Patel Shruti H
Form 4
August 10, 2017

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Patel Shruti H

(Last) (First) (Middle)

7 CLYDE ROAD

(Street)

SOMERSET, NJ 08873

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MEDICAL TRANSCRIPTION BILLING, CORP [MTBC]

3. Date of Earliest Transaction (Month/Day/Year)
08/09/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
General Counsel and Corp Sec

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/09/2017		M		5,000	A	$ 0 (1)	5,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Pr Deriv Secu (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Unit	$ 0 (1)	08/09/2017		M			5,000	(1)	(1)	Common Stock	5,000	$ (

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Patel Shruti H 7 CLYDE ROAD SOMERSET, NJ 08873			General Counsel and Corp Sec	

Signatures

/s/ Shruti H. Patel	08/10/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Represents the conversion upon vesting of restricted stock units into common stock on August 9, 2017. These restricted stock units were acquired under the Company's 2014 Equity Incentive Plan, without payment by the reporting person. The remainder of the restricted stock units vest in equal annual installments on each of the next two anniversaries of August 9, 2017.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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(9
)

389

0.6
%
Commercial mortgage-backed securities ("CMBS")

Agency backed [2]
1,085

39

(2
)

1,122

1.9
%

1,068

20

(12
)

1,076

1.7
%
Bonds
2,752

122

(7
)

2,867

4.8
%

2,836

168

(31
)

2,973

4.8
%
Interest only (“IOs”)
473

30

(10
)

493

0.8
%

384

28

(15
)

397

0.6
%
Corporate

Basic industry
1,792

110

(11
)

1,891

3.2
%

2,085

106

(38
)

2,153

3.5
%
Capital goods
1,895

186

(3
)

2,078

3.5
%

2,077

161

(14
)

2,224

3.6
%
Consumer cyclical
1,623

115

(6
)

1,732

2.9
%

1,801

119

(17
)

1,903

3.1
%
Consumer non-cyclical
3,376

323

(6
)

3,693

6.2
%

3,600

288

(21
)

3,867

6.2
%
Energy [3]
3,409

321

(21
)

3,709

6.2
%

2,384

174

(17
)

2,541

4.1
%
Financial services
4,992

373

(82
)

5,283

8.9
%

5,044

287

(145
)

5,186

8.3
%
Tech./comm.
3,130

328

(11
)

3,447

5.8
%

3,223

223

(28
)

3,418

5.5
%
Transportation
900

77

(3
)

974

1.6
%

972

65

(13
)

1,024

1.6
%
Utilities [3]
4,308

444

(19
)

4,733

7.9
%

5,605

386

(51
)

5,940

9.5
%
Other
158

16

—

Explanation of Responses:

174

0.3
%

222

14

(2
)

234

0.4
%
Foreign govt./govt. agencies
1,632

67

(27
)

1,672

2.8
%

4,228

52

(176
)

4,104

6.6
%

Municipal

Taxable
1,121

102

(6
)

1,217

2.0
%

1,299

32

(67
)

1,264

2.0
%
Tax-exempt

10,623

925

(4
)

11,544

19.5
%

10,633

393

(117
)

10,909

17.5
%
RMBS

Agency

2,595

85

(6
)

2,674

4.5
%

3,366

59

(38
)

3,387

5.4
%
Non-agency
82

2

—

84

0.1
%

86

—

Explanation of Responses:

—

86

0.1
%
Alt-A
58

1

—

59

0.1
%

—

—

—

—

—
%
Sub-prime
1,172

23

(17
)

1,178

2.0
%

1,187

31

(44
)

1,174

1.9
%
U.S. Treasuries
3,910

180

(12
)

4,078

6.8
%

3,797

7

(59
)

3,745

6.0
%
Fixed maturities, AFS
55,898

4,014

(323
)

59,586

100
%

60,641

2,746

(1,028
)

62,357

100
%
Equity securities

Financial services
122

16

—

138

21.3
%

233

11

(29
)

215

24.8
%
Other
490

42

(22
)

510

78.7
%

617

56

(20
)

653

Explanation of Responses:

75.2
%
Equity securities, AFS
612

58

(22
)

648

100
%

850

67

(49
)

868

100
%
Total AFS securities
$
56,510

$
4,072

$
(345
)

$
60,234

$
61,491

$
2,813

$
(1,077
)

$
63,225

Fixed maturities, FVO

$
464

$
844

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

[2] Includes securities with pools of loans issued by the Small Business Administration which are backed by the full faith and credit of the U.S. government.

[3] Securities with an amortized cost and fair value of $1.0 billion and $1.1 billion, respectively, as of December 31, 2013, were reclassified in 2014 from utilities to energy as a result of an update to the Barclays bond index which is the primary component used in determining the classification in the above table.

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The decline in the fair value of AFS and FVO securities as compared to December 31, 2013 is primarily attributable to the sale of the Japan variable and fixed annuity business. In addition asset decline due to the effect of net outflows as a result of the continued runoff of Talcott Resolution; partially offset by higher valuations as a result of a decrease in long term interest rates and tighter credit spreads.

Emerging Market Exposure

Early in 2014, emerging market securities were negatively impacted by lower European interest rates, increased political tension in eastern Europe, softer-than-expected economic growth, as well as trade and budget deficits, raising the potential for destabilizing capital outflows and rapid currency depreciation, causing bondholders to demand a higher yield which caused the the fair value of securities held to decline. Credit spreads for emerging market securities have been volatile and we expect continued sensitivity to geopolitical events, the ongoing evolution of Fed policy and other economic factors, including contagion risk.

The Company has limited direct exposure within its investment portfolio to emerging market issuers, totaling only 2% of total invested assets as of September 30, 2014, and is primarily comprised of sovereign and corporate debt issued in US dollars. The Company identifies exposures with the issuers' ultimate parent country of domicile, which may not be the country of the security issuer. The following table presents the Company's exposure to securities within certain emerging markets currently under the greatest stress, defined as countries that have a sovereign S&P credit rating of B- or below; or countries that have had a current account deficit and have an inflation level greater than 5%, for the past six months or more.

	September 30, 2014		December 31, 2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Argentina	$3	$3	$38	$40
Brazil	154	154	274	257
India	65	69	62	62
Indonesia	83	80	107	93
Lebanon	29	30	26	26
South Africa	59	57	65	60
Turkey	65	64	88	79
Ukraine	4	4	50	50
Uruguay	17	16	27	25
Venezuela	5	5	67	60
Other	19	19	—	—
Total	$503	$501	$804	$752

The Company manages the credit risk associated with emerging market securities within the investment portfolio on an on-going basis using macroeconomic analysis and issuer credit analysis subject to diversification and individual credit risk management limits. For additional details regarding the Company's management of credit risk, see the Credit Risk section of this MD&A. Due to increased political tensions in Argentina, Ukraine, and Venezuela, the Company substantially reduced its exposure to these economies during the first quarter of 2014.

In addition, the Company has limited exposure to the Russian Federation, with a total amortized cost and fair value of $50 and $48, respectively, as of September 30, 2014. The exposure is primarily comprised of government and government agency bonds, but also includes corporate bonds.

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Financial Services

The Company's exposure to the financial services sector is predominantly through investment grade banking and insurance institutions. The following table presents the Company's fixed maturity, AFS and equity, AFS securities in the financial services sector that are included in the Securities by Type table above.

	September 30, 2014			December 31, 2013		
	Amortized Cost	Fair Value	Net Unrealized	Amortized Cost	Fair Value	Net Unrealized
AAA	$39	$41	$2	$49	$52	$3
AA	416	445	29	468	493	25
A	2,574	2,748	174	2,518	2,616	98
BBB	1,710	1,764	54	1,978	1,952	(26)
BB & below	375	423	48	264	288	24
Total	$5,114	$5,421	$307	$5,277	$5,401	$124

The overall increase in the financial services sector is due to higher valuations as a result of decreasing long term interest rates.

Commercial Real Estate

Commercial real estate market fundamentals, including property prices, financial conditions, transaction volume, and delinquencies, continue to improve. In addition, the availability of credit has increased and there is now less concern about the ability of borrowers to refinance as loans come due.

The following table presents the Company's exposure to CMBS bonds by current credit quality and vintage year, included in the Securities by Type table above. Credit protection represents the current weighted average percentage of the outstanding capital structure subordinated to the Company's investment holding that is available to absorb losses before the security incurs the first dollar loss of principal and excludes any equity interest or property value in excess of outstanding debt.

