



DISABILITY REINSURANCE
&
CONSULTING

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SMITH GROUP SERVICE MODEL

Service Day Commitment

Smith Group is a group disability reinsurance risk manager and consultant. Our operating model focuses on customized risk management solutions as well as a comprehensive service commitment tailored to individual client needs. We work with the disability insurance carrier to develop and administer an appropriate risk transfer structure and then deliver disability insurance consulting service projects focused on the client's specific needs and business philosophy.

Smith Group reinsurance clients have special access to our consulting services as part of a service day commitment included in the reinsurance agreement. Non-reinsurance clients have access to Smith Group consulting services through negotiated project specifications and fees.

Smith Group's service model ensures its clients have access to a high level of tailored services based on need and business philosophy. Smith Group works closely with the insurance carrier to identify potential service projects and develop individual service plans and deliverables.

DISABILITY INSURANCE RATE PROJECT

Actuarial Experience and Expertise

Smith Group's actuarial experience and expertise make our disability rate project offering the best in the industry. An in depth analysis of your company's existing rates and proposed changes, coupled with our industry information and systems capabilities, provides a complete review and expert assessment of your rating protocols.

LTD Rate Project Specifications

Smith Group customized consulting solutions allow us to tailor a rate project suitable to your company's needs. The following highlights components that can be a part of any Smith Group rate consulting project.

Rate Factor Analysis

Smith Group can review your existing LTD rating structure, from base rates to street rates, and create a comparison using our in-house database and competitive information. Further, we can evaluate traditional and emerging pricing variables including, but not limited to:

- Integration factors
- Risk adjustment factors
- Plan provision adjustments
- Underwriting, claims management and administrative factors
- Expense and profit loading routines
- Marketing and street adjustments

Experience Rating

Smith Group can provide an analysis and recommendations based on the major experience rating components including:

- Tolerable Loss Ratios
- Experience Reserves
- Credibility Formulae
- Use of IBNR
- Experience Period

Competitive Analysis

Smith Group has coded the manual rates for many of the leading LTD carriers in the U.S. We have gone to great lengths to validate each company's rating assumptions and methodologies at both the macro and micro levels to achieve a high degree of confidence in our model. This tool enables us to provide a rating variable factor analysis that compares and contrasts each LTD pricing variable against selected competitors.

Comparison to Industry Practices

Here Smith Group provides insight on implementation, measurement and the establishment of benchmarks and controls. Our collective direct, reinsurance and consulting experiences enables us to outline strategies for using your rates to a competitive advantage.

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DISABILITY INSURANCE VALUATION SERVICES

LTD Principles for Success

The following are key elements for success in the disability industry:

- Accurate pricing and solid underwriting
- Effective capital management
- Appropriate investment management
- Comprehensive claims management
- Expense management

For prosperous companies, these principles are held together by a comprehensive knowledge of the disability business. To run a profitable disability operation, it is important to understand, track, and manage the performance of these fundamentals. Uncertainty associated with LTD reserves is the common factor that limits knowledge in three of the key elements for success. As such, Smith Group feels it is critical to have a solid understanding of the dynamics associated with LTD reserves in order to show a profit in this business. The following is a brief summary of the relationship of LTD reserves to the fundamentals of the LTD business.

LTD Profitability:

The evaluation of current LTD profitability is critically dependent on the ability to accurately estimate future liability. For any given case, more than half of the LTD loss will be estimated five years after the premium is earned. Uncertainty in this estimate will distort the financial picture, making it difficult to accurately assess the adequacy of rates in aggregate or by segment.

Capital Management:

Return on capital is the standard measure of LTD success however an accurate assessment of ROC can be difficult and confusing. Statutory regulations, the federal tax code, and rating agency requirements influence the selection of the optimal capital management plan. Appropriate reserving strategies must be developed to comply with these requirements and integrate with the plan while maximizing the potential return.

Claims Management:

Effective and appropriate claims management is another critical component of a profitable LTD operation. Unfortunately, it is difficult to track and evaluate changes in claims management since so much of the loss is based on reserve estimates. It is crucial that claims management initiatives are measured in the context of long-term reserve run-outs to accurately assess the value of claims management strategies.

