



May 18, 2004

Dear Smith Group Client:

We continue our service of providing competitive information by releasing the following information. This report is based upon insurers' 1st quarter 2004 earnings releases.

The data and information upon which these reports are based are readily available in the public domain. The report is based primarily upon companies' press releases, statistical supplements, SEC filings, and earnings calls. Smith Group also reviews stock analysts' reports. Smith Group adds value to this information through its compilation, analysis and by providing insights to the information.

By providing this information we do not intend to make predictions about insurers nor their results. Rather, we are simply providing information for you to use to help increase your understanding of the complicated business and times in which we operate.

As always, we welcome your questions and comments. Please contact Tom Kirner (207) 879-5680, tkirner@smithgroupre.com to discuss the material further.

Q1 2004 Earnings Releases & Conference Calls Summaries

UnumProvident (UP):

Profit (Before FIT and net unrealized investment Gains/Losses):

Reported group disability (LTD & STD, both US and UK) profits of \$30.3 million in 1Q04 compared to a loss of \$423.4 million in 1Q03. Group Disability Benefit Ratio was 89.4%

Group Life and AD&D reported profits of \$46.3 million in 1Q04 compared to \$55.5 million reported for 1Q03. Life Benefit Ratio for 1Q04 was reported as 77.7%.

EP/Sales (Sales on submitted basis):

LTD premium was \$629.8 million for 1Q04 up from \$577.1 million for 1Q03.

STD premium was \$157.1 million for 1Q04 up from \$154.5 million in 1Q03.

Group Life premium was \$388.8 million for 1Q04 up from \$371.1 million in 1Q03.

AD&D premium was \$47.1 million for 1Q04 down from \$50.6 million in 1Q03.

LTD sales were \$65.1 million for 1Q04 compared to \$65.7 million in 1Q03.

STD fully insured sales were \$25.7 million in 1Q04 compared to \$26.8 million for 1Q03.

Life sales were \$39.6 million in 1Q04 compared to \$54 million in 1Q03.

AD&D sales were \$2.5 million in 1Q04 compared to \$6.6 million in 1Q03.

Notable statements:

Disappointed in S&P's rating action.

Group Income Protection below expectations but improving due to actions taken (price increases, renewal increases, shift to fewer large cases).

Don't intend to replace old under priced business with new under priced business.

Primary focus is to improve profitability of US group disability.

Have adjusted sales management and rep compensation to close to 50/50 profit/sales.

Hartford:

Profit (Net income before the after tax effect of capital gains/losses):

Overall Group (Life, STD, & LTD) 2003 net income was \$47 million in 1Q04 compared to \$34 million in 1Q03.

Overall group loss ratio was 74.8% for 1Q04 down from a loss ratio of 80.3% in 1Q03.

EP/Sales:

Disability sales (LTD & STD) were \$139 million for 1Q04 up from \$103 million in 1Q03.

Life sales were \$152 million in 1Q04, up from \$89 million in 1Q03.

Disability premiums were \$393 million for 1Q04 up from \$243 million in 1Q03.

Group Life premiums were \$415 million, up from \$243 million in 1Q03.

Notable statements:

Sales up primarily as a result of bolstered marketing and distributions efforts.

Strong underwriting and disciplined claims management were key drivers in performance along with earnings from CNA.

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CIGNA:

Profit (Income from continuing operations, excluding realized investment gains/losses, after taxes):

Group Disability and Life earnings were \$36 million for 1Q04 up from the \$25 million reported for 1Q03.

EP/Sales:

Disability premiums (presumably primarily LTD) for 1Q04 were \$149 million up over 1Q03 premiums of \$129 million.

Life premiums increased to \$259 million for 1Q04 compared to \$223 million in 1Q03.

Sales results were not disclosed

Notable statements:

Sale of retirement division is the last major step in redirecting the company.

Competitively strong results in disability and life.

CIGNA's integration of medical management, disability management, and disease management for those STD claimants with both CIGNA health and disability results in 12% shorter durations and 6% higher return to work.

MetLife:

Profit (Operating Earnings after tax and before after-tax investment gains):

Non-medical profit (LTD, STD, Dental, and LTC) for 1Q04 was \$62 million compared to \$59 million for 1Q03.

Group disability loss ratio was 93.3% in 1Q04, compared to 96.5% for 1Q03 and 102.7% in 4Q03.

Group life earned \$77 million in 1Q04 compared to \$78 million in 1Q03. The loss ratio was 95.7% in 1Q04 compared to 93.2% in 1Q03 and 91.4% in 4Q03.