CMBS – Bonds [1]

September 30, 2014

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	$10	$10	$5	$5	$11	$11	$3	$3	$19	$23	$48	$52
2004	19	19	71	78	8	8	—	—	—	—	98	105
2005	247	261	86	89	99	101	83	84	46	46	561	581
2006	292	311	108	116	121	128	69	72	22	23	612	650
2007	214	225	170	183	78	83	31	31	93	93	586	615
2008	43	47	—	—	—	—	—	—	—	—	43	47
2009	11	11	—	—	—	—	—	—	—	—	11	11
2010	18	20	—	—	—	—	—	—	—	—	18	20
2011	56	61	—	—	—	—	6	6	—	—	62	67
2012	44	44	—	—	14	13	11	10	—	—	69	67
2013	16	16	94	96	71	74	12	13	—	—	193	199
2014	381	383	53	53	17	17	—	—	—	—	451	453
Total	$1,351	$1,408	$587	$620	$419	$435	$215	$219	$180	$185	$2,752	$2,867
Credit protection	32.9%		24.8%		21.1%		20.9%		15.5%		27.3%	

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December 31, 2013

	AAA		AA		A		BBB		BB and Below		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
2003 & Prior	$10	$10	$35	$36	$6	$6	$10	$10	$31	$33	$92	$95
2004	79	80	77	83	29	29	13	13	7	12	205	217
2005	307	324	79	82	101	104	71	71	68	75	626	656
2006	336	362	107	116	120	127	102	106	224	238	889	949
2007	188	202	211	218	112	127	—	—	130	125	641	672
2008	43	49	—	—	—	—	—	—	—	—	43	49
2009	11	11	—	—	—	—	—	—	—	—	11	11
2010	18	19	—	—	—	—	—	—	—	—	18	19
2011	63	66	—	—	—	—	6	5	—	—	69	71
2012	35	34	—	—	8	8	11	10	—	—	54	52
2013	30	29	89	86	59	58	10	9	—	—	188	182
Total	$1,120	$1,186	$598	$621	$435	$459	$223	$224	$460	$483	$2,836	$2,973
Credit protection	31.9%		25.9%		19.7%		19.8%		12.2%		24.6%	

[1] The vintage year represents the year the pool of loans was originated.

The Company also has exposure to CRE CDOs with an amortized cost and fair value of $118 and $200, respectively, as of September 30, 2014, and $176 and $248 respectively, as of December 31, 2013. These securities are comprised of diversified pools of commercial mortgage loans or equity positions of other CMBS securitizations. We continue to monitor these investments as economic and market uncertainties regarding future performance impact market liquidity and security premiums.

In addition to CMBS bonds and CRE CDOs, the Company has exposure to commercial mortgage loans as presented in the following table. These loans are collateralized by a variety of commercial properties and are diversified both geographically throughout the United States and by property type. These loans are primarily whole loans, where the Company is the sole lender, or may include participations. Loan participations are loans where the Company has purchased or retained a portion of an outstanding loan or package of loans and participates on a pro-rata basis in collecting interest and principal pursuant to the terms of the participation agreement. In general, A-Note participations have senior payment priority, followed by B-Note participations and then mezzanine loan participations. As of September 30, 2014, loans within the Company's mortgage loan portfolio that have had extensions or restructurings, other than what is allowable under the original terms of the contract, are immaterial.

Commercial Mortgage Loans

	September 30, 2014			December 31, 2013		
	Amortized Cost [1]	Valuation Allowance	Carrying Value	Amortized Cost [1]	Valuation Allowance	Carrying Value
Agricultural	$67	$(6)	$61	$132	$(7)	$125
Whole loans	5,491	(13)	5,478	5,223	(10)	5,213
A-Note participations	155	—	155	192	—	192
B-Note participations	17	—	17	99	(50)	49
Mezzanine loans	19	—	19	19	—	19
Total	$5,749	$(19)	$5,730	$5,665	$(67)	$5,598

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

The increase in whole loans is attributable to the increased allocation to this asset class. During 2014, the Company funded $466 of commercial whole loans with a weighted average loan-to-value ("LTV") ratio of 61% and a weighted average yield of 4.17%. The Company continues to originate commercial whole loans within primary markets, office,

industrial and multi-family, focusing on loans with strong LTV ratios and high quality property collateral. The decline in the valuation allowance as compared to December 31, 2013 resulted from the sale of the underlying collateral supporting a B-note participation. The loan was fully reserved for and the Company did not recover any proceeds as a result of the sale. Included in the table above are mortgage loans held-for-sale with a carrying value and valuation allowance of $61 and $3, respectively, as of December 31, 2013. The carrying value of these loans is included in mortgage loans in the Company's Condensed Consolidated Balance Sheets. There were no mortgage loans held-for-sale as of September 30, 2014.

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Municipal Bonds

The following table summarizes the amortized cost, fair value, and weighted average credit quality of the Company's investments in securities backed by states, municipalities and political subdivisions (“municipal bonds”).

	September 30, 2014			December 31, 2013		
	Amortized Cost	Fair Value	Weighted Average Credit Quality	Amortized Cost	Fair Value	Weighted Average Credit Quality
General Obligation	$2,264	$2,468	AA-	$2,358	$2,455	AA
Pre-Refunded [1]	614	643	AAA	567	605	AAA
Revenue						
Transportation	1,642	1,805	A+	1,880	1,879	A
Health Care	1,388	1,516	AA-	1,305	1,335	AA
Water & Sewer	1,239	1,332	AA	1,455	1,476	AA-
Education	1,108	1,212	AA	1,077	1,105	AA
Leasing [2]	817	903	A+	877	897	AA-
Sales Tax	911	997	AA-	793	795	AA-
Power	734	800	A+	706	722	A+
Housing	134	137	AA	177	171	AA
Other	893	948	AA-	737	733	A+
Total Revenue	8,866	9,650	AA-	9,007	9,113	AA-
Total Municipal	$11,744	$12,761	AA-	$11,932	$12,173	AA-

[1] Pre-refunded bonds are bonds for which an irrevocable trust containing sufficient U.S. treasury, agency, or other securities has been established to fund the remaining payments of principal and interest.

[2] Leasing revenue bonds are generally the obligations of a financing authority established by the municipality that leases facilities back to a municipality. The notes are typically secured by lease payments made by the municipality that is leasing the facilities financed by the issue. Lease payments may be subject to annual appropriation by the municipality or the municipality may be obligated to appropriate general tax revenues to make lease payments.

As of September 30, 2014 the largest issuer concentrations were the states of Illinois, California and Massachusetts, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and taxable bonds. As of December 31, 2013, the largest issuer concentrations were the states of Illinois, California and Massachusetts, which each comprised less than 3% of the municipal bond portfolio and were primarily comprised of general obligation and taxable bonds.

Limited Partnerships and Other Alternative Investments

The following table presents the Company’s investments in limited partnerships and other alternative investments which include hedge funds, mortgage and real estate funds, mezzanine debt funds, and private equity and other funds. Hedge funds are comprised of approximately half credit and equity related funds and approximately half global macro related funds with a market neutral focus. Mortgage and real estate funds consist of investments in funds whose assets consist of mortgage loans, mortgage loan participations, mezzanine loans or other notes which may be below investment grade, as well as equity real estate and real estate joint ventures. Mezzanine debt funds include investments in funds whose assets consist of subordinated debt that often incorporates equity-based options such as warrants and a limited amount of direct equity investments. Private equity and other funds primarily consist of investments in funds whose assets typically consist of a diversified pool of investments in small to mid-sized non-public businesses with high growth potential.

	September 30, 2014			December 31, 2013		
	Amount	Percent		Amount	Percent	
Hedge funds	$1,215	40.2	%	$1,341	44.1	%
Mortgage and real estate funds	578	19.1	%	534	17.6	%
Mezzanine debt funds	68	2.2	%	82	2.7	%

Private equity and other funds	1,166	38.5	%	1,083	35.6	%
Total	$3,027	100	%	$3,040	100	%

Available-for-Sale Securities — Unrealized Loss Aging

The total gross unrealized losses were $345 as of September 30, 2014, and have decreased $732, or 68%, from December 31, 2013 due to decreases in interest rates and tighter credit spreads. As of September 30, 2014, $320 of the gross unrealized losses were associated with securities depressed less than 20% of cost or amortized cost.

