SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

May 2018

Dear GC Smith Group Client:

We are pleased to provide the 1st Quarter 2018 Earnings Conference Call Summary for leading group LTD carriers.

This report is based on insurers' quarterly earnings releases. The data and information upon which this summary is based are available in the public domain. Sources include press releases, statistical supplements, SEC filings, and earnings conference calls. As a service to its reinsurance and consulting clients, Smith Group compiles this earnings information, analyzes group LTD statistics, and identifies notable trends.

Direct inquiries to:
Joe Skvorak
jskvorak@smithgroupre.com
707 Sable Oaks Dr.
South Portland, ME 04106
(207) 791-8315

About GC Smith Group

Smith LTD Management Group, Inc. is a disability and reinsurance consultant and a subsidiary of Guy Carpenter & Company, LLC, which is a global leader in providing risk and reinsurance intermediary services. Guy Carpenter is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy and human capital.

GUY CARPENTER

HEALTHCARE & LIFE
SPECIALTY PRACTICE

Prudential Financial

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

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)	1Q18 Loss Ratio	1Q17 Loss Ratio
Group Insurance	$55	$34	85.6%	89.1%
Group Disability	NA	NA	79.0%	74.3%
Group Life	NA	NA	87.2%	92.2%

EP/Sales:

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales ($000,000)
Disability	$251	$140	$233	$115
Life	$1,019	$243	$1,038	$186

Notable Statements

● Group Insurance earnings were $55 million for the quarter as compared to $34 million a year ago. The increase primarily reflects more favorable underwriting results, partially offset by a lower contribution from net investment spread results and higher expenses.

● The current quarter total benefits ratio of 85.6% was slightly better than our long-term target range of 86% to 90%, reflecting more favorable Group Life experience, partially offset by modestly less favorable Disability experience.

● Most of our Group Insurance sales occur in the first quarter, reflecting calendar year effective dates. Current quarter sales based on annualized new business premiums of $383 million were 27% higher than the year-ago quarter. This increase reflects higher sales in both Group Life and Disability.

Unum

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

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)	1Q18 Benefit Ratio	1Q17 Benefit Ratio
Unum US	$243.9	$239.1	66.8%	67.9%
LTD/STD	$83.0	$88.7	75.6%	76.6%
Life & AD&D	$64.6	$56.0	70.7%	71.9%
US Supp & Vol	$96.3	$94.4	48.0%	49.2%
Unum UK	$29.8	$26.6	71.9%	71.4%
Colonial	$81.0	$82.4	51.6%	50.8%

EP/Sales

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales ($000,000)
Unum US	$1,438.8	$274.6	$1,360.4	$263.5
LTD	$441.2	$30.1	$434.4	$36.0
STD	$176.3	$16.3	$157.9	$16.9
Life/AD&D	$437.9	$44.6	$404.4	$37.2
Voluntary/Supp	$383.4	$183.6	$363.7	$173.4
Unum UK	$139.6	$17.1	$121.3	$19.7
LTD	$90.8	$7.8	$80.8	$13.5
Life	$28.6	$4.5	$24.8	$3.9
Other	$20.2	$4.8	$15.7	$2.3
Colonial	$398.3	$103.7	$374.3	$96.4
Acc/Sick/Dis	$231.3	$66.4	$219.1	$61.5
Life	$81.0	$21.3	$74.2	$20.9
Cancer & CI	$86.0	$16.0	$81.0	$14.0

Notable Statements

Unum U.S.

● Adjusted operating income for the group disability declined by 6.4% to $83 million in the first quarter, primarily due to lower net investment income resulting from a lower level of assets backing this line and a lower portfolio yield. The update of statutory reserves in the third quarter 2017 and the IBNR reserve update this quarter have resulted in less capital back in the line. This trend along with the steady pressure on portfolio yields puts pressure on the net investment income generated to this line of business.

● We saw encouraging trends with premium income for the group disability line increasing by 4.3% given past sales trends in improved persistency, and also further improvement in the benefit ratio.

● For the first quarter of 2018, the good disability benefit ratio improved to 75.6% from 76.6% in the year ago quarter with favorable claim recovery experience in the group LTD line more than offsetting the increase in claims incidence in the group STD line. The expense ratio for group disability increased slightly to 25% in the first quarter from 24.5% a year ago, primarily due to additional operating investments in our business that we believe can generate more positive customer experiences.