EP/Sales:

Group disability premiums for 1Q04 were \$246 million up from \$241 million in 1Q03.

Group life grew to \$1,268 million in 1Q04 up from \$1,163 million in 1Q03.

MetLife does not disclose sales numbers in these lines.

Notable Statements:

Morbidity ratio was down in the first quarter as expected. Incidence was down compared to the fourth quarter as expected. [Claim] Closures were back to normal.

Reported mortality back up as expected.

Seeing off-cycle (other than 1/1) effective dates in National Accounts on new sales..

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Standard:

Profit (Pre-tax income after realized capital gains/losses):

Employee Benefits profit was \$50.1 million for 1Q04 up from \$44.6 million in 1Q03.

EP/Sales:

LTD sales for 1Q04 were \$14.3 million down from 1Q03's \$16.9 million.

EP for LTD in 1Q04 was \$174.9 million flat compared to \$175 in 1Q03.

STD sales were \$4 million for 1Q04 down from \$9.4 million in 1Q03.

STD EP grew to \$42 million in 1Q04 from \$40.6 million in 1Q03.

Life and AD&D sales were \$12 million in 1Q04 down from \$16.1 million in 1Q03.

Life and AD&D premium was \$149.2 million in 1Q04, down slightly from \$150 million in 1Q03.

Notable Statements:

Need to put sales reps in best possible position... Pricing discipline hard on reps... Have to give them better tools... Looking at pricing structure.

Competition tending to be more rational on price, but have not felt the full effect yet.

[Feeling we are] not "in the range" on price often enough. [Yet we will] continue to be price disciplined.

[Need to] maintain a balance between top line and profit growth.

Prudential:

Profit (Adjusted operating income before taxes):

Group Insurance (life, LTD, STC and LTC) profit for Employee Benefits was \$26 million in 1Q04 compared to \$34 million in 1Q03.

Disability loss ratio was 95.4% for 1Q04 compared to 93.9% in 1Q03.

Life loss ratio for was 92.1% compared to 91.9% in 1Q03.

EP/Sales:

Group disability (LTD, STD, & LTC) earned premium was \$176 million in 1Q04 up from \$171 million in 1Q03.

Group disability sales were \$90 million in 1Q04 up from \$67 million in 1Q03.

Group Life EP was \$647 million in 1Q04 compared to \$638 million in 1Q03.

Group Life sales were \$127 million for 1Q04 up from \$88 million 1Q03.

Notable Statements:

The decrease [in profit] reflected a lower contribution from investment results... due to declining yields, as well as less favorable disability claims experience.

Encouraged by strong sales in group.

No change in strategy in group [sales], nothing to hype sales in the near term.

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Assurant:

Profit (Net operating income after tax, before net realized gains and losses and the after tax effect of one time events.):

Assurant Employee Benefits (group lines) had a profit of \$13.3 million in 1Q04 compared to \$8.1 million in 1Q03. Overall loss ratio was 76.8% this quarter compared to 77.3% a year ago.

EP/Sales:

Overall group EP was \$318 million for 1Q04 compared to \$320 million in 1Q03.

Group disability (STD & LTD) EP was \$124 million in 1Q04 compared to \$118 million in 1Q03.

Group life EP was \$63 million in 1Q04 compared to \$65 million in 1Q03.

Notable Statements:

Focus has been on pricing and underwriting discipline.

Disability claims were lower and loss ratio is down 2% from last year.

Good sales in voluntary (emphasis is on voluntary) up over 20% versus 1Q03. Saw a decline in true group sales.

Aetna:

Profit (Operating earnings excluding other items, net realized capital gains or losses, income from discontinued operations and cumulative effect adjustments.):

Group Insurance (life, Disability and LTC) operating earnings were \$30.8 million in 1Q04 compared to \$32.6 million in 1Q03.

EP/Sales:

1Q04 premiums for group were \$393.7 million compared to \$375.8 million in 1Q03. Aetna does not release sales numbers or premiums by line. However, Aetna does release member numbers. For 1Q04, Group Life membership was 10,045,000 up from an even 10 million at year end 2003. LTD lives were 2,141,000, up from 2,085,000 at year end 2003.

Notable Statements:

Investments made in distribution are yielding encouraging results with particular success in sales to Middle Market customers.

Operating earnings [in group] were lower because of a slightly higher benefit cost ratio and higher operating expenses.