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The remaining $25 of gross unrealized losses were associated with securities depressed greater than 20%. The securities depressed more than 20% are securities with exposure to commercial real estate that have market spreads that continue to be wider than the spreads at the securities' respective purchase dates. Unrealized losses on securities with exposure to commercial real estate are largely due to the continued market and economic uncertainties surrounding the performance of certain structures or vintages. Based upon the Company's cash flow modeling and current market and collateral performance assumptions, these securities with exposure to commercial real estate have sufficient credit protection levels to receive contractually obligated principal and interest payments.

As part of the Company's ongoing security monitoring process, the Company has reviewed its AFS securities in an unrealized loss position and concluded that these securities are temporarily depressed and are expected to recover in value as the securities approach maturity or as market spreads continue to improve. For these securities in an unrealized loss position where a credit impairment has not been recorded, the Company's best estimate of expected future cash flows are sufficient to recover the amortized cost basis of the security. Furthermore, the Company neither has an intention to sell nor does it expect to be required to sell these securities. For further information regarding the Company's impairment analysis, see Other-Than-Temporary Impairments in the Investment Portfolio Risks and Risk Management section of this MD&A.

The following table presents the Company's unrealized loss aging for AFS securities by length of time the security was in a continuous unrealized loss position.

	September 30, 2014				December 31, 2013			
Consecutive Months	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss [1]	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss [1]
Three months or less	1,641	$ 5,518	$5,452	$(66)	1,184	$ 10,056	$9,939	$(117)
Greater than three to six months	354	777	765	(12)	349	1,200	1,167	(33)
Greater than six to nine months	160	247	241	(6)	956	6,362	5,988	(374)
Greater than nine to eleven months	86	79	78	(1)	148	413	374	(39)
Twelve months or more	766	5,368	5,105	(260)	578	5,625	5,109	(514)
Total	3,007	$ 11,989	$11,641	$(345)	3,215	$ 23,656	$22,577	$(1,077)

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

The following tables present the Company's unrealized loss aging for AFS securities continuously depressed over 20% by length of time (included in the table above).

	September 30, 2014				December 31, 2013			
Consecutive Months	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss [1]	Items	Cost or Amortized Cost	Fair Value	Unrealized Loss [1]
Three months or less	85	$ 30	$23	$ (7)	63	$ 213	$162	$(51)
Greater than three to six months	17	4	2	(2)	20	177	130	(47)
Greater than six to nine months	12	2	1	(1)	28	449	336	(113)
Greater than nine to eleven months	5	—	—	—	10	4	3	(1)
Twelve months or more	55	39	24	(15)	58	132	93	(39)
Total	174	$ 75	$50	$ (25)	179	$ 975	$724	$(251)

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

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Other-Than-Temporary Impairments

The following table presents the Company's impairments recognized in earnings by security type.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
ABS	$—	$—	$—	$4
CRE CDOs	—	—	—	2
CMBS				
Bonds	—	8	—	17
IOs	1	1	1	2
Corporate	4	5	26	15
Equity	9	7	11	13
Municipal	—	—	1	—
RMBS				
Agency	—	—	3	—
Sub-prime	—	5	1	6
Total	$14	$26	$43	$59

Three and nine months ended September 30, 2014

For the three months ended September 30, 2014, impairments recognized in earnings were comprised of securities the Company intends to sell of $10 and credit impairments of $4. For the nine months ended September 30, 2014, impairments recognized in earnings were comprised of credit impairments of $26, securities the Company intends to sell of $15, and impairments on equity securities of $2.

Impairments for the the three months ended September 30, 2014 were primarily due to certain equity, AFS securities with debt-like characteristics that the Company intends to sell. For the three and nine months ended September 30, 2014, credit impairments were primarily concentrated in corporate securities. The primary driver for the corporate and equity impairments was one issuer that has declared bankruptcy and the Company has determined that it is more-likely-than-not that the issuer will not be able to repay a portion of the principal and interest that are owed to the Company and that the decline in the value of equity issued by the entity is other-than-temporary. Also included in the nine months ended September 30, 2014, were private placements that were impaired due to declines in expected cash flows related to the underlying referenced money market interest only strips, as a result of the low interest rate environment. The Company's determination of expected future cash flows used to calculate the credit loss amount is a quantitative and qualitative process. The Company incorporates its best estimate of future performance using internal assumptions and judgments that are informed by economic and industry specific trends, as well as our expectation with respect to security specific developments. Credit impairments for the three and nine months ended September 30, 2014 were primarily identified through a security specific reviews and resulted from changes in the financial condition and near term prospects of certain issuers.

In addition to the credit impairments recognized in earnings, the Company recognized non-credit impairments in other comprehensive income of $1 and $3 for the three and nine months ended September 30, 2014, respectively. These non-credit impairments represent the difference between fair value and the Company's best estimate of expected future cash flows discounted at the security's effective yield prior to impairment, rather than at current market implied credit spreads. These non-credit impairments primarily represent increases in market liquidity premiums and credit spread widening that occurred after the securities were purchased, as well as a discount for variable-rate coupons which are paying less than at purchase date. In general, larger liquidity premiums and wider credit spreads are the result of deterioration of the underlying collateral performance of the securities.

Future impairments may develop as the result of changes in intent to sell of specific securities or if actual results underperform current modeling assumptions, which may be the result of, but are not limited to, macroeconomic factors and security-specific performance below current expectations. Ultimate loss formation will be a function of macroeconomic factors and idiosyncratic security-specific performance.

Three and nine months ended September 30, 2013

For the three and nine months ended September 30, 2013, the Company recognized impairments on securities that the Company intends to sell of $16 and $21, respectively, impairments on equity securities of $7 and $13, respectively, and credit impairments of $3 and $25, respectively. Intent-to-sell impairments for the three and nine months ended September 30, 2013, were primarily related to structured securities with exposure to commercial and residential real estate and corporate securities as a result of the Company's desire to reduce exposure to certain higher risk securities that were trading at relatively attractive valuations. Impairments on equity securities for the three and nine months ended September 30, 2013, were comprised of securities that were in an unrealized loss position and are not expected to recover in the foreseeable future. Credit impairments for the three months ended September 30, 2013 primarily consisted of private placement and CMBS interest only securities. For the nine months ended September 30, 2013, credit impairments were primarily concentrated in corporate and fixed-rate CMBS bonds and equity securities.

CAPITAL RESOURCES AND LIQUIDITY

The following section discusses the overall financial strength of The Hartford and its insurance operations including their ability to generate cash flows from each of their business segments, borrow funds at competitive rates and raise new capital to meet operating and growth needs over the next twelve months.

Liquidity Requirements and Sources of Capital

The Hartford Financial Services Group, Inc. (Holding Company)

The liquidity requirements of the holding company of The Hartford Financial Services Group, Inc. ("HFSG Holding Company") have been and will continue to be met by HFSG Holding Company's fixed maturities, short-term investments and cash, dividends from its insurance operations, as well as the issuance of common stock, debt or other capital securities and borrowings from its credit facilities, as needed.

As of September 30, 2014, HFSG Holding Company held fixed maturities, short-term investments and cash of $2.4 billion. Expected liquidity requirements of the HFSG Holding Company for the next twelve months include interest on debt of approximately $360 and common stockholder dividends, subject to the discretion of the Board of Directors, of approximately $300.

The Hartford has an intercompany liquidity agreement that allows for short-term advances of funds among the HFSG Holding Company and certain affiliates of up to $2.0 billion for liquidity and other general corporate purposes. The Connecticut Insurance Department granted approval for certain affiliated insurance companies that are parties to the agreement to treat receivables from a parent, including the HFSG Holding Company, as admitted assets for statutory accounting purposes. As of September 30, 2014, there were no amounts outstanding with the HFSG holding company.

Equity

In July 2014, the Board of Directors approved a $775 increase in the Company's authorized equity repurchase program that provides the Company with the ability to repurchase $2.775 billion in equity during the period commencing on January 1, 2014 and ending on December 31, 2015.

