more effectively to technology firms of all sizes.
- Fully launched Customized Pricing, our sophisticated predictive pricing model that automatically provides the most appropriate price for a new small business submission based on a combination of individual risk factors and unique characteristics.
- Introduced a new Commercial Auto offering in the majority of states that is much more competitive on pricing, easier for agents to use, and faster to quote.
- Introduced a new set of coverages designed specifically for mid-size businesses within the \$6 billion commercial real estate industry.
- Broadened our distribution reach by adding more than 1,000 local agencies.

#### 2006 highlights

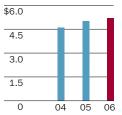
- Achieved significant new business premium growth—more than 21% growth through our AARP program and more than 17% growth through our agency business.
- Added more than 1,700 local agencies and successfully entered the West Virginia market for agency sales.
- Launched Dimensions with Auto Packages as a new feature of our Dimensions rating plan, offering customers more choice and broadening our market reach.
- Divested the Omni Insurance Group, which wrote non-standard auto business.
- For the second consecutive year, our AARP contact centers were certified by J.D. Power and Associates\* for customer satisfaction excellence.
- The Hartford Customer Service Group (HCSG), specializing in contact center sales and service for more than 3.6 million AARP members, extended its partnership with AARP's Health Care Options program through 2009.
- Accelerated shift toward use of broadcast media to extend reach and complement core AARP marketing programs.

#### 2006 highlights

- Specialty Risk Services LLC is the 2<sup>nd</sup>-largest property casualty third-party administrator nationally, generating more than \$250 million annually in total revenues, and servicing 20 major carriers and 15% of the Fortune 100, with a 95% client retention rate.
- Hartford Financial Products (HFP) has enhanced its product portfolio with a number of new
  and industry-leading products such as Priority Protection<sup>SM</sup> Plus and Professional Choice Liability
  Policy.<sup>SM</sup> Both of these products, along with our new Large Private Company department, are
  designed to enhance the needs of The Hartford consumer base.
- Created new Real Estate Errors and Omissions (E&O) Liability product designed specifically for small businesses.

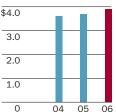
Net Written Premium

(\$ in billions)

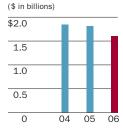


#### Net Written Premium

(\$ in billions)



Net Written Premium



by (b) common shares outstanding. The Hartford provides book value per share excluding AOCI to enable investors to analyze the amount of the Company's net worth that is primarily attributable to the Company's business operations. The Hartford believes book value per share excluding AOCI is useful to investors because it eliminates the effect of items which typically fluctuate significantly from period to period, primarily based on changes in interest rates. Book value per share is the most directly comparable GAAP measure.

<sup>\*</sup>For J.D. Power and Associates Certified Call Center Program<sup>SM</sup> information, visit www.jdpower.com or call 1-866-842-7548.

## **Board of DIRECTORS**



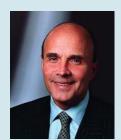
Ramani Ayer Chairman and Chief Executive Officer, The Hartford



Ramon de Oliveira
Adjunct Professor
of Finance,
Columbia University



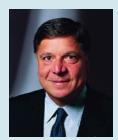
**Trevor Fetter**President and Chief
Executive Officer, Tenet
Healthcare Corporation



Edward J. Kelly, III Chairman, President, and Chief Executive Officer, Mercantile Bankshares Corporation



Paul G. Kirk, Jr. Retired Partner, Sullivan & Worcester, law firm



Thomas M. Marra Executive Vice President, The Hartford; President and Chief Operating Officer, Life Operations

### Corporate INFORMATION

#### **Corporate Profile**

The Hartford Financial Services Group, Inc. is a diversified insurance and financial services organization offering investment products, individual life, group life and group disability insurance products, and property and casualty insurance products.

#### **Annual Meeting**

Shareholders are cordially invited to attend The Hartford's Annual Meeting of Shareholders which will be held on Wednesday, May 16, 2007 at 2:00 p.m. in the Wallace Stevens Theatre at The Hartford Financial Services Group, Inc.'s home office at One Hartford Plaza, Hartford, Connecticut. Shareholders of record as of March 20, 2007 are entitled to notice of, and to vote at, the Annual Meeting.

#### **Common Stock and Dividend Information**

The Hartford's common stock is traded on the New York Stock Exchange ("NYSE") under the trading symbol "HIG." The following table presents the high and low closing prices for the common stock of The Hartford on the NYSE for the periods indicated, and the quarterly dividends declared per share:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2006				
Common Stock Price				
High	\$88.83	\$92.22	\$87.84	\$93.61
Low	79.24	80.63	79.86	84.73
Dividends Declared	0.40	0.40	0.40	0.50
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2005				
Common Stock Price				
High	\$73.76	\$77.26	\$81.89	\$89.00
Low	66.06	65.51	73.05	73.75
Dividends Declared	0.29	0.29	0.29	0.30

As of February 16, 2007, there were approximately 350,000 shareholders of The Hartford.