Smith Group offers actuarial consulting services that support our clients' LTD valuation activities. We have the experience, expertise, and tool-set to provide a comprehensive reserve analysis. We look forward to working with you and your associates to make sense of this complicated component of the disability business. The following outlines some of the valuation and related services we are able to provide. Please refer to our web site for more details on our products, services and key personnel (www.smithgroupre.com)

Year-End LTD Valuation Services

The following services are designed to assist your company with year-end 2000 reporting and closing requirements. Many of these projects are interdependent in nature; in other words, completion of a particular project may be contingent upon completion of the project that precedes it. Nonetheless, all projects and costs can be customized to meet your company's specific needs. In addition, reinsurance service days can be used toward these projects. Depending on scope, the project may be completed using reinsurance service days alone, or using a combination of reinsurance service days and consulting fees.

Assumptions and Data Audit Validation

This project audits reserve data fields to identify and report discrepancies. Examples of targeted data issues include, but are not limited to, the following:

- net benefit accuracy relative to claim payments
- offset timing by duration
- agreement between the elimination period with benefits and offset start dates
- accuracy of COLA calculations and its impact on reserves
- discrepancies between maximum benefit periods and various ADEA schedules

We will review your high-level reserve assumptions, including estimating Social Security offsets and maximum benefit duration, and audit the reasonableness of those assumptions. We will also review the criteria for determining *Open* and *Closed* claims and audit against that criteria.

Independent Reserve Valuation

This project is a comprehensive independent disability reserve valuation based on data submitted. The valuation can be based on several standard tables including 64CDT, 85CIDA, 87CGDT, and Table 95a. We can work with you to incorporate your own experience, if appropriate, or modify one of the standard tables to more closely match current industry experience. We will provide quantitative estimates to account for the impacts of survivor benefits, COLA, partial month payments, SS approval rates and trends, back due payments, all source provisions etc. An appropriate expense reserve can be calculated as well. Not only does this work provide an independent reserve valuation, but also serves as a test of your current reserve calculation algorithm.

Reserve Projections, Scenario Testing

Given your current LTD block, we can provide cash flow projections, and detail the future recovery and death expectations. These projections can be based on your current table or any other basis you select. The current block can be projected monthly, quarterly, or annually for any number of years showing open claim counts, expected payouts, expected reserves, and open monthly indemnities.

Reserve Sensitivity Testing

This project is an enhancement to the Reserve Projections, Scenario Testing above. We determine the sensitivity of changes in interest and morbidity to the various scenarios. This sensitivity analysis can be performed as either a deterministic or stochastic process, yielding information about the expected variances in any of the reserve projections, including worst-case loss scenarios.

IBNR Evaluation

We will evaluate current IBNR reserves for adequacy, compare them against current experience, and examine reporting patterns and the impact of the claims administration process. We will examine release patterns and recommend adjustments where appropriate. We will test the interaction of IBNR with the other reserves to ensure that all liability is covered in a comprehensive and consistent manner.

Long-Term Valuation Services

The following valuation projects are designed to be more long-term in nature. Smith Group will work collaboratively with your company to establish tasks and timelines conducive to the iterative process associated with these projects. Again, these projects are designed to be progressive in nature; however, we will work with you to customize goals and costs.

Reserve Adequacy Testing

We will conduct an independent and comprehensive reserve adequacy test. We will use several tests for short, mid and long-term reserve adequacy. We will use our judgment, in conjunction with these tests, to estimate the current adequacy of the reserves you are holding. We can provide adequacy tests by segment to isolate sources of gains and losses. Examples of segmented adequacy that may be of interest include adequacy tests by geographic region or benefits office. We can provide reserve adequacy trend information for specific calendar periods, quantify the effect of changes in benefits practices, and evaluate the impacts of reopened and litigated claims. We can consider a full accounting of how you handle payable and receivable amounts. We will evaluate the implications of specific claim practices on reserve adequacy such as setting a limited duration for mental nervous claims, or closing claims early while paying a lump sum for future expected benefits. As part of the adequacy test, we will perform a full audit of claim payment information and compare the actual terminations to those assumed in your reserves.

Reserve Table Updates, New Table Construction, and Process Implementation

We will create and assist in implementing a reserving process, the result of which will be a methodology and basis that meets your stated objectives. This can include evaluating and modifying current termination tables to reflect recent experience. We will perform an independent actual to expected analysis by calendar period and virtually any other segment. We will compare termination rates to current claims management practices and expected results. We will recommend adjustments to an existing table or build a new one depending on the scope of the project. This can include Social Security offset table construction, 24 month or 60 month CGDT table modifications, and reopened reserve and TBNR reserve modifications, or even tables specific to cause of disability. We will supply our recommendations for all reserve methods that are typically required, such as GAAP, STAT, Tax, and experience rating reserves.