On July 30, 2014, the Company entered into an accelerated share repurchase agreement ("ASR") with an investment bank to facilitate share repurchases under the Company's equity repurchase program in a timely and economical manner. Under the ASR agreement, the investment bank provided an initial delivery of shares upon execution of the agreement. The ASR agreement includes a forward component for future delivery of additional shares (or a return of a portion of the initially delivered shares) depending on changes in the VWAP of the Company's stock, less a discount and subject to certain adjustments.

Under this agreement, the Company paid $525 and received an initial delivery of 11.2 million shares of its common stock under the ASR. Of the $525 paid, $394 was recorded as treasury stock for the 11.2 million shares delivered and $131 was recorded as additional paid in capital representing the amount paid for additional shares not yet delivered as of September 30, 2014. Any additional shares to be received under the ASR will be reflected in treasury stock in the period they are delivered to the Company. Had the contract settled on September 30, 2014, the Company would have received an additional 3.5 million shares for a total of 14.7 million shares. The additional 3.5 million shares are included in the weighted average common shares outstanding as of September 30, 2014 for the calculation of basic and diluted earnings per share as the effect of excluding these shares would be anti-dilutive. Final maturity of the ASR will occur no later than the end of 2014, and may occur earlier at the financial institution's discretion.

During the three months ended September 30, 2014, the Company repurchased 20.1 million common shares for $714 and during the nine months ended September 30, 2014, the Company repurchased 39.1 million common shares for $1,365. These amounts exclude the 3.5 million additional shares the Company would have received under the ASR based on the VWAP through September 30, 2014. Including amounts paid under the ASR for the addition shares, the Company paid a total of $845 in the three month period and $1,496 in the nine month period for share repurchases. In addition, the Company repurchased 2.3 million common shares, for $82, from October 1, 2014 to October 22, 2014.

Debt

In July 2014, the Board also authorized the Company to allocate up to $500, including any premium or associated costs, to reduce debt outstanding. Initially expected to be completed prior to year end 2014, any call or tender offer for debt under the debt reduction allocation is now intended to occur in 2015 given the market conditions. In addition, the Company intends to repay at maturity the 4% senior notes due March 2015 and 7.3% senior notes due November

2015.
For additional information regarding debt, see Note 11 - Debt of Notes to Condensed Consolidated Financial Statements.

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Intercompany liquidity agreements

On April 29, 2013 Hartford Life Insurance Company, a subsidiary of the Company, issued a Revolving Note (the "Note") in the principal amount of $100 to Hartford Life and Accident Insurance Company, a subsidiary of the Company, under the intercompany liquidity agreement. The Note bore interest at 0.92% and matured on April 29, 2014. On May 29, 2013 Hartford Life and Annuity Insurance Company, a subsidiary of the Company, issued a Note in the principal amount of $225 to Hartford Life and Accident Insurance Company, under the intercompany liquidity agreement. The Note bore interest at 1.00% and matured on May 29, 2014. On February 28, 2014, the total outstanding balances on these notes were repaid in full. On July 14, 2014, Hartford Fire Insurance Company ("Hartford Fire"), a subsidiary of the Company borrowed a total of $385 from Hartford Accident and Indemnity Company and Hartford Insurance Company of Illinois, both subsidiaries of the Company, under the intercompany liquidity agreement in the principal amounts of $310 and $75, respectively. Both notes mature on July 13, 2015 and accrue interest at a rate of 0.53% per annum. The effects of these intercompany arrangements were eliminated in consolidation. On September 30, 2014, Hartford Insurance Company of the Midwest repaid a loan of $20 to Hartford Casualty Insurance Company. The loan was effective July 1, 2014 at an accruing interest rate of .53% per annum.

Until April 1, 2014, HLAI ceded certain variable annuity contracts and their associated riders as well as certain payout annuities issued by HLAI or assumed by it to White River Life Reinsurance Company ("WRR"), an affiliate captive reinsurer. This arrangement provided the Company with a vehicle to provide more efficient financing of the risk associated with this business with internal funds. The reinsurance arrangement between HLAI and WRR did not impact the Company's reserving methodology or the amount of required regulatory capital associated with the reinsured business. The effects of this intercompany arrangement were eliminated in consolidation.

Pursuant to an intercompany note agreement between WRR and HFSG Holding Company, WRR was able to borrow up to $1 billion from the HFSG Holding Company in order to maintain certain statutory capital levels required by its plan of operations and which could have been used by WRR to settle outstanding intercompany payables with HLAI. WRR had $655 outstanding under the intercompany note agreement as of March 31, 2014. The effects of this intercompany arrangement are eliminated in consolidation. Effective April 1, 2014, the Company recaptured all reinsured risks from WRR to HLAI. On April 30, 2014, the Company dissolved WRR which resulted in WRR paying off the $655 surplus note and returning $367 in capital, all of which was contributed as capital to HLAI to support the recaptured risks. This transaction received required regulatory approvals.

Dividends

On February 27, 2014, The Hartford's Board of Directors declared a quarterly dividend of $0.15 per common share payable on April 1, 2014 to common shareholders of record as of March 10, 2014.

On May 22, 2014, The Hartford's Board of Directors declared a quarterly dividend of $0.15 per common share payable on July 1, 2014 to common shareholders of record as of June 2, 2014.

On July 30, 2014, The Hartford's Board of Directors declared a quarterly dividend of $0.18 per common share payable on October 1, 2014 to common shareholders of record as of September 2, 2014.

On October 16, 2014, The Hartford's Board of Directors declared a quarterly dividend of $0.18 per common share payable on January 2, 2015 to common shareholders of record as of December 1, 2014.

There are no current restrictions on the HFSG Holding Company's ability to pay dividends to its shareholders. For a discussion of restrictions on dividends to the HFSG Holding Company from its insurance subsidiaries, see "Dividends from Insurance Subsidiaries" below. For a discussion of potential restrictions on the HFSG Holding Company's ability to pay dividends, see the risk factor "Our ability to declare and pay dividends is subject to limitations" in Item 1A of Part I of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Pension Plans and Other Postretirement Benefits

While the Company has significant discretion in making voluntary contributions to the U. S. qualified defined benefit pension plan, the Employee Retirement Income Security Act of 1974, as amended by the Pension Protection Act of 2006, the Worker, Retiree, and Employer Recovery Act of 2008, the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, the Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21), and Internal Revenue Code regulations mandate minimum contributions in certain circumstances. The Company does not have a 2014 required minimum funding contribution for the U.S. qualified defined benefit pension

plan and the funding requirements for all pension plans are expected to be immaterial. The Company contributed $100 in September 2014 to its U.S. qualified pension plan.

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In September 2014, the Company extended a limited time voluntary lump sum offer to approximately 13,500 vested participants in the U.S. qualified defined benefit pension plan who had separated from service, but who had not yet commenced annuity benefits. These participants have until November 2014 to elect to receive their benefit in a lump-sum payment, rather than as an annuity. The Company will make the payments in December 2014 using assets from the U.S. qualified defined benefit pension plan. The funded status of the plan is not expected to be adversely impacted by this program. Depending on the acceptance rate of participants, the Company may recognize a settlement charge to net income in the fourth quarter 2014. If the acceptance rate is high enough to trigger a settlement charge, the likely high end of the range for a charge is approximately $140 after tax. The charge would be offset by a corresponding increase in accumulated other comprehensive income and therefore not impact total stockholders' equity.

Dividends from Insurance Subsidiaries

Dividends to the HFSG Holding Company from its insurance subsidiaries are restricted by insurance regulation. The payment of dividends by Connecticut-domiciled insurers is limited under the insurance holding company laws of Connecticut. These laws require notice to and approval by the state insurance commissioner for the declaration or payment of any dividend, which, together with other dividends or distributions made within the preceding twelve months, exceeds the greater of (i) 10% of the insurer's policyholder surplus as of December 31 of the preceding year or (ii) net income (or net gain from operations, if such company is a life insurance company) for the twelve-month period ending on the thirty-first day of December last preceding, in each case determined under statutory insurance accounting principles. In addition, if any dividend of a Connecticut-domiciled insurer exceeds the insurer's earned surplus, it requires the prior approval of the Connecticut Insurance Commissioner. The insurance holding company laws of the other jurisdictions in which The Hartford's insurance subsidiaries are incorporated (or deemed commercially domiciled) generally contain similar (although in certain instances somewhat more restrictive) limitations on the payment of dividends. Dividends paid to HFSG Holding Company by its life insurance subsidiaries are further dependent on cash requirements of HLI and other factors. In addition to statutory limitations on paying dividends, the Company also takes other items into consideration when determining dividends from subsidiaries. These considerations include, but are not limited to expected earnings and capitalization of the subsidiary, regulatory capital requirements and liquidity requirements of the individual operating company.