● The Group Life and AD&D line had a very strong first quarter with adjusted operating income of $64.6 million, an increase of 15.4% from the year ago quarter. Premium income increased 8.3%, driven by good sales trends and improved overall persistency. The benefit ratio improved to 70.7% in the first quarter from 71.9% in the year ago quarter, due primarily to improved waver of premium experience in the group life product line.

● The supplemental and voluntary lines produced another solid consistent quarter with adjusted operating income increasing by 2% to $96.3 million in the first quarter.

● Sales for Unum U.S. in the first quarter increased by 4.2% over the year ago quarter, driven in large part by the growth in our voluntary benefits in dental and vision lines. Sales in our group lines were mixed, group life and AD&D news sales increased 19.9% for the first quarter, while sales in our group disability line were lower relative to the year ago quarter. It’s worth noting that our first quarter sales for our group lines are typically the lowest of the year and therefore the most subject to volatility.

Unum UK

● Unum U.K. continues to be impacted by the sluggish economic and business environment in the U.K. In the first quarter, adjusted operating earnings remained flat year-over-year at £21.4 million.

● Premium income increased 2.5% on a local currency basis this quarter, generated largely by favorable persistency we saw at 87% for the first quarter of 2018, compared to 84.5% last year. The Unum UK benefit ratio was 71.9% for the first quarter of 2018, up slightly from the 71.4% last year. While we saw an uptick in claims experience in the group life and critical illness product lines we were encouraged to see more favorable experience in the group disability business in the first quarter of 2018, relative to 2017.

● Unum UK sales for the first quarter declined 22.6% in local currency, driven primarily by one very large LTD case sold last year that made for a difficult comparison. Excluding that single case, we saw improved sales trends in the core LTD market and across the group life and supplemental lines.

Colonial

● Colonial Life again produced solid adjusted operating income for the first quarter of $81 million though this quarter was 1.7% below the first quarter of 2017. Top line growth trends

remain very encouraging at Colonial with premium income increasing by 6.4% for the first quarter.

● Experience was slightly elevated in the first quarter at 51.6% relative to the favorable 50.8% in the year ago quarter as we saw unfavorable experience and the life line of business partially offset by favorable experience in the accident, sickness, and disability line.

● Sales momentum for Colonial Life continues to be quite strong increasing 7.6% in the first quarter. Sales growth was evident across the board with growth in all product categories and market sectors. We look for continued momentum with our sales growth as we accelerate our investments in territory expansion and initiate the rollout of the dental and vision products to our Colonial Life distribution system.

Analyst Questions

● Could talk about just market conditions and competitive trends in the disability market, a lot of companies have been raising prices the last few years, it seems like they are done with their repricing cycles, but what are you seeing in terms of competitive behavior in the market?

Response: Where we saw the most group insurance sales pressure was that mid-market. As you know we're not going to chase new business, we don't think that is in our best interest of frankly in the best interest of our clients where they are looking for stability and predictability in cost. And also, where we did have terms and lost clients we saw high single digit loss on the business that we lost in that mid-market.

So, we are probably feeling most acutely there, but overall, I would say, our outlook is one of cautious optimism. First quarter is our light sales quarter for us in the group insurance line. We're really encouraged with the growth in our dental and vision business. That’s really helping us as we package in the smaller end of the employer market and we’ve rolled out some new capabilities in the large case market as well and the pipeline there looks quite encouraging. So, a competitive market, but I think we’re more than holding our own.

● If I could sneak one more in on just the group disability, when I think about the benefit ratios and how favorable they have been, can you characterize at all the amount coming from favorable development on the claims reserves as opposed to current period claims and how that’s trended? Do you have any visibility on when you would expect some of the favorability from the claims reserve to slow down?

Response: Historically there was some favorability and claim development, claims assumptions have pretty much caught up with that. So, I think we are well in-line in terms of where our loss ratio is, and where our reserve assumptions are. So, I wouldn't expect it to reverse, but I don't expect it to get any better either.

Principal Financial Group

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

Line of Business	1Q18Profit ($000,000)	1Q17 Profit ($000,000)	1Q18 Loss Ratio	1Q17 Loss Ratio
Specialty Benefits	$66.9	$45.5	62.2%	66.5%
Group Disability	---	---	64.0%	66.1%
Group Life	---	---	69.2%	73.5%

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales ($000,000)
Disability	$121.6	$35.4	$109.9	$34.1
Life	$108.2	$23.1	$102.9	$23.2

Notable Statements

● Specialty benefits pre-tax operating earnings were in line with our expectations after taking into account the favorable mortality and morbidity experience.

● The specialty benefits business is a key growth driver for Principal as our focus on small to medium sized businesses continues to differentiate us in the marketplace.