IBNR Process Implementation

We will assist you in setting up a process for accurate IBNR determination, including incorporating recent claim experience into the IBNR estimate. We will provide the tools to convert claims experience into an IBNR method that can be dynamically adjusted over time. We will discuss the effects of seasonal variability on the LTD claims experience, and how the IBNR method should handle this variability.

Other Valuation Related Services & Studies

- Evaluate reserve settlement programs and provide measurements of their effectiveness.
- Studies to measure the effectiveness of current claim adjudication practices.
- Measurement and quantification of the past or future impact of changes in the claim management practice, portfolio mix, or reserving processes.
- Special reserves for segments or other business purposes, e.g. reserves for specific unusual blocks of business, reserves for voluntary LTD, ADL based products, etc.

Contact Smith Group

Smith Group welcomes the opportunity to discuss your reserve valuation needs and work with you to complete a project that helps fulfill your year-end and/or long-term reserving goals. Smith Group currently has in-house resources to conduct your company's reserve valuation project and will allocate these resources on a first-come, first-serve basis. Contact Rick Leavitt to discuss a reserve valuation project suited to the needs of your company.

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DISABILITY INSURANCE SOURCES OF GAIN AND LOSS

Experience Drivers

Smith Group has developed in-depth methods of examining group LTD insurance experience. This analysis not only outlines the experience, but also helps to identify the drivers of good and bad experience.

Smith Group understands that proper experience analysis is complicated by the fact that true drivers of experience are interrelated and can vary over time. Smith Group has developed the knowledge and skill to analyze disability insurance blocks and isolate the “true” drivers of risk.

Identification of experience drivers can help Smith Group make recommendations on pricing changes, underwriting practices or product enhancements. The overall goal is to help the carrier gain a better understanding of how specific risk variables can have an impact on their business goals.

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GROUP LONG TERM DISABILITY INSURANCE EXPERIENCE ANALYSIS

Overview

Smith Group now offers a group disability insurance experience analysis as part of its service offering. Clients who wish to take advantage of this valuable service will receive an in-depth analysis of their block. This analysis is tailored to your company's block of business and could include any of the following:

- Terminations split by recoveries and deaths
- Actual to expected claim termination rates by plan design, case characteristics and claim characteristics such as:
 - o Age
 - o Gender
 - o Elimination Period
 - o Cause of Disability
 - o Duration
 - o Quarter
 - o ICD9 Code
 - o State
 - o Salary
 - o Accident
 - o Severity
 - o Own Occ
 - o Occupation
 - o SIC
 - o Lives
 - o Benefit Duration
 - o Integration
 - o Benefit Percent
 - o Own Occ Definition
 - o M & N Duration
 - o Contribution
 - o Benefit Maximum
 - o Plan Minimum
 - o COLA
 - o SS Receipt
 - o Marital Status
 - o *Customized field*
- o Ultimate Termination Report
- o Recovery and Death Timing Report
- o IBNR Report
- o Social Security Report
- o Actual to Expected Reserve Report (At EP)
- o Open Claim Actual to Expected Reserve Report
- o LTD Claims Profile by Condition
- o LTD Claim Duration by ICD9 Code
- o Actual to Expected LTD Claim Termination Report
- o Reports Weighted by Lives or Monthly Indemnity

Benefits for Your Company

Participating in Smith Group's disability insurance experience analysis provides valuable information for your company. The results help validate your company's claim management goals and objectives, while providing a many-faceted view of termination experience by several important plan, case, and claim characteristics. The report helps substantiate termination assumptions and verify that termination rates are within reasonable bounds, but it may also uncover unforeseen trends. As such, the analysis has utility as a pricing and/or claims management tool. Finally, in addition to the written report, Smith Group is available for an onsite review of the findings and discussion of potential implications.

Specific goals and objectives of the analysis include the following:

- Validate and uncover your company's claim termination trends.
- Test the impact of your company's claim management techniques and "managed" LTD products.
- Monitor LTD Risk Factors.
- Assess the impact of settlements.
- Split terminations by deaths and recoveries.