Before considering the transactions discussed below, the Company's property-casualty insurance subsidiaries are permitted to pay up to a maximum of approximately $1.5 billion in dividends to HFSG Holding Company in 2014 without prior approval from the applicable insurance commissioner and the domestic life insurance subsidiaries' dividend limitation under the holding company laws of Connecticut is $560 in 2014.

As discussed further below, for the nine months ended September 30, 2014, HFSG Holding Company received $2.5 billion in dividends from its property-casualty insurance subsidiaries. The amounts received from its property-casualty insurance subsidiaries included $97 related to funding interest payments on an intercompany note between Hartford Holdings Inc. ("HHI") and Hartford Fire.

On January 30, 2014, The Hartford received approval from the State of Connecticut Insurance Department ("CTDOI") for HLAI and HLIC to dividend approximately $800 of cash and invested assets to HLA and this dividend was paid on February 27, 2014. All of the issued and outstanding equity of HLIC was then distributed from HLA to HLI. As a result, HLA and HLIC have no remaining ordinary dividend capacity for the twelve months following this transaction. Any additional dividends from HLA and HLIC in 2014 would be extraordinary in nature and require prior approval from the CTDOI.

On July 14 and 15, 2014, HFSG Holding Company received approximately $2.0 billion in dividends from Hartford Fire through a series of transactions affecting the property and casualty and life insurance subsidiaries. These dividends consisted of approximately $600 in accelerated ordinary dividends and an extraordinary dividend of $1.4 billion based on approval received from the CTDOI on July 8, 2014. The extraordinary dividend consisted of approximately $900 of proceeds from the sale of HLIKK and approximately $500 from the Company's domestic life insurance subsidiaries. This $500 dividend was paid by HLAI to HLIC on July 15, 2014 and then distributed to HLI. HLI then used this dividend and the HLIKK sale proceeds to pay a dividend of $1.4 billion to HHI, its parent. HHI used the $1.4 billion dividend to pay down its obligation under an intercompany note with Hartford Fire. Hartford Fire

has no remaining ordinary dividend capacity for the twelve months following this transaction. Any additional dividends from Hartford Fire in 2014 would be extraordinary in nature and require prior approval from the CTDOI. As a result of the accelerated dividend, the Company does not anticipate taking any dividends from Hartford Fire until the third quarter of 2015.

On February 5, 2013 the Company received approval from the CTDOI for a $1.2 billion extraordinary dividend from its Connecticut domiciled life insurance subsidiaries. This dividend was paid on February 22, 2013.

Other Sources of Capital for the HFSG Holding Company

The Hartford endeavors to maintain a capital structure that provides financial and operational flexibility to its insurance subsidiaries, ratings that support its competitive position in the financial services marketplace (for further detail see Ratings within the Capital Resources and Liquidity section of MD&A), and shareholder returns. As a result, the Company may from time to time raise capital from the issuance of equity, equity-related debt or other capital securities and is continuously evaluating strategic opportunities. The issuance of common equity, equity-related debt or other capital securities could result in the dilution of shareholder interests or reduced net income due to additional interest expense.

Shelf Registrations

On August 9, 2013, The Hartford filed with the Securities and Exchange Commission (the "SEC") an automatic shelf registration statement (Registration No. 333-190506) for the potential offering and sale of debt and equity securities. The registration statement allows for the following types of securities to be offered: debt securities, junior subordinated debt securities, preferred stock, common stock, depositary shares, warrants, stock purchase contracts, and stock purchase units. Because The Hartford is a well-known seasoned issuer, as defined in Rule 405 under the Securities Act of 1933, the registration statement went effective immediately upon filing and The Hartford may offer and sell an unlimited amount of securities under the registration statement during its three-year life.

Contingent Capital Facility

The Hartford is party to a put option agreement that provides The Hartford with the right to require the Glen Meadow ABC Trust, a Delaware statutory trust, at any time and from time to time, to purchase The Hartford's junior subordinated notes in a maximum aggregate principal amount not to exceed $500. Under the Put Option Agreement, The Hartford will pay the Glen Meadow ABC Trust premiums on a periodic basis, calculated with respect to the aggregate principal amount of Notes that The Hartford had the right to put to the Glen Meadow ABC Trust for such period. The Hartford has agreed to reimburse the Glen Meadow ABC Trust for certain fees and ordinary expenses. The Company holds a variable interest in the Glen Meadow ABC Trust where the Company is not the primary beneficiary. As a result, the Company did not consolidate the Glen Meadow ABC Trust. As of September 30, 2014, The Hartford has not exercised its right to require Glen Meadow ABC Trust to purchase the Notes. As a result, the Notes remain a source of capital for the HFSG Holding Company.

Commercial Paper and Revolving Credit Facility

Commercial Paper

While The Hartford's maximum borrowings available under its commercial paper program are $2.0 billion, the Company is dependent upon market conditions to access short-term financing through the issuance of commercial paper to investors. As of September 30, 2014 there is no commercial paper outstanding.

Revolving Credit Facilities

As of September 30, 2014, the Company has a senior unsecured revolving credit facility (the "Credit Facility") that provides for borrowing capacity up to $1.75 billion (available in U.S. dollars, Euro, Sterling, Canadian dollars and Japanese Yen) through January 6, 2016. Of the total availability under the Credit Facility, up to $250 is available to support letters of credit issued on behalf of the Company or subsidiaries of the Company. Under the Credit Facility, the Company must maintain a minimum level of consolidated net worth of $14.9 billion. The definition of consolidated net worth under the terms of the Credit Facility, excludes AOCI and includes the Company's outstanding junior subordinated debentures and perpetual preferred securities, net of discount. In addition, the Company's maximum ratio of consolidated total debt to consolidated total capitalization is 35%, and the ratio of consolidated total debt of subsidiaries to consolidated total capitalization is limited to 10%. As of September 30, 2014, the Company was in compliance with all financial covenants under the Credit Facility.

HLIKK previously had four revolving credit facilities in support of operations. These credit facilities were transfered with the sale of HLIKK on June 30, 2014.

Derivative Commitments

Certain of the Company's derivative agreements contain provisions that are tied to the financial strength ratings of the individual legal entity that entered into the derivative agreement as set by nationally recognized statistical rating agencies. If the legal entity's financial strength were to fall below certain ratings, the counterparties to the derivative agreements could demand immediate and ongoing full collateralization and in certain instances demand immediate settlement of all outstanding derivative positions traded under each impacted bilateral agreement. The settlement amount is determined by netting the derivative positions transacted under each agreement. If the termination rights were to be exercised by the counterparties, it could impact the legal entity's ability to conduct hedging activities by increasing the associated costs and decreasing the willingness of counterparties to transact with the legal entity. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net liability position as of September 30, 2014 is $1.0 billion. Of this $1.0 billion the legal entities have posted collateral of $1.1 billion in the normal course of business. In addition, the Company has posted collateral of $42 associated with a

customized GMWB derivative. Based on derivative market values as of September 30, 2014 a downgrade of one level below the current financial strength ratings by either Moody's or S&P could require approximately an additional $6 to be posted as collateral. Based on derivative market values as of September 30, 2014 a downgrade by either Moody's or S&P of two levels below the legal entities' current financial strength ratings could require approximately an additional $26 of assets to be posted as collateral. These collateral amounts could change as derivative market values change, as a result of changes in our hedging activities or to the extent changes in contractual terms are negotiated. The nature of the collateral that we would post, if required, would be primarily in the form of U.S. Treasury bills, U.S. Treasury notes and government agency securities.

As of September 30, 2014, the aggregate notional amount and fair value of derivative relationships that could be subject to immediate termination in the event of rating agency downgrades to either BBB+ or Baa1 was $392 and $(5), respectively.

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Insurance Operations

Current and expected patterns of claim frequency and severity or surrenders may change from period to period but continue to be within historical norms and, therefore, the Company's insurance operations' current liquidity position is considered to be sufficient to meet anticipated demands over the next twelve months, including any obligations related to the Company's restructuring activities. For a discussion and tabular presentation of the Company's current contractual obligations by period, refer to Off-Balance Sheet Arrangements and Aggregate Contractual Obligations within the Capital Resources and Liquidity section of the MD&A included in The Hartford's 2013 Form 10-K Annual Report.