#### **Corporate Headquarters**

The Hartford Financial Services Group, Inc. One Hartford Plaza Hartford, CT 06155 860-547-5000

#### **Internet Address**

http://www.thehartford.com

#### **Investor Relations**

The Hartford Financial Services Group, Inc. One Hartford Plaza, HO-1-01 Hartford, CT 06155 Attn: Investor Relations 860-547-2537

#### **Media Inquiries**

The Hartford Financial Services Group, Inc. Media Relations One Hartford Plaza, T-12-56 Hartford, CT 06155 860-547-5200

#### **Transfer Agent/Shareholders Records**

For information or assistance regarding stock records, dividend checks or stock certificates, please contact The Hartford's transfer agent: The Bank of New York
Shareholder Relations Department—12E
P.O. Box 11258
Church Street Station
New York, NY 10286
800-254-2823

To send certificates for transfer and address changes:
The Bank of New York
Receive and Deliver Department–11W
P.O. Box 11002
Church Street Station
New York, NY 10286

Address inquiries about The Hartford's Dividend Reinvestment and Cash Payment Plan to:
The Bank of New York
Dividend Reinvestment Department
P.O. Box 1958
Newark, NJ 07101-9774
E-mail: shareowners@bankofny.com
Internet address: www.stockbny.com



Gail J. McGovern
Professor of Marketing,
Harvard Business School



Michael G. Morris Chairman, President and Chief Executive Officer, American Electric Power Company, Inc.



Robert W. Selander President and Chief Executive Officer, MasterCard Incorporated



Charles B. Strauss
Retired President
and Chief Executive
Officer, Unilever
United States, Inc.



**H. Patrick Swygert**President, Howard
University



David K. Zwiener
Executive Vice President,
The Hartford; President
and Chief Operating
Officer, Property &
Casualty Operations

#### **Total Return to Shareholders**

(includes reinvestment of dividends)

#### **Annual Return Percentage** Years Ending December 31

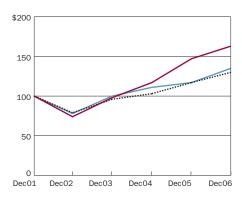
Company/Index	2002	2003	2004	2005	2006
The Hartford					
Financial Services Group, Inc.	-26.35	33.01	19.50	25.83	10.82
S&P 500 Index	-22.10	28.68	10.88	4.91	15.79
S&P Insurance Composite Index	-20.68	21.03	7.25	14.10	10.91

#### Indexed Returns

Years Ending

	Base Period					
Company/Index	Dec01	Dec02	Dec03	Dec04	Dec05	Dec06
The Hartford						
Financial Services Group, Inc.	100	73.65	97.97	117.07	147.30	163.24
S&P 500 Index	100	77.90	100.25	111.15	116.61	135.03
S&P Insurance Composite Index	100	70.32	96.01	102.96	117.49	130.31

## Comparison of Cumulative Five-Year Total Return



- The Hartford Financial Services Group, Inc.
- S&P 500 Index
- ..... S&P Insurance Composite Index

#### Certifications

The Hartford's Chief Executive Officer and Chief Financial Officer have filed written certifications with the Securities and Exchange Commission, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly periods ended March 31, 2006, June 30, 2006 and September 30, 2006, and for the fiscal year ended December 31, 2006. The certifications for The Hartford's Annual Report on Form 10-K for the year ended December 31, 2006 are filed as Exhibits 31.01 and 31.02 to the Form 10-K. In addition, The Hartford's Chief Executive Officer has certified to the NYSE that he is not aware of any violation by The Hartford of NYSE corporate governance listing standards, as required by Section 303A.12(a) of the NYSE's Listed Company Manual.

Some of the statements herein may be considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause actual results to differ. These important risks and uncertainties include those discussed in our 2006 Annual Report on Form 10-K, in our Quarterly Reports on Form 10-Q, and in the other filings we make with the Securities and Exchange Commission. We assume no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.

## Corporate responsibility: MAKING A DIFFERENCE EVERY DAY

n the deserts of Iraq, not surprisingly, financial advisers can be hard to come by. But Jason Bierman, U.S. Army Staff Sergeant and a wholesaler for The Hartford's investment and life insurance products, happened to be in the right place at the right time.

Deployed to a base with 25,000 troops just north of Baghdad, Bierman spent his working hours completing extensive military duties. But after attending an Army-sponsored financial planning seminar for his fellow soldiers, he realized he had knowledge to share. Having brought his personal laptop computer from home, Bierman volunteered to spend his personal time coaching his comrades on financial literacy.

"It was no different," he said, "than what I do on a dayto-day basis." During his yearlong tour of duty, he taught more than 1,000 men and women about checking and savings accounts, mutual funds, Roth IRAs, and more. From giving

Bierman's volunteerism reflects The Hartford's many programs that extend our business expertise to our communities. Our major philanthropic initiatives include the Playbook for Life, a financial literacy curriculum that reached 60,000 college students last year; our founding sponsorship of the U.S. Paralympics, which demonstrates our commitment to helping claimants maintain active, productive lives if they become disabled; and our partnership with the MIT AgeLab, enabling research that helps us better understand the needs of older Americans.

In 2006, in addition to the support of our many employee volunteers, The Hartford contributed millions to more than 40 employee communities worldwide. More information on our corporate social responsibility can be found at www.thehartford.com.