Liberty:

Liberty has changed its organization to a Mutual Holding Company. However, it has not issued stock and thus is still privately held. As such, it has no obligation to produce quarterly earning statements or investor conference calls. However, it has begun both. They state the call is primarily for bondholders. Not much useful information (for LTD) was included. Liberty did report EP for group disability of \$60 million in 1Q04 compared to \$63 million in 1Q03

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Reliance Standard Life (RSL):

Profit (Operating income pretax, excluding after-tax realized investment gains or losses):

Operating income for Group (LTD, life, excess workers comp) for 1Q04 was \$39.5 million up from \$33.5 million in 1Q03.

Group loss ratio was 70.9% for 1Q04 compared to 69.7% in 1Q03.

EP/Sales:

Disability premium, mostly LTD, was \$68.5 million for 1Q04 up from \$55.6 million in 1Q03.

Sales of disability in 1Q04 were \$22.3 million up from \$21 million in 1Q03.

Life EP was \$65.2 million in 1Q04 up from \$60.4 million in 1Q03.

Life sales were \$15.6 million down from \$19.8 million in 1Q03.

Notable Statements:

Seeing a firming in disability pricing.

Not seeing the same discipline [as in disability] in group life.

Intensified focus on small case.

Expect to expand sales force from 99 [currently] to 114 in 2004.

Guardian

As a mutual company, Guardian does not have quarterly earnings releases.

Jefferson Pilot (JP):

Profit (After FIT and before net unrealized investment Gains/Losses):

Benefit Partners' profit for 1Q04 was \$11.5 million down from \$11.9 million in 1Q03. An increase in severity (benefit amount) on LTD claims in March was part of the cause. By line profits were disclosed for the first time:

- Life - \$3.5 million compared to \$2.5 million in 1Q03.

- Disability - \$6.8 million compared to \$8.4 million in 1Q03.

Overall loss ratio for all Benefit Partner lines was 76.2% for 1Q04 compared to 74.1% in 1Q03. By line loss ration, disclosed for the first time was:

- Life – 79% compared to 82% in 1Q03.

- Disability – 72.9% compared to 63.4% in 1Q03.

EP/Sales:

Overall group sales were \$53.9 million for 1Q04 down from \$73 million in 1Q03. Sales by line were not disclosed.

Overall group premium was \$232.5 million in 1Q04 compared to \$181.8 million in 1Q03. One month of Canada Life take over business is included.

Premium by line was not disclosed.

Notable Statements:

Sales were below expectations in part due to industry issues such as medical increases and inforce rates being below new business prices.

Earnings were disappointing due to an increase in severity of LTD claims submitted in March. The severity problem was due to higher salaries of claimants in a few industries. This severity was strange and just a fluctuation.

Accelerated build-out of distribution continues with the addition of Canada Life reps bringing the total rep count to 104 with 130 as the target.

No negative surprises from the acquisition of Canada Life's group division.

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Sun: (All numbers were reported in Canadian dollars except where noted.)

Profit (Net income after tax):

☞☞US Group Life & Health (LTD, STD, Stop Loss and life) earned \$2 million in 1Q04 compared to \$6 million in 1Q03.

EP/Sales:

☞☞GL&H premiums for 1Q04 were \$250 million compared to \$261 million in 1Q03. It is assumed that the decline is due to exchange rates and the stronger Canadian dollar.

☞☞Sales of health (disability and stop-loss) were \$28 million for 1Q04 compared to \$48 million in 1Q03. The exchange rate is having the effect of depressing 2004 figures when stated in Canadian dollars.

☞☞Life sales were \$11 million for 1Q04 compared to \$12 million in 1Q03.

Notable Statements:

☞☞Unfavorable currency exchange due to stronger Canadian dollar dampens US results.
☞☞GL&H earnings decreased \$4 million US from 1Q03 due to adjustments in premiums received and higher mortality.

☞☞Have actively considering a number of situations [group acquisition in the US]. [Sun is] very disciplined, [a successful acquisition] depends on the market. \$200-\$300 million target, but if a good fit hard to pass up \$600 million [price tag].

AIG:

AIG, being so large, does not provide information at the product level. The lump all group into Group Life/Health that includes stop loss, life, dental, vision, STD, LTD, voluntary and travel assist.

Profit (Pretax Operating Income)

☞☞Group Life/Health profits for 1Q 04 were \$25.6 million down from \$28.5 million in 1Q03.