Smith Group's disability insurance experience analysis is a client service product aimed at providing in-depth claim termination data to your company. The results of this analysis differ from the SOA group LTD experience study in focus and scope. Smith Group's study focus is the individual insurance carrier and the study scope includes many plan, case and claim factors tailored to your company's specific needs. In addition, the results can be readily updated and customized upon request, once the initial analysis has been completed. Future cross-company data compilation and analysis is contingent upon individual participant discretion and feasibility.

Submission & Validation Process

Submission

The ease of data submission further enhances the value of Smith Group's disability insurance experience analysis. Smith Group technical and actuarial expertise enables us to handle your data in any PC form including ASCII, Excel, Access etc. To save you time and avoid DP request queues, the data can be submitted as a dump, un-audited and un-formatted. All LTD claims can be submitted, including self-insured. Code/field interpretations should be provided.

Conversion and Auditing

Once this data is submitted, it will be converted to the standard study format using a PC data conversion utility. It will then be run through the audit routines. At this point, a listing of audit issues will be reconciled via a collaborative effort between your company and Smith Group. Once these issues are resolved, recovery, death, and A/E tables will be sent to you for review.

Where to Send Group LTD Experience Data

If you wish to take advantage of Smith Group's disability insurance experience analysis, or need further information, please contact either of the following:

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DISABILITY INSURANCE UNDERWRITING TRAINING & CONSULTING

LTD profitability is a result of accurate pricing, appropriate investment, effective claims adjudication, shrewd expense management and finally, solid underwriting. During periods of economic gain (e.g. high interest rates and strong return on capital), underwriting practices are often overlooked; on the surface, the disability block appears profitable. Sound underwriting, however, can turn a poorly running case into a profitable and long-term customer for the insurer. Conversely, ineffective or 'lazy' underwriting will result in long term loss that may not be realized until years later. A major objective for the underwriter, therefore, should be to anticipate and manage claim incidence, magnitude and duration. That is, how many claims do we expect, how big will they be and how long will they last?

In order to manage the risk associated with incidence, magnitude and duration, the underwriter must also understand the following risk components both at the case and block level.

1. Correlation between plan provisions
2. Demographic Impacts
3. External forces

At the Smith Group, we have over a century of experience in Long-Term Disability Insurance. Through our experience, we have come to understand both the art and science of underwriting and provide our clients with the expertise and knowledge to help manage their own business. The following are some of the underwriting services and training we can perform:

Underwriting...*the Art*

- Client Needs Assessment
- Financial Underwriting
- Competitive Review
- Case Risk Characteristics
- Contract Comparison
- Negotiation
- Relationship Building
- Documentation/Communication
- Understanding Plan Variables

Underwriting...*the Science*

- Experience Rate training
- Credibility Formulae
- Tolerable Loss Ratios
- Claim Reserves
- Time Value of Money
- Use of IBNR
- Experience Period

Underwriting Process

- Improve turn around times
- Assess documentation
- Recommend Protocols

Product Training

- STD/LTD Flex
- Voluntary
- Traditional
- Alternate Funding
- ASO

Underwriter Chat Sessions

Smith Group is available to its reinsurance clients for on-sight underwriter chat sessions. Smith Group staff host a discussion with your underwriters to present and discuss current market, industry and economic issues. During these sessions, the underwriters are encouraged to critically examine market pressures and devise a sound underwriting approach. Smith Group contributes an industry-wide market perspective to help add context and clarification to the underwriter's most pressing risk issues. Smith Group also provides an overview of current case, industry and economic news that may assist underwriters in their ongoing risk evaluation of existing and potential business.

Underwriter Conference Calls

Smith Group hosts Underwriting Conference Calls for its reinsurance clients in order to discuss current market issues and risk variables. Each call is specifically tailored to the direct carrier's risk management needs, target markets, and level of underwriter expertise. During these calls, the direct carrier has the opportunity to request agenda items and further research. Often, these calls include a discussion of current market conditions, competitive issues, industry trends and economic trends.

Smith Group welcomes the opportunity to discuss your company's underwriting consulting needs and develop a customized program aimed at meeting your disability insurance top and bottom line goals.

Underwriting Tools

Underwriting Task Tracking, (www.smithgroupre.com/research/webUWTT.aspx), allows Smith Group Clients to research case specific underwriting requests. The Underwriting Task Tracking link allows users to view the cases they are currently underwriting in conjunction with Smith Group.

