The Hartford Financial Services Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Nigel Dally – Morgan Stanley

Nigel Dally – Morgan Stanley

On capital, first you have $2.1 billion net capital employed in your Japanese operations. Given your decision not to write new business how should we be thinking about that capital? How much of that potentially could be freed and over what timeframe? Second, with your estimated RBC ratio of 420% to 430% I'm assuming that includes permitted practices. I think that benefit is roughly $1 billion. Would you also have that ratio without the permitted practices, which I think is also a metric with some of the rating agencies?

Liz Zlatkus

In terms of our Japanese operations there are certain rules and regulatory requirements in terms of accessing that capital. I would say that we cannot do that for the next several years. It's important to note that we are well capitalized in Japan. In terms of the RBC ratio all of the forecasts that I mentioned about looking at year end do not include the permitted practices as you mentioned. They were worth about $900 million and our estimated RBC is in the $1.3 billion to $1.4 billion range.

Operator

Your next question comes from Josh Shanker – Citi

Josh Shanker – Citi

I wanted to ask questions about the changes you made in your methodologies regarding the reserves on the GMIB products that are mentioned in the Q whether or not the effect those had on your capital and what changed in the core to allow you make those reserve changes?

Ramani Ayer

I believe you're thinking about the three wind product, there is no real change in the methodology.

Josh Shanker – Citi

More the standing capital change that you made.

Liz Zlatkus

I think you're referring to the adjustments to the FAS 157 liability for living benefits. There were two changes one was the credit standing adjustment where we previously used long term applied default rates for a AA credit company and it was a very small adjustment. With the volatility in the market and our CDS spreads as well as those of re-insurers we did think it was appropriate to move towards something that uses the implied default rates from our CDS but it is important to note that in that case we also look at that for any uncollateralized reinsurance. You'll see some more volatility going forward because of that because you'll have to look at our spreads as well as our re-insurers.

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