SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

May 2020

Dear GC Smith Group Client:

We are pleased to provide the 1st Quarter 2020 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.

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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	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)	1Q20 Loss Ratio	1Q19 Loss Ratio
Group Insurance	$44	$53	85.6%	85.9%
Group Disability	NA	NA	76.0%	74.6%
Group Life	NA	NA	88.4%	89.0%

EP/Sales:

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales ($000,000)
Disability	$292	$108	$285	$119
Life	$1,034	$173	$1,068	$174

Analyst Questions

● Could you maybe provide average age on the products where you have some COVID-19 exposure?

Response: The two predominant areas are in individual life business and our group life business, and then obviously offsets in the longevity business that we have in retirement. So in individual life and in group insurance, average age across the whole book is relatively similar, about 55. In group insurance, in particular, though, 95% of that business is under the age of 65. As far as of the longevity risk transfer business and the pension risk transfer business our average age is in 74 to 75 range.

● My first question is on the group business. Can you just discuss your outlook for the margins within that business for the rest of the year, just given that I think COVID-19 could impact some of those businesses, or do you think that we might not see an impact there maybe until 2021?

Response: So I'll take that question, and there are a number of impacts. So maybe I'll start more on the claim side of things. And we do expect we will see increased mortality in the book of business. Obviously, in the group business, as I just referenced, that's somewhat mitigated by the average age. But we do think that, that will go up.
We also believe and have seen evidence that we'll see an uptick in short-term disability incidence. So that will serve to compress margins throughout this year. We see a couple of other impacts I just mentioned from a sales and flows perspective. Most of our book of business is medium and large size employers. So actually, most of our sales for 2020 are already baked in that business. And any slowdown we're seeing is more of a 2021 impact.

I guess, the last thing I'd mention is a lot of the impacts that group insurance will feel, we actually are mitigated against from the perspective that we're not in the under 100 life segment business. So we don't have exposure to the small segment employers. And, obviously, here, early days, that's where a number of the impacts have been.

Unum

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

Line of Business	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)	1Q20 Benefit Ratio	1Q19 Benefit Ratio
Unum US	$261.8	$252.3	64.4%	65.3%
LTD/STD	$76.3	$82.6	73.2%	74.7%
Life & AD&D	$70.4	$67.4	70.6%	70.9%
US Supp & Vol	$115.1	$102.3	43.2%	44.1%
Unum International	$19.4	$29.1	80.5%	70.2%
Colonial	$81.1	$85.2	52.4%	51.1%

EP/Sales

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales ($000,000)
Unum US	$1,527.7	$235.8	$1,501.9	$278.4
LTD	$463	$31.4	$452.9	$36.9
STD	$203.2	$14.2	$188.7	$20.9
Life/AD&D	$456.2	$28.1	$455.4	$40.6
Voluntary/Supp	$405.3	$162.1	$404.9	$180
IDI	$109.5	$22.7	$110.7	$15.1
Voluntary Ben	$230.4	$128.6	$234.4	$152.4
Dental/Vision	$65.4	$10.8	$59.8	$12.5
Unum Int	$164.6	$23.9	$154.0	$22.6
LTD	$90.8	$8.6	$87.9	$8.2
Life	$30.9	$5.6	$27.2	$6.1
Supp	$23.9	$7.1	$21.7	$4.9
Poland	$19.0	$2.6	$17.2	$3.4
Colonial	$434.7	$99.3	$419.3	$108.8
Acc/Sick/Dis	$249.3	$64.6	$242.2	$72.2
Life	$93.8	$20.7	$87.6	$19.7
Cancer & CI	$91.6	$14.0	$89.5	$16.9

Notable Statements

Unum U.S.

● While the depth and duration of the pandemic is still not yet know, we are planning for multiple scenarios drawing insights from previous stress situations, including the 2008 to 2009 recession. As part of our ongoing risk management and planning process, we have analyzed the

potential impact of the pandemic and resulting economic slowdown could have on our business.

● While we expect pressure from declining GDP and rising unemployment, these headwinds are buffered by the fact that we have limited exposure to part-time workers and lower exposure to highly impacted sectors, like discretionary retail, oil and gas, and restaurants and entertainment.

● One additional headwind to near-term growth comes from the difficulty in getting in front of benefits decision-makers and their ability to engage when most businesses are at home.

● This environment could also affect claim processing activity where disruptions can occur as customers navigate the current state of the healthcare systems. This potentially impacts the flow of documentation required to file new claims, to gather support for people to return to work, and to receive the level of care required for some claim payments. Given the overall dynamics we have moved quickly to reallocate our resources to people to areas we expect higher volumes, such as short term disability claims and leave management, while maintaining excellent service.

● Sales trends were clearly more challenged in the month of March and we anticipate this continuing into the second quarter. Our anticipation is of persistency going forward will be stable on a case basis in traditional group, but challenged in our voluntary benefits lines in smaller case business. Given all of this, we anticipate full year premium income to be relatively flat to 2019.

● We have reached a resolution with Maine to establish an additional $2.1 billion to our statutory Long Term Care reserves, which Maine has allowed us to recognize over a seven-year period. This strengthening will be accomplished by our actuaries and incorporating explicitly agreed upon margins into our existing assumptions for annual statutory reserve adequacy testing. The resulting increase in statutory reserves will be primarily driven by adding more conservatism into assumptions related to three areas; the interest rates, length of morbidity improvement and mortality related assumptions for older ages where experienced data is less credible.

● The current sales environment is challenging as evidenced by the 15% decline in sales we had in the first quarter with the slowdown in March continuing into April. Persistency in Unum U.S. was generally lower year-over-year with more pressure in voluntary benefits and a small case business. Case persistency in the mid and larger case blocks has not been materially impacted. These will be watch areas going forward.

● Claims trends were generally good and in line with expectation with improvement in the group disability benefit ratio to 73.2% from 74.7% a year ago driven by favorable recoveries in group LTD. This offset higher group STD claims which increased significantly in March and so far

in April. Keep in mind that STD claims are generally smaller in dollar amounts as the cover claim periods of two to three weeks on average.

● We saw favorable results in Group Life as well as supplemental and voluntary, although we didn't see pressure on premium growth compared to previous quarters. Overall, it was a good quarter for Unum U.S. with continued strong margins.

Unum International

● Results in our International segment were weaker this quarter relative to last year's results and our expectations. Premium income finished the quarter with an increase of 6.9% with positive sales and persistency trends in the UK segment.

● Benefit ratios in the UK however were challenged with higher claims in group