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DISABILITY INSURANCE CLAIMS CONSULTING

Effective claims adjudication is essential for customer satisfaction, LTD profitability and sound business practice. Furthermore, the ability to manage claim severity and duration is increasingly contingent upon return to work initiatives, complex claim administration and managed disability protocols. Understanding these fundamentals, Smith Group's claims consulting services can help your company achieve its claims management goals.

The following is an overview of claims projects that Smith Group offers on both a reinsurance and consulting basis.

ERISA Appeals Support

Smith Group's claim staff provides expert assistance in managing your company's backlog of ERISA appeals. The support may include on-site reviews, uphold letters or remand file plans developed for each appeal.

Complex Claims Analysis

Smith Group's well rounded insight and complete file/procedural review enables us to provide concise claims management analysis and recommendations. Complex claims recommendations can be presented to all levels of claim personnel, from examiner to senior management.

Settlement Review

Smith Group provides an expert settlement review with complete analysis of selected claims followed by professional management of settlement procedures.

PTD Block Review

Outside review of your company's permanently and totally disabled claims can provide valuable insight on potential management and administrative protocols that will positively impact claim outcome.

High Reserve Claim Review

Smith Group can apply our expert claim management techniques to your block of high reserve claims and work toward improved claim and financial outcomes.

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Compliance and Regulatory Affairs

Smith Group recognizes the importance of effective compliance as a critical component of success. In today's highly regulated environment, reliance on sales, underwriting, claim management and marketing is not enough to achieve the desired result. Compliance administration and an ability to track and understand state and federal regulatory requirements must be an integral component of every insurance organization's strategy.

Our goal is to provide comprehensive compliance advice and assistance. Because we understand the expectations and goals of your business, we offer expertise on a wide variety of compliance matters with personal attention, innovation, commitment, and technical proficiency. Most of the services outlined herein are included in our standard reinsurance service offering; services that fall outside the reinsurance agreement can be provided on a consulting fee basis. The following is an overview of our Compliance and Regulatory Affairs offering:

Compliance Administration & Regulatory Assistance

- Track U.S. federal and state regulations impacting LTD and STD products, and other specific lines of business and topics of interest
- Proactive regulatory compliance reviews
- First-hand advice and assistance with regulatory issues, procedures and protocols
- Assistance with filings
- Reference manuals and compliance requirements checklists
- Insurance research and surveys
- Assistance with preparation of Interstate Compact filings
- Representation before individual insurance departments, the National Association of Insurance Commissioners, and selected trade groups

Regulatory Research

- Timely publications to alert clients on proposed, exposed, considered and adopted policies, bulletins, bills and regulations in areas related to STD, LTD and other lines of business
- Alerts to company executives on urgent, time-sensitive and critical state and national legislative and policy initiatives
- Reports of state and federal level compliance, regulatory filing and legislative mandates (e.g., premium taxes, definitions, pre-existing conditions, discretionary discounts, guarantee issue requirements, loss ratio requirements, etc.)

Competitive Product Development

- Draft policies, certificates, riders, name change endorsements, specific use forms, amendments, applications, rates, assumptions certificates
- Develop standard forms based on new product specifications
- Modify drafted forms to reflect state specific requirements
- Prepare and submit product rates and forms as required in each state
- Advice on strategic rate and product filing options

Product Filings

- Hands-on guidance and expertise for filing preparation, including transmittal documents, fee checks, cover letters, and state checklists to ensure compliance with laws and regulations
- Assemble single and multi-state filing documents for submission
- Personal representation and scheduled follow-ups with state insurance departments to facilitate approval process
- Prepare status report
- Research compliance issues and recommend responses to objections or requests for clarification

Compliance Education, Training & Surveys

- Speed-to-market and how to efficiently obtain regulatory review and approval
- Forms and rates development based upon applicable laws and regulations, actuarial guidelines and model laws
- How to prepare filings, certifications, transmittals, checklists
- How to submit paper, electronic, or SERFF filings
- How to effectively communicate with state regulators- do's and don'ts
- Highlight of available filing reference products or resources
- Highlight of available compliance reference products and resources
- Interstate Compact – Q &A
- Update on uniform national standards
- What's happening at NAIC and in Washington, DC with respect to Model Regulations, Model Acts, and Federal Charter.

Smith Group is proud to offer the above regulatory and compliance services and we look forward to tailoring projects for your company's specific needs.