The principal sources of operating funds are premiums, fees earned from assets under management and investment income, while investing cash flows originate from maturities and sales of invested assets. The primary uses of funds are to pay claims, claim adjustment expenses, commissions and other underwriting expenses, to purchase new investments and to make dividend payments to the HFSG Holding Company.

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

Property & Casualty Operations

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

As of September 30, 2014 Property & Casualty Operations' fixed maturities, short-term investments, and cash are summarized as follows:

Fixed maturities	$25,588
Short-term investments	1,055
Cash	150
Less: Derivative collateral	176
Total	$26,617

Liquidity requirements that are unable to be funded by Property & Casualty Operation's short-term investments would be satisfied with current operating funds, including premiums received or through the sale of invested assets. A sale of invested assets could result in significant realized losses.

Life Operations

Life Operations' total general account contractholder obligations are supported by $44 billion of cash and total general account invested assets, which includes a significant short-term investment position to meet liquidity needs.

As of September 30, 2014 Life Operations' fixed maturities, short-term investments, and cash are summarized as follows:

Fixed maturities	$33,289
Short-term investments	2,724
Cash	286
Less: Derivative collateral	1,047
Total	$35,252

Capital resources available to fund liquidity upon contractholder surrender are a function of the legal entity in which the liquidity requirement resides. Generally, obligations of Group Benefits will be funded by Hartford Life and Accident Insurance Company. Obligations of Talcott Resolution will generally be funded by Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company.

Contractholder obligations of the former Retirement Plans business were funded by Hartford Life Insurance Company and of the former Individual Life business were funded by both Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company. See Note 2 - Business Dispositions of Notes to Condensed Consolidated Financial Statements as to the sale of the Retirement Plans and Individual Life businesses and related transfer of invested assets in January 2013.

HLIC, an indirect wholly-owned subsidiary, became a member of the Federal Home Loan Bank of Boston ("FHLBB") in May 2011. Membership allows HLIC access to collateralized advances, which may be used to support various

spread-based businesses and enhance liquidity management. The Connecticut Department of Insurance (“CTDOI”) will permit HLIC to pledge up to $1.25 billion in qualifying assets to secure FHLBB advances for 2014. The amount of advances that can be taken are dependent on the asset types pledged to secure the advances. The pledge limit is recalculated annually based on statutory admitted assets and capital and surplus. HLIC would need to seek the prior approval of the CTDOI if there were a desire to exceed these limits. As of September 30, 2014, HLIC had no advances outstanding under the FHLBB facility.

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Contractholder Obligations	September 30, 2014
Total Life contractholder obligations	$188,694
Less: Separate account assets [1]	136,319
General account contractholder obligations	$52,375
Composition of General Account Contractholder Obligations	
Contracts without a surrender provision and/or fixed payout dates [2]	$21,918
U.S. Fixed MVA annuities and Other [3]	8,959
Guaranteed investment contracts (“GIC”) [4]	28
Other [5]	21,470
General account contractholder obligations	$52,375

[1] In the event customers elect to surrender separate account assets or international statutory separate accounts, Life Operations will use the proceeds from the sale of the assets to fund the surrender, and Life Operations’ liquidity position will not be impacted. In many instances Life Operations will receive a percentage of the surrender amount as compensation for early surrender (surrender charge), increasing Life Operations’ liquidity position. In addition, a surrender of variable annuity separate account or general account assets (see below) will decrease Life Operations’ obligation for payments on guaranteed living and death benefits.

[2] Relates to contracts such as payout annuities or institutional notes, other than guaranteed investment products with an MVA feature (discussed below) or surrenders of term life, group benefit contracts or death and living benefit reserves for which surrenders will have no current effect on Life Operations’ liquidity requirements.

[3] Relates to annuities that are recorded in the general account (under U.S. GAAP), although these annuities are held in a statutory separate account, as the contractholders are subject to the Company's credit risk. In the statutory separate account, Life Operations is required to maintain invested assets with a fair value greater than or equal to the MVA surrender value of the Fixed MVA contract. In the event assets decline in value at a greater rate than the MVA surrender value of the Fixed MVA contract, Life Operations is required to contribute additional capital to the statutory separate account. Life Operations will fund these required contributions with operating cash flows or short-term investments. In the event that operating cash flows or short-term investments are not sufficient to fund required contributions, the Company may have to sell other invested assets at a loss, potentially resulting in a decrease in statutory surplus. As the fair value of invested assets in the statutory separate account are generally equal to the MVA surrender value of the Fixed MVA contract, surrender of Fixed MVA annuities will have an insignificant impact on the liquidity requirements of Life Operations.

[4] GICs are subject to discontinuance provisions which allow the policyholders to terminate their contracts prior to scheduled maturity at the lesser of the book value or market value. Generally, the market value adjustment reflects changes in interest rates and credit spreads. As a result, the market value adjustment feature in the GIC serves to protect the Company from interest rate risks and limit Life Operations’ liquidity requirements in the event of a surrender.

[5] Surrenders of, or policy loans taken from, as applicable, these general account liabilities, which include the general account option for Talcott Resolution’s individual variable annuities and the variable life contracts of the former Individual Life business, the general account option for annuities of the former Retirement Plans business and universal life contracts sold by the former Individual Life business, may be funded through operating cash flows of Life Operations, available short-term investments, or Life Operations may be required to sell fixed maturity investments to fund the surrender payment. Sales of fixed maturity investments could result in the recognition of realized losses and insufficient proceeds to fully fund the surrender amount. In this circumstance, Life Operations may need to take other actions, including enforcing certain contract provisions which could restrict surrenders and/or slow or defer payouts. See Note 2 - Business Dispositions of Notes to Condensed Consolidated Financial Statements as to the sale of the Retirement Plans and Individual Life businesses and related transfer of invested assets in January 2013.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Due to the sale of HLIKK in the second quarter of 2014, the Company's life, annuity and disability total obligations were reduced by approximately 5.6%, or $18 billion. Excluding the sale of HLIKK, there have been no material

changes to the Company’s aggregate contractual obligations since the filing of the Company’s 2013 Form 10-K Annual Report. There have been no material changes to the Company's off-balance sheet arrangements since the filing of the Company’s 2013 Form 10-K Annual Report.

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Capitalization

The capital structure of The Hartford as of September 30, 2014 and December 31, 2013 consisted of debt and stockholders’ equity, summarized as follows:

	September 30, 2014	December 31, 2013	Change
Short-term debt (includes current maturities of long-term debt)	$289	$200	45 %
Short-term due on revolving credit facility	—	238	(100)%
Long-term debt	5,819	6,106	(5)%
Total debt [1]	6,108	6,544	(7)%
Stockholders’ equity excluding accumulated other comprehensive income (loss), net of tax (“AOCI”)	17,758	18,984	(6)%
AOCI, net of tax	1,077	(79)	NM
Total stockholders’ equity	$18,835	$18,905	— %
Total capitalization including AOCI	$24,943	$25,449	(2)%
Debt to stockholders’ equity	32 %	35 %	
Debt to capitalization	25 %	26 %	

[1] Total debt of the Company excludes $70 and $84 of consumer notes as of September 30, 2014 and December 31, 2013, respectively.

The Hartford’s total capitalization decreased $506, or 2.0%, from December 31, 2013 to September 30, 2014 primarily due to a decrease in total debt. Total stockholders' equity remained flat from December 31, 2013 to September 30, 2014 due to share repurchases during the period, offset by an increase in AOCI, primarily due to net unrealized capital gains from securities.

For additional information on AOCI, net of tax, and unrealized capital gains from securities, see Note 19 - Changes in and Reclassifications From Accumulated Other Comprehensive Income, and Note 6 - Investments and Derivative Instruments of Notes to Condensed Consolidated Financial Statements.

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Cash Flows

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by operating activities	$895	$903
Net cash provided by investing activities	$1,919	$1,688
Net cash used for financing activities	$(3,676)	$(3,454)
Cash – end of period	$440	$1,422

Cash provided by operating activities in 2014 reflect an increase in premiums collected and a decrease in loss and loss adjustment expenses paid, partially offset by an increase in payments for payables and accruals.