EP/Sales:

☞☞Group Life/Health premiums for 1Q04 were \$260.1 million up from \$236.8 million in 1Q03.

☞☞Sales are not listed nor commented on.

Notable Statements:

☞☞In response to insurers returning to lower prices in order to attract market share in the property business: “In a risk business market share is not a brilliant strategy”.

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GE ESG:

GE reports no detail on this segment. GE ESG is part of the GE Financial Assurance (GEFA) reporting segment and is included under the “other insurance” heading. Earnings in “other insurance” for GEFA were up 2% (not including the disposition of a business) over 1Q03 at \$270 million. Genworth, the IPO that includes GE ESG is on track for the first half of 2004. The IPO will reduce GE’s ownership of Genworth to 70%. GE stated it “will sell down remaining position as soon as practicable”.

NWML:

As a mutual company, NWML does not have quarterly earnings releases.

Principal:

Profit (Net Income after tax after capital gains/losses):

Principal changed reporting segments. Group life, disability (STD & LTD) dental, vision, and ID are reported as “Specialty Benefits”.

☞☞ Specialty Benefits reported net income of \$14.4 million for 1Q04 compared to \$8.6 million in 1Q03. Group disability (STD, and LTD) and group life represent 48% of premiums in this segment.

☞☞ Loss ratio for group disability in 1Q04 was 84.2% compared to 78.2% in 1Q03.

☞☞ Group Life loss ratio was 70.6% in 1Q04 compared to 71% in 1Q03.

EP/Sales:

☞☞ Group disability (STD & LTD) premiums were \$40.4 million in 1Q04 up from \$32.9 million in 1Q03.

☞☞ Group disability sales were \$13.5 million for 1Q04 compared to \$14.9 million in 1Q03.

☞☞ Group life EP was \$60.9 million up from \$54.4 million in 1Q03.

☞☞ Group life sales were \$11.1 million for 1Q04 compared to \$14.7 million in 1Q03. (4Q03 sales were down almost 10% compared to 4Q02.)

Notable Statements:

☞☞ The large case market is very competitive. Seeing employers slower in making decisions to move (fewer proposal activity).

☞☞ The expanded sales force has helped sales (especially in dental).

☞☞ Group disability loss ratio was higher due to higher claims, not incidence, and is due to normal fluctuations.

Q1 2004 Earnings Releases & Conference Calls Summaries

1Q04 Results Summary Versus 1Q03

Company	Earnings (Segments)	Sales	EP
UP	Reported a gain (STD & LTD – US&UK)	Flat (LTD)	Up 9% (LTD)
Hartford	Up 38% (All group)	Up 35% (LTD & STD)	Up (due to CNA) (LTD & STD)
CIGNA	Up 44% (Disability & Life)	NR*	Up 15% (LTD & STD)
MetLife	Up 5% (Non-Medical lines)	NR*	Up 2% (LTD & STD)
Standard	Up 12% (All group)	Down 15% (LTD)	Flat (LTD)
Prudential	Down 23% (All group)	Up 34% (LTD, STD, LTC)	Up 3% (LTD, STD, LTC)
Assurant	Up 64% (all group)	NR*	Up 5% (LTD & STD)
Aetna	Down 5% (Life, STD, LTD, LTC)	NR*	Up 5% (Life, STD, LTD, LTC)
Liberty	NR*	NR*	Down 5% (Disability)
RSL	Up 18% (LTD, STD, life, excess WC)	Up 6% (LTD & STD)	Up 23% (LTD & STD)
JP	Down 19% (STD & LTD)	Down 26% (All group)	Up 28% (All group)
Sun	Down 67% (All group)	Down 42% (LTD, STD, Stop- loss)	Down 4% (All group)
AIG	Down 10% (All group)	NR*	Up 10% (All group)
Principal	Up 67% (group STD, LTD and life)	Down 9% (LTD & STD)	Up 23% (LTD & STD)

* NR – Not Reported

The question on many minds (if not lips) has been: “Is UnumProvident really going to increase prices and maintain pricing discipline?” Here were some reactions:

~~/~~ RSL – Sees “pricing firming”

~~/~~ Standard – “Competition tending to be more rational but haven’t fully seen the effect.”

~~/~~ Assurant – Sees “signs of hardening in the market...continues to be competitive. Everyone in the industry understands prices need to be higher.”

~~/~~ UnumProvident – “Rate increases in 1Q averaged 14%”. Referred to pricing “actions”.

~~/~~ JP – Seeing “rates in inforce lower than [their] new business rates.”