SYSTEMS SERVICES

Smith Group is proud to offer sophisticated systems services that are customized according to client needs. We offer a broad range of systems services that go well beyond the baseline needed to maintain a reinsurance contract. These services fall into the following categories:

Systems Integration

Smith Group provides integration of data across various platforms for your analysis and reporting needs. We are experienced in bridging data across mainframes and client/servers, as well as between various proprietary and off-the-shelf applications. We can provide these services in the form of client/server programs or with a Web interface.

Automation

Smith Group can streamline existing business processes and analysis through linked documents and automation. We will work with the client to pass on best practices regarding the use of common business applications, so that they can more fully take advantage of linking and automation.

Web-related Services

Smith Group Web services range from design consulting to programming. Although we do not provide hosting, we can work with the client to develop a Web site that integrates with their existing documents and applications.

We also provide a number of Web Services that allow our customers to access our wealth of disability-related information seamlessly through their own applications, on a real-time basis. These Web Services include the ability to check a claims database against the Social Security Administration's Death Master File, and the ability to track cases for which Smith Group is providing underwriting expertise.

The Social Security Death Master File (DMF) service (www.smithgroupe.com/research/SSdata.aspx) allows Smith Group clients to cross-check claimant Social Security numbers against a monthly updated list of SS numbers belonging to deceased individuals. To fully leverage this informational database, Smith Group can quickly and easily integrate the information from the SS Death Master File into a reinsurance client's existing applications. This integration can be done entirely behind the scenes; end users do not have to learn a new application. All of the processing occurs at Smith Group, and the client is free to access this service at their convenience.

Our technological expertise allows us to quickly assess systems requirements and develop effective solutions. Our developers have over 30 years of combined systems development experience, and are Microsoft and Oracle certified. Our primary areas of expertise include:

-Visual Basic

- Application development in version 6.0 and Visual Basic.NET
- Microsoft Office applications using Visual Basic for Applications

-Database applications

- Database design and application development in SQL Server and Oracle
- Integration with Visual Basic using ADO 2.6 and ADO.NET

-Web/XML development

- ASP development in version 4.0 and ASP.NET
- Application development using XML and XSL

In addition to ensuring that all of our applications are fully documented, we provide customized application support to suit each client's particular needs. In addition, we offer limited C++ application development, technical writing assistance, mini-training sessions on particular applications and technology research.

We welcome the opportunity to discuss your company's systems needs and develop customized solutions that enhance the reinsurance and consulting partnership.

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CLIENTS ONLY PUBLICATIONS

Smith Group produces several “clients only” publications on a monthly and quarterly basis. These publications are for the exclusive benefit of Smith Group reinsurance clients. Clients can access these password protected reports via the Smith Group web site (www.smithgroupre.com).

Quarterly Earnings Resource

www.smithgroupre.com/research/quarterlyearnings.aspx

Smith Group analyzes quarterly earnings reports and conference calls released by leading Group Disability Insurance Carriers. This summary provides clients with valuable Smith Group analysis of current LTD market intelligence and includes a review of current quarter Profit, Earned Premium, Sales, and recent news items.

Product and Industry News for Group Disability Insurance Professionals

www.smithgroupre.com/research/productnews.aspx

This report summarizes items of interest to Group Disability Insurance Professionals that occurred in the most recent quarter including:

- Product & Service Announcements for Disability Insurance Lines
- Regulatory & Legal News
- Reports & Studies
- Marketing & Advertising
- Mergers & Acquisitions
- Investor Relations
- Public Relations
- Personnel Announcements

Regulatory Bulletin

www.smithgroupre.com/research/regbulletin.aspx

Smith Group’s Regulatory Bulletin proactively monitors and tracks state legislative and administrative activities in the areas related to short-term and long-term disability, group life, forms and rates filings, mandated benefits, fees, and other compliance topics that may directly impact your business practices and day-to-day operations. This periodic state-by-state legislative and regulatory update reflects developed, proposed, exposed, considered and adopted bills and regulations in each respective jurisdiction. It is intended to keep you abreast of state and national policy and regulatory proposals that may directly impact your business practices and to alert and prepare you for potential implications of such initiatives once they are adopted.

Special Reports & Presentations

www.smithgroupre.com/research/specialreports.aspx

www.smithgroupre.com/research/presentations.aspx

This section of Smith Group’s website allows reinsurance clients convenient access to Smith Group research papers and presentations. In addition, clients may also access presentations from leading industry experts that were originally featured as part of the Maine Event Conference.