Cigna

Profit (Post-tax, post investment gains/losses):

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)
Group Disability & Life	$67	$68

EP

Line of Business	1Q18 EP ($000,000)	1Q17EP ($000,000)
Disability	$505	$501
Life	$425	$437

Notable Statements

● For Group Disability and Life, first quarter operating revenues were just over $1.1 billion. First quarter earnings in our Group business were $67 million, reflecting solid disability performance and modestly elevated life insurance claims.

● Regarding the Group Disability and Life business, we continue to expect full year earnings in the range of $330 million to $350 million.

MetLife

Profit (Operating Earnings after tax, before after-tax investment gains/losses):

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)	1Q18 Loss Ratio	1Q17 Loss Ratio
Group/Voluntary/Worksite	$218	$194	---	---
Group Life	---	---	88%	86.9%

EP

Line of Business	1Q18 EP ($000,000)	1Q17 EP ($000,000)
Group Non-Med Health*	$1,719	$1,776
Group Life	$1,739	$1,690

*includes dental, disability, LTC, AD&D, CI and vision

Notable Statements

● The group life mortality ratio was 88%, which was within its targeted range of 85% to 90% but higher than the prior year quarter of 86.9%, primarily due to elevated flu-related deaths. In addition, Group Benefits adjusted earnings were dampened by lower investment margin and higher expenses, primarily due to technology investments supporting our growth initiatives.

● Group Benefits had another strong sales quarter. Year-over-year sales were down 1% versus first quarter 2017 which included record jumbo case sales. Group Benefits saw continued momentum in its strategy to grow down market and in voluntary products. Regional and small market sales were above our expectations year-over-year and voluntary sales were up double digits versus the prior year quarter.

Hartford

Profit (Post-Tax, DAC. Pre capital gains/losses)

Line of Business	1Q18 ($000,000)	1Q17 ($000,000)	1Q18 Loss Ratio	1Q17 Loss Ratio
Group Benefits (Disability, Life, Other)	$54	$45	77.4%	77.7%
Group Disability	---	---	74.9%	82.9%
Group Life	---	---	80.9%	73.1%

EP/Sales

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales $(000,000)
Group Disability	$633	$260	$364	$87
Group Life	$664	$160	$386	$115

Notable Statements

● In Group Benefits, core earnings for the quarter were $85 million with a margin of 5.6%, driven by favorable disability results, the recently acquired book of business from Aetna and lower tax rates, offset by higher mortality in our life book of business. The lower disability loss ratio reflects better than expected incidence and recovery trends across multiple years. This favorability was offset by higher life loss ratio. There are two drivers here. The most significant factor accounting for approximately two thirds of the increase is the mix of the Group Life book toward larger accounts, resulting from the Aetna book of business. We expected these large accounts have a lower expense ratio and run a higher loss ratio consistent with our own historical national accounts experience. The second factor is slightly higher mortality this quarter across the entire life book. At the moment, we see this as normal volatility and we will monitor it carefully to ensure that we react appropriately if necessary.

● Persistency on the combined employer group block of business was approximately 90%. Fully insured ongoing sales were very strong at $454 million. It was an excellent sales quarter across all market segments and product lines, with an especially strong start to the year in voluntary. As Chris shared, we're very pleased with the pace of our integration on the Aetna Group Life and disability business. Our go forward leadership team is in place. We are currently installing Aetna's disability claim platform on our infrastructure, and plans to begin converting business in early 2019 are on track.

● On an annualized run rate basis, we've achieved $60 million of the $100 million target for expense reductions consistent with our goals. A large portion of this comes from the corporate cost and IT finance and marketing. We have also solidified our line of sight to the balance of our target reductions in claim, product, underwriting and other business functions. All-in the integration has been very successful thus far. The teams have become one and we are executing effectively, both internally and in the marketplace.

Analyst Questions

● I wanted to ask about sales in the group, which were good and better than expected. And one of the risks of the integration with Aetna is losing shelf-space with distribution. So the question is how is that distribution, communication, and interaction process going? And is there a potential here for you not to have these premium lapse assumptions kick-in if sales continue to trend better than expected?

Response: The strategic logic of putting these two benefit business together has never been stronger or more confirmed with our activities over the last four or five months, whether it be feedback from distributors, whether it be using their claim system, whether it'd being creating a team that is really motivated to lead the market and create new opportunities to serve customers. I think we got great alignment around the organization.
I would also tell you that our distribution partners, what they share with us is that they have a high degree of confidence in our ability to integrate and continue to serve their existing customers. And Doug, I think you and I see that we're being shown a lot of new opportunities and maybe in the past, a stand-alone Hartford would not have seen, but Randy that's my perspective. Doug, what would you share?