Cash provided by investing activities in 2014 primarily relates to net proceeds from available for sale securities of $2.8 billion , proceeds from business sold of $963, offset by change in short-term investments of $1.9 billion. Cash provided by investing activities in 2013 primarily relates to net proceeds from available for sale securities of $3.1 billion, proceeds from businesses sold of $485, partially offset by net purchases of derivatives of $1.7 billion and net payments of mortgage loans of $226.

Cash used for financing activities in 2014 consists primarily of $1.8 billion related to net activity for investments and universal life products, repayment of debt of $200, and acquisition of treasury stock of $1.5 billion. Cash used for financing activities in 2013 consists primarily of repurchases of $751 related to net activity for investments and universal life products, net decreases in securities loaned or sold of $1 billion, repayment of debt of $1.3 billion and acquisition of treasury stock of $375 offset by proceeds from issuance of debt of $295.

Operating cash flows for the nine months ended September 30, 2014 and 2013 have been adequate to meet liquidity requirements. On June 30, 2014, the Company completed the sale of its Japan annuity business. The operations of this business are reported as discontinued operations and are primarily in Net cash provided by operating activities. For further information regarding these transactions, see Note 2 - Business Dispositions of Notes to Condensed Consolidated Financial Statements. The sale of this business is not expected to have a material impact on the liquidity of the Company.

Equity Markets

For a discussion of the potential impact of the equity markets on capital and liquidity, see the Enterprise Risk Management section of the MD&A.

Ratings

Ratings impact the Company’s cost of borrowing and its ability to access financing and are an important factor in establishing competitive position in the insurance and financial services marketplace. There can be no assurance that the Company’s ratings will continue for any given period of time or that they will not be changed. In the event the Company’s ratings are downgraded, the Company’s cost of borrowing and ability to access financing, as well as the level of revenues or the persistency of its business may be adversely impacted.

On March 6, 2014, Moody’s Investors Service (“Moody’s”) affirmed the debt ratings of The Hartford Financial Services Group, Inc. and the insurance financial strength ratings of its property and casualty subsidiaries and Hartford Life and Accident Insurance Company. The outlook on these entities was changed to positive from stable. Moody’s downgraded the insurance financial strength rating of Hartford Life Insurance Company to Baa2 from A3. Moody’s affirmed the insurance financial strength rating of Hartford Life and Annuity Insurance Company. The outlook for Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company is stable.

On April 3, 2014, A.M. Best revised the outlook to positive from stable and affirmed the issuer credit ratings and debt ratings of The Hartford Financial Services Group, Inc. and the financial strength ratings and issuer credit ratings of the property and casualty subsidiaries. A.M. Best upgraded the financial strength rating of Hartford Life and Accident Insurance Company to A from A- and affirmed the ratings of Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company. The outlook for Hartford Life and Accident Insurance Company, Hartford Life Insurance Company and Hartford Life and Annuity Insurance Company is stable.

On April 15, 2014 Standard & Poor’s (“S&P”) raised its long-term financial strength rating and counterparty credit ratings on Hartford Life and Accident Insurance Company to A from A-. At the same time S&P raised the rating on

Hartford Life Inc. to BBB from BBB-. The outlook for Hartford Life and Accident Insurance Company and Hartford Life, Inc. is stable.
On August 29, 2014 Fitch Ratings affirmed and withdrew the ratings on the HFSG holding company, as well as the insurer financial strength rating of its insurance subsidiaries for commercial reasons.

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The following table summarizes The Hartford's significant member companies' financial strength ratings from the major independent rating organizations as of October 22, 2014.

Insurance Financial Strength Ratings:	A.M. Best	Standard & Poor's	Moody's
Hartford Fire Insurance Company	A	A	A2
Hartford Life and Accident Insurance Company	A	A	A3
Hartford Life Insurance Company	A-	BBB+	Baa2
Hartford Life and Annuity Insurance Company	A-	BBB+	Baa2
Other Ratings:			
The Hartford Financial Services Group, Inc.:			
Senior debt	bbb+	BBB	Baa3
Commercial paper	AMB-2	A-2	P-3

These ratings are not a recommendation to buy or hold any of The Hartford's securities and they may be revised or revoked at any time at the sole discretion of the rating organization.

The agencies consider many factors in determining the final rating of an insurance company. One consideration is the relative level of statutory surplus necessary to support the business written. Statutory surplus represents the capital of the insurance company reported in accordance with accounting practices prescribed by the applicable state insurance department.

Statutory Surplus

The table below sets forth statutory surplus for the Company's insurance companies as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
U.S. life insurance subsidiaries, includes domestic captive insurance subsidiaries	$7,048	$6,639
Property and casualty insurance subsidiaries	7,821	8,022
Total	$14,869	$14,661

Statutory capital and surplus for the U.S. life insurance subsidiaries, including domestic captive insurance subsidiaries, increased by $409, primarily due to variable annuity surplus impacts of $657, increases in unrealized gains from other investments carrying values of $166, and increase in deferred income tax of $148, partially offset by returns of capital of $500 and decreases in other surplus changes of $62. Effective April 30, 2014, the last domestic captive ceased operations.

Statutory capital and surplus for property and casualty decreased by $201, primarily due to net income of $753, capital contributions of $16, unrealized gains of $1,421, and a decrease in statutory nonadmitted assets of $67, offset by dividends to HFSG Holding Company of $2,385, and a reduction of deferred tax assets of $73. Both net income and dividends are net of interest payments and dividends, respectively, on an intercompany note between Hartford Holdings, Inc. and Hartford Fire Insurance Company.

The Company held regulatory capital and surplus for its former operations in Japan until the sale of those operations on June 30, 2014. Under the accounting practices and procedures governed by Japanese regulatory authorities, the Company's statutory capital and surplus was $1.2 billion as of December 31, 2013.

Contingencies

Legal Proceedings – For a discussion regarding contingencies related to The Hartford's legal proceedings, please see the information contained under "Litigation" in Note 14 - Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements and Part II, Item 1 Legal Proceedings, which are incorporated herein by reference.

Legislative Developments

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act")

Since it was enacted in 2010, the Dodd-Frank act has resulted in significant changes to the regulation of the financial services industry, including changes to the rules governing derivatives, restrictions on proprietary trading by certain entities, the creation of a Federal Insurance Office within the U.S. Treasury, and enhancements to corporate

governance rules, among other things. The Dodd-Frank Act requires significant rulemaking across numerous agencies within the federal government. Rulemaking, and implementation of newly-adopted rules, is ongoing and may affect our operations and governance in ways that could adversely affect our financial condition and results of operations.

Patient Protection and Affordable Care Act of 2010 (the "Affordable Care Act")

On March 23, 2010, the President signed the Affordable Care Act. Implementation of the Affordable Care Act will impact The Hartford in the same way it impacts other large employers. The Hartford’s core business does not involve the issuance of health insurance. We do not issue any products that insure customers under the Affordable Care Act’s individual mandate. It is too early to tell how the Affordable Care Act will impact The Hartford’s businesses as key aspects of the law are still not fully implemented. For example, private exchanges may provide The Hartford additional opportunities to market our group benefit products and services. Similarly, access to medical care and medical costs are a substantial component of both disability and workers compensation products offered by The Hartford. We are currently analyzing how the Affordable Care Act may impact consumer, broker and medical provider behavior.

Terrorism Risk Insurance Program Reauthorization Act of 2007 (“TRIPRA”)

On December 26, 2007, the President signed TRIPRA extending the Terrorism Risk Insurance Act of 2002 (“TRIA”) through the end of 2014. The Company's principal reinsurance protection against large-scale terrorist attacks is the coverage currently provided through TRIPRA, as private sector catastrophe reinsurance is extremely limited and generally unavailable for terrorism losses caused by attacks with nuclear, biological, chemical or radiological weapons. TRIPRA is due to expire at the end of 2014 unless Congress takes legislative action to reauthorize it. If Congress fails to act, the Company may be required to take actions to reduce its exposure to terrorism risks, which could negatively impact its business. Even if Congress extends TRIPRA beyond 2014, it could make changes that would negatively impact the Company. For example, legislation passed by the Senate Banking Committee on June 3, 2014 would extend TRIA for seven years, but would also raise the co-share for insurers and reduce the total amount of losses covered by the federal government. For additional information on TRIPRA see “Terrorism” under the Insurance Risk Management section of the MD&A.

