
A.M. Best places Hartford's ratings under review

By Editor Test Thu, Mar 22, 2012

The Hartford will place its individual annuity business into run-off effective April 27, 2012, A.M. Best said, and is pursuing other options for certain product lines within its Wealth Management segment, including sales or other strategic alternatives.

A.M. Best Co. said it has placed under review the bbb+ issuer credit rating and the debt ratings of The Hartford Financial Services Group, Inc. as well as the a+ issuer credit rating and the A (excellent) financial strength rating of the Hartford Insurance Pool.

At the same time, A.M. Best has placed under review with negative implications the FSR of A (Excellent) and ICRs of "a+" of the Hartford's key life/health insurance subsidiaries. All companies are headquartered in Hartford, CT.

These rating actions follow the announcement of the Hartford's decision to focus its strategy on the company's property/casualty, group benefits and mutual funds businesses. The company will place its individual annuity business into run-off effective April 27, 2012. The company is pursuing other options for certain product lines within its Wealth Management segment, including sales or other strategic alternatives.

The rating actions for the Hartford Life subsidiaries reflect the execution risk in the current economic environment of the group's plans to divest its Individual Life, Woodbury Financial Services and Retirement Plans businesses.

Additionally, the revised strategy will cause Hartford Life's business profile to contract over time and be limited to the ongoing Group Benefits and Mutual Funds businesses, as well declining in-force blocks of fixed and variable annuities. This will result in reduced life/health revenues and earnings available to the enterprise.

The under review with negative implications status recognizes the potential for changes in Hartford Life's ratings and outlook based on the final outcome of management's intended restructuring.

A.M. Best believes execution risk may be somewhat diminished by the perceived attractiveness of the Individual Life and Retirement Services businesses. A.M. Best's understanding is that the Hartford's current plans do not involve the sale of insurance entities, which may expedite the process.

However, A.M. Best notes that the longer it takes to consummate a transaction, the less likely management will generate its targeted proceeds from the sale. Nevertheless, the planned divestitures will allow Hartford Life to release capital allocated to these businesses and potentially upstream funds to the parent. It is currently uncertain what impact the restructuring will have on the group's remaining investment portfolio.

The rating actions for the Hartford and the Pool acknowledge the potential for successful implementation

of the restructuring plan in line with management's expectations to result in favorable movement on the ratings. The increase in financial flexibility at the holding company, the expected reductions in financial leverage and the benefits of a more focused management strategy centered around the company's property/casualty business are viewed positively by A.M. Best, and—if the plan is achieved as expected—would likely result in favorable rating action on these entities. At the same time, however, the under review with developing implications status acknowledges the execution risk associated with the plan and the potential for some continued volatility related to the Individual Annuity business that will be retained, which could have negative implications on the ratings of both the Hartford and the Pool.

A.M. Best will continue to work with management as steps are taken toward accomplishing the plan and will evaluate the under review status as appropriate. Due to the scope of the plan, the ratings may remain under review for an extended period of time.

For a complete listing of The Hartford Financial Services Group, Inc. and its key life/health and property/casualty subsidiaries' FSRs, ICRs and debt ratings, please visit www.ambest.com/press/032104hartford.pdf.