Doug Elliot

Super sales quarter for us, and I would first comment that both the Hartford and Aetna had very strong sales quarter. So on a stand-alone basis Hartford would have had a terrific start to the year, but also Aetna likewise, particularly in the face of what they were going through last year, had a good sales quarter. So, you put the two together and we really start 2018 strong. Secondly, our pipeline has never been stronger. So we are active in working on proposals now. Obviously, there is a lot of activity around the latter half of '18 effective and '19 deal date.

So Chris and I participate in many of them but our team upstairs is fully engaged; number one, on the sales side and new sales; and secondly, I think there was a piece of the end of your question about retention. So we're also working on our renewal strategy. And we were out in market with several renewal quotes on our 1/1/19 National Account jumbo deals as well. So we feel very good about it. I will be with the team in Colorado in a few weeks at EBLF engaging locally, I love what our sales and support teams are doing. We have lot of work in front of us but we feel really good about the last 100 days of progress.

● I guess my follow-up on those bullish comments, I guess, I'd characterize them as the -- is new products. So does this new platform position you to introduce new and different products into the group market, maybe move more towards supplemental? Is that something that this might enable?

Response: There was a word at the end of one of my sentences in the script that I want to make sure, I highlight here. We're very pleased with our growing momentum in voluntary products. So we've worked hard to build out our voluntary suite and in 1/1/19 had terrific success. And if you look in our financial supplement, you can you look at the "other" sales growth below disability and group life, and see a little bit of that momentum. Now, it's small so we're just starting

against $5 plus billion base, it's not something that is going to be huge any time soon. But the interest in that product, our ability to launch and service the generation of new demand, we're very excited about. And I think it will be an opportunity across both books of business, including Aetna's.

● When you talked about the group disability improved incidence trends and better recoveries, is that across both the legacy Hartford business and the new Aetna block? Or is it coming more from one than the other?

Response: Both disability books are exhibiting solid behavior. So we feel good on both disability sides.

Lincoln Financial

Profit (Post tax)

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)	1Q18 Loss Ratio	1Q17 Loss Ratio
Group Protection	$29	$7	64.3%	71.0%
Group Disability	$22	$9	61.9%	68.9%
Group Life	$10	($2)	63.2%	72.5%

EP/Sales

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales ($000,000)
Group Protection	$508	$55	$495	$57
Group Disability	$233	$21	$226	$23
Group Life	$202	$23	$206	$23

Notable Statements

● Turning to Group Protection, in what is typically our lowest earnings quarter due to higher seasonal DAC amortization, earnings increased significantly over the prior year period as loss ratios remained favorable. Premiums increased 3%, driven by improving persistency and last year's strong sales growth. In the first quarter, total block persistency rates increased 3 percentage points, with improvements across all product lines and nearly all case sizes.

● Better loss experienced in long-term disability from lower incidence and a lower average claim size in Group, Life were the primary drivers.

● Sales decreased 4% from the same period last year. I would note that the first quarter represents the smallest contribution to full year sales and we are encouraged by a solid level of quote activity. Importantly, industry pricing remains disciplined. We have not seen any disruption from our announced acquisition of Liberty and we expect sales trends to be decidedly positive.

● The Liberty acquisition immediately increases our scale, further broadens the customer base and distribution channels, and expands capabilities. Liberty's Group Benefits financial performance in the first quarter was consistent with our expectations, setting us up well to deliver on planned financial targets. In summary, we are pleased with the positive business fundamentals. Looking forward, we expect Lincoln's existing business to generate solid premium growth. And when we combine it with Liberty's block, premiums will increase substantially. The incremental earnings from Liberty should grow over the course of the year as expense synergies take hold.

Analyst Questions

● I had a question on Liberty Group Benefits. You mentioned that it was consistent with

your expectations in the first quarter. Just hoping you could provide some additional detail maybe on the progress they're making when it comes to margins after repricing.

Response: The results that we have seen have been very consistent. We've been very excited and pleased by the high quality of work that we've seen from the Liberty team in starting the whole process of re-pricing the book. And point out that we went through this, and you're seeing the powerful results that can come from re-pricing the book, and they can come pretty quick.

I think when you layer in that little bit of repricing work that still needs to be done with the $100 million expense synergies that we've talked about, you can understand why we're so excited about this opportunity. And, very excited that our margins will be right where we would expect them to be in not too long.

● I think at the time of the announcement of the Liberty acquistion, you talked about the aftertax margin would be 3% at closing based on the pre-tax reform. Is that still the case based upon what you saw with Liberty Mutual's book in the first quarter, or are we potentially could be looking at a little bit better performance?

Response: I don't remember getting that specific to say 3%. But let's think about where we are. So Lincoln today is – we just posted 5.7% in the first quarter. Liberty, last year, posted about 1%. If you just average those two numbers, you get a little over 3%. It'd be 3.5% to be specific. The Liberty book is improving with the pricing actions that have been taken. As Dennis mentioned, a third of these expense savings which are corporate overhead start to roll in pretty quickly. So once again I think if you go back to the one page from the deck we went over when we announced the acquisition, I think we get back into that 5%, 7% range on margins pretty quick. And once again, we expect this transaction to be accretive in 2019. So yeah. Humphrey, everything is going as planned. We're super excited. Every Lincoln employee and every Liberty employee that are now – all now part of the Lincoln family are ready to go.

Sun

Profit (Net income pre-tax):

Line of Business	1Q18 Profit ($000,000)	1Q17 Profit ($000,000)
Employee Benefits Group (U.S.)	$42	$9

EP/Sales

Line of Business	1Q18 EP ($000,000)	1Q18 Sales ($000,000)	1Q17 EP ($000,000)	1Q17 Sales ($000,000)
Employee Benefits* Group (U.S.)	$881	$71	$855	$60

*****includes group life, disability, dental, vision and DRMS business

- Sales in SLF at the U.S. grew by 17% from strong sales in group life, disability and in stop loss.

Summary

Company	Earnings	Sales	EP
Prudential	**Group: $55M (↑61.8%)**	**Dis: $140M (↑21.7%) Life: $M(↑30.6%)**	**Dis: $251M (↑7.7%) Life: $1,019M (↓1.8%)**
Unum	**LTD/STD: $83M (↓6.7%) Life/AD&D: $64.6M (↑15.4%) Unum UK: $29.8M (↑12.0%) Colonial: $81.0M (↓1.7%)**	**U.S Brokerage LTD:$30.1M(↓16.4%) STD: $16.3M(↓3.6%) Life/AD&D: $44.6M(↑19.9%) Vol:$183.6M(↑5.9%) Unum UK: LTD: $7.8M(↓42.2%) Life: $4.5(↑15.4%) Colonial Acc/Dis: $66.4M(↑8.0%) Life: $21.3M (↑1.9%) Can/CI: $16.0M(↑14.3%)**	**U.S. Brokerage LTD: $441.2M (↑1.6%) STD: $176.3 (↑11.7%) Life/AD&D: $437.9M (↑8.3%) Vol: $383.4M(↑5.4%) Unum UK: LTD: $90.8M (↑12.4%) Life: $28.6M(↑15.3%) Colonial Acc/Dis: $231.3M (↑5.6%) Life: $81.0M (↑9.2%) Can/CI: $86.0M(↑6.2%)**
Principal	**Specialty Benefits: $66.9M (↑47%)**	**Dis: $35.4M (↑3.8%) Life:$23.1M (flat)**	**Dis: $121.6M (↑10.6%) Life: $108.2M (↑5.2%)**
Cigna	**Group Dis & Life: $67M (↓1.5%)**	**N/A**	**Dis: $505M (↑1%) Life: $425M (↓2.7%)**
Met	**Group/Vol/Worksite: $218M (↑12.4%)**	**Not reported by line of business**	**Non-Med: $1,719M (↓3.2%) Life: $1,739M (↑2.9%)**
Hartford*	**Group: $54M (↑20%)**	**Dis: $260M (↑199%) Life: $160M (↑39.1%)**	**Dis: $633M (↑73.9%) Life: $664M (↑72%)**
Lincoln	**Group Protection: $29M (↑314%) Dis:$22M (↑144.4%) Life: $10 (neg $2M year ago)**	**Dis: $21M (↓8.7%) Life: $23M (flat)**	**Group Protection: $508M (↑2.6%) Dis:$233M (↑3.1%) Life: $202M (↓1.9%)**
Sun	**U.S. Employee Benefits Group: $42M (367%)**	**U.S. Employee Benefits Group: $71M (↑18.3%)**	**U.S. Employee Benefits Group: $881M (↑3%)**

*Hartford's 1Q18 results reflect the combined Hartford and Aetna blocks of business while the year ago quarter reflects Hartford business only