Budget of the United States Government

On March 4, 2014, the Obama Administration released its “Fiscal Year 2015, Budget of the U.S. Government” (the “Budget”). Although the Administration has not released proposed statutory language, the Budget includes proposals that, if enacted, would affect the taxation of life insurance companies and certain life insurance products. In particular, the proposals would change the method used to determine the amount of dividend income received by a life insurance company on assets held in separate accounts used to support products, including variable life insurance and variable annuity contracts, which are eligible for the dividends received deduction (“DRD”). The DRD reduces the amount of dividend income subject to tax and is a significant component of the difference between the Company's actual tax expense and expected amount determined using the federal statutory tax rate of 35%. If this proposal were enacted, the Company's actual tax expense could increase, reducing earnings.

IMPACT OF NEW ACCOUNTING STANDARDS
For a discussion of accounting standards, see Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements included in The Hartford’s 2013 Form 10-K Annual Report and Note 1 - Basis of Presentation and Significant Accounting Policies of Notes to Condensed Consolidated Financial Statements in this Form 10-Q.
Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
The information contained in the Financial Risk Management section of Management’s Discussion and Analysis of Financial Condition and Results of Operations is incorporated herein by reference.
Item 4. CONTROLS AND PROCEDURES
Evaluation of disclosure controls and procedures
The Company’s principal executive officer and its principal financial officer, based on their evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) have concluded that the Company’s disclosure controls and procedures are effective for the purposes set forth in the definition thereof in Exchange Act Rule 13a-15(e) as of September 30, 2014.
Changes in internal control over financial reporting
There was no change in the Company's internal control over financial reporting that occurred during the Company's current fiscal quarter
that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION
Item 1. LEGAL PROCEEDINGS
Litigation
The Hartford is involved in claims litigation arising in the ordinary course of business, both as a liability insurer defending or providing indemnity for third-party claims brought against insureds and as an insurer defending coverage claims brought against it. The Hartford accounts for such activity through the establishment of unpaid loss and loss adjustment expense reserves. Subject to the uncertainties discussed below under the caption “Asbestos and Environmental Claims,” management expects that the ultimate liability, if any, with respect to such ordinary-course claims litigation, after consideration of provisions made for potential losses and costs of defense, will not be material to the consolidated financial condition, results of operations or cash flows of The Hartford.
The Hartford is also involved in other kinds of legal actions, some of which assert claims for substantial amounts. These actions include, among others, and in addition to the matters described below, 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, disability, life and inland marine. 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 or other allegedly unfair or improper business practices. 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, the outcome in certain matters could, from time to time, have a material adverse effect on the Company’s results of operations or cash flows in particular quarterly or annual periods.
Apart from the inherent difficulty of predicting litigation outcomes, the Mutual Funds Litigation identified below purports to seek substantial damages for unsubstantiated conduct spanning a multi-year period based on novel applications of complex legal theories. The alleged damages are not quantified or factually supported in the complaint, and, in any event, the Company’s experience shows that demands for damages often bear little relation to a reasonable estimate of potential loss. The matter is still in the early stages of litigation, with no substantive legal decisions by the court defining the scope of the claims or the potentially available damages; fact discovery is ongoing and expert discovery has not commenced. Accordingly, management cannot reasonably estimate the possible loss or range of loss, if any, or predict the timing of the eventual resolution of this matter.
Mutual Funds Litigation — In February 2011, a derivative action was brought on behalf of six Hartford retail mutual funds in the United States District Court for the District of New Jersey, alleging that Hartford Investment Financial Services, LLC (“HIFSCO”), an indirect subsidiary of the Company, received excessive advisory and distribution fees in violation of its statutory fiduciary duty under Section 36(b) of the Investment Company Act of 1940. HIFSCO moved to dismiss and, in September 2011, the motion was granted in part and denied in part, with leave to amend the complaint. In November 2011, plaintiffs filed an amended complaint on behalf of The Hartford Global Health Fund, The Hartford Conservative Allocation Fund, The Hartford Growth Opportunities Fund, The Hartford Inflation Plus Fund, The Hartford Advisors Fund, and The Hartford Capital Appreciation Fund. Plaintiffs seek to rescind the investment management agreements and distribution plans between HIFSCO and these funds and to recover the total fees charged thereunder or, in the alternative, to recover any improper compensation HIFSCO received, in addition to lost earnings. HIFSCO filed a partial motion to dismiss the amended complaint and, in December 2012, the court dismissed without prejudice the claims regarding distribution fees and denied the motion with respect to the advisory fees claims. In March 2014, the plaintiffs filed a new complaint that, among other things, added as new plaintiffs The Hartford Floating Rate Fund and The Hartford Small Company Fund and named as a defendant Hartford Funds Management Company, LLC (“HFMC”), an indirect subsidiary of the Company which assumed the role as advisor to the funds as of January 2013. HFMC and HIFSCO dispute the allegations and intend to defend vigorously.

Asbestos and Environmental Claims – As discussed in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates - Property and Casualty Insurance Product Reserves, Net of Reinsurance - Property & Casualty Other Operations Claims, 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 and liquidity.

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Item 1A. RISK FACTORS

Investing in The Hartford involves risk. In deciding whether to invest in The Hartford, you should carefully consider the risk factors disclosed in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as updated in Item IA of Part II of the Company's Form 10-Q for the period ended June 30, 2014, any of which could have a significant or material adverse effect on the business, financial condition, operating results or liquidity of The Hartford. This information should be considered carefully together with the other information contained in this report and the other reports and materials filed by The Hartford with the SEC.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

The following table summarizes the Company’s repurchases of its common stock for the three months ended September 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
				(in millions)
July 1, 2014 - July 31, 2014 [2]	15,419,500	$35.51	4,269,500	$ 1,196
August 1, 2014 - August 31, 2014	4,154,275	$35.39	4,139,000	$ 1,050
September 1, 2014 - September 30, 2014	539,645	$37.01	539,700	$ 1,030
Total	20,113,420	$35.52	8,948,200	

[1] In July 2014, the Board of Directors approved an increase in the Company's authorized equity repurchase program that provides the Company with the ability to repurchase $2.775 billion in equity during the period commencing on January 1, 2014 and ending on December 31, 2015. The Company’s repurchase authorization, which expires on December 31, 2015, permits purchases of common stock, as well as warrants or other derivative securities. Repurchases may be made in the open market, through derivative, accelerated share repurchase and other privately negotiated transactions, and through plans designed to comply with Rule 10b5-1(c) under the Securities Exchange Act of 1934, as amended. The timing of any future repurchases will be dependent upon several factors, including the market price of the Company’s securities, the Company’s capital position, consideration of the effect of any repurchases on the Company’s financial strength or credit ratings, and other corporate considerations. The repurchase program may be modified, extended or terminated by the Board of Directors at any time.

[2] On July 30, 2014, the Company entered into an accelerated share repurchase agreement (“ASR”) with a major financial institution, which was not part of a publicly announced plan or program. Under the terms of the agreement, on July 31, 2014 The Hartford paid $525 and received an initial delivery of 11.2 million shares of its common stock. For discussion of the terms of the agreement, see MD&A - Capital Resources and Liquidity, The Hartford Financial Services Group, Inc. (Holding Company).

Item 6. EXHIBITS

See Exhibits Index on page 144.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	The Hartford Financial Services Group, Inc. (Registrant)
Date: October 27, 2014	/s/ Scott R. Lewis Scott R. Lewis Senior Vice President and Controller (Chief accounting officer and duly authorized signatory)

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THE HARTFORD FINANCIAL SERVICES GROUP, INC.
FOR THE QUARTER ENDED SEPTEMBER 30, 2014
FORM 10-Q
EXHIBITS INDEX

Exhibit No.	Description
15.01	Deloitte & Touche LLP Letter of Awareness.**
31.01	Certification of Christopher J. Swift pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.02	Certification of Beth A. Bombara pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
32.01	Certification of Christopher J. Swift pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.02	Certification of Beth A. Bombara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document.**
101.SCH	XBRL Taxonomy Extension Schema.**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.**
101.DEF	XBRL Taxonomy Extension Definition Linkbase.**
101.LAB	XBRL Taxonomy Extension Label Linkbase.**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.**
*	Management contract, compensatory plan or arrangement.
**	Filed with the Securities and Exchange Commission as an exhibit to this report.

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