For more information on how to access these reports:

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MARKET RESEARCH AND DEVELOPMENT

Smith Group's ability to customize its service offering allows us to provide tailor-made research initiatives in direct response to client requests. These projects cover a wide variety of topics and can range from quick industry statistics, to in-depth research, analysis and recommendations.

A Smith Group research project may be provided as part of the reinsurance agreement and may be requested at any time. Past project topics include:

- Cross-Industry Comparison of 2004 YTD Profit, Sales, and Earned Premium
- Group Disability Insurance Carriers' Sales Office Locations
- Taxation of LTD Benefits
- Implications of 9/11/01 for Group Disability Ins.
- ASO STD Market Size and Pricing Options
- Attorney Market Trends
- Occ vs. Non-Occ Group Disability Product
- Pricing Pools
- Re-enrollment Schedules and Timing
- Core Market Penetration Strategy
- Health Care Ind. Market Size and Growth Potential
- Physician Specialty Market: Risk Factors
- Target Market Identification and Analysis
- Acquisition Strategies
- Claim Service Trends
- WBGH Standardized Metrics Proposal
- Association Business Trends
- Employee Leasing Companies
- Online Group Disability Insurance Sales
- EAP and Wellness Programs
- State Disability Plan Maximums
- Unemployment and LTD Incidence
- Mortality Experts
- Bank Distribution
- Financial Reinsurance
- DOL Claim Procedure Regulations
- Employee Assistance Plans/Rehabilitation Plans
- Small, Mid and Large Case Markets
- Mental and Nervous Disabilities
- Group STD/LTD Market Penetration
- ERISA Form 5500 Sch. A: Broker Commissions
- UnumProvident Multi-State Settlement Analysis
- Funding Options
- Vendors
- Renewal Strategies and Trends
- OSHA/WC Disability Durations
- RBC Regulations
- Economic Trends, Layoffs, M&As
- SIC/NAICS Comparison
- STRS/PERS

SURVEYS

Smith Group conducts surveys in response to client requests and industry trends. We are uniquely positioned to identify current issues in disability insurance, assess the industry's standards and response to these issues, and provide in-depth analysis of the situation. Smith Group's service orientation is demonstrated through our ability to quickly and effectively provide valuable survey information to its clients and colleagues. Topics include:

- 9/11/01 Risk Survey: Impact on the Disability Insurance Industry
- Actuarial Staffing Trends Survey
- Appeals Survey
- ASO Banking Survey
- Claim Expense Survey
- Claim Form Survey
- Claim Overpayment Process and Recovery Survey
- Claim Staffing Survey
- Definition of Earnings Survey
- Department of Labor Regulations Survey
- Enrollment Survey
- Expense and Retention Survey
- Group Benefits Best Practices and Underwriting Guidelines Communication Survey
- Group Insurance Metrics Survey
- Group Insurance Proposals Survey
- LTD Claim Duration Survey
- LTD and STD Phone Call Recording Survey
- LTD Plan Maximums Survey
- LTD Reserve Table and Discount Rate Survey
- Mental Health Parity Compliance Survey
- New Claim Application Review Time for STD and LTD Claims
- Occupational Risk Survey
- Quality Management Survey
- Recurrent Disability Survey
- Retention and Reserving Survey
- ROE Survey
- STD and LTD Manual Expense Survey
- Voluntary Disability Insurance Plan Offerings

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DISABILITY INSURANCE POLICY RESOURCE

Disability Policy Access

Smith Group maintains an extensive library of filed group disability policies. Continuously updated, this collection represents an invaluable competitive resource for Smith Group and its clients.

Disability Policy Analysis

Smith Group periodically analyzes filed disability insurance policies, identifying industry standards and future trends. A provision-by-provision breakdown ensures Smith Group's in-depth knowledge and understanding of each aspect of the disability policy, as well as an understanding of how each provision interacts to create a cohesive disability insurance product.

Smith Group's Disability Insurance Policy Resource is a searchable database of disability insurance form filings. Smith Group reinsurance clients can research group LTD policy provisions by a specific insurance carrier, or across all insurance carriers. Each provision is broken down into its respective elements to allow for cross-carrier comparisons. This analysis develops an overview of competitive similarities/differences as well as industry standards

(www.smithgroupre.com/research/policyprovisions.asp)

Disability Policy Comparison

Smith Group compares pertinent policy provisions against the major LTD carriers in order to assess industry standards and determine best practices. Smith Group's reinsurance and consulting offering includes a group disability product review that assesses a company's competitive advantages and opportunities for improvement in relation to these STD/LTD policy standards and sound business practices.

Policy Comparison Specifications

Carriers

All leading group disability carriers are included in Smith Group's Policy Comparison.

Policy Provisions

Smith Group's group disability policy comparison project includes a complete overview of each provision including purpose, standard wording/benefits, and best practices, as well as a critical discussion of the carrier's own treatment of the provision.

The following group LTD policy provisions may be highlighted in the competitive comparison:

Accidental Dismemberment and Loss of Sight	Evidence of Insurability
ADL Definition of Disability	Extended Earnings Protection Benefit
Arbitration	Fraud Statement
Benefits	General Exclusions
Caregiver Training Benefit	Infectious and Contagious Disease Benefit
Child Care Expense Benefit	Key Person Benefit
Claims Administration	Medical Premium Reimbursement Benefit
Continuation Policy & Portability	Mental Illness Limitation
Continuity of Coverage/No Loss No Gain	Monthly Earnings
Conversion	Other Income Benefits
Cost of Living Adjustment	Portability
Coverage	Pre-Existing Condition Exclusion
Critical Burn Benefit	Pre-Existing Condition Limitation
Critical Care FMLA Benefit	Premed/Med Student Loan Repayment Benefit
Definition of Disability	Premium
Any Occ Definition	Presumptive Disability Benefit
Attorney Own Occ	Progressive Disease Benefit
Both Occu and Earn Qualifiers Required	Recurrent Disability
Definition of Injury	Regular and Appropriate Care
Definition of Sickness	Rehabilitation Plan
Earnings Qualifier	Respite Care Benefit
Exclusions	Retirement Contribution Benefit
Occupational Qualifier	Return to Work Benefit
Own Occ Definition	Self-Reported Symptom Limitation
Own Occ Duration	Social Security Assistance
Physician Own Occ	Special/Subjective Condition Limitation
Pilot Own Occ	Subrogation
Disability Earnings	Substance Abuse Limitation
Drug and Alcohol Abuse Limitation	Survivor Benefit
Education Benefit	Third Party Reimbursement
Elimination Period	Uniform Provisions/Policy Administration
Emergency Alert System Benefit	Worksite Modification
Employee Assistance Program (EAP)	

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PRESENTATIONS & TRAINING SESSIONS

Smith Group provides presentations and training sessions in response to client and industry requests. Training assistance and sessions can cover a specific discipline, such as underwriting or claims, or they can be more global in nature, such as industry-wide LTD Trends. We welcome the opportunity to help your organization with its training needs. Examples of training sessions include:

- Disability Insurance Marketplace Trends
- Disability Insurance Pricing Issues
- Disability Insurance Industry Competitive Intelligence
- Disability Reinsurance Overview
- Underwriting Intelligence / Risk Assessment
- Disability Insurance Reserves Overview
- Claims Processing and Organizational Workflow Recommendations

MAINE EVENT CONFERENCE

Date

September 14-16, 2009

Place

The Regency Hotel, Portland, Maine (www.theregency.com)

Overview

Smith Group and Munich American Reassurance Company sponsor **The Maine Event** as a service for their disability reinsurance and consulting clients. The conference provides a forum for industry leaders to participate in insightful discussions on disability insurance. This service includes all sessions, overnight accommodations, meals and activities (*attendees are responsible for transportation, incidentals, and a nominal fee for spouses/guests if applicable*).

2009 Agenda Highlights

Economic Trends

Economic Trends: A View From the Bottom?

Michael Donihue, Professor of Economics, Colby College

Employee Benefits Trends

Employee Benefits: A Look to the Future

John Cassell, Senior Partner, Spring Consulting Group

Financial Industry Trends

These Financial Times

John Sununu, Former Senator from New Hampshire

Underwriting Perspective

How Sales Reps Can Differentiate Themselves in the Market

Barry Lundquist, Principal, Eastport Marketing Group

Break-Out Talk Shop Sessions

-Actuarial, -Underwriting, -Claims

Actuarial Trends

Rick Leavitt, Smith Group

Accommodations

Smith Group coordinates all reservations at The Regency Hotel. Please contact Kristen deCastro (207/879-5680) to reserve your space.

Activities

The Maine Event features an afternoon of recreational activities. Activities may include:

-Golf, Sightseeing Cruise, Lobstering Boat Cruise, Trolley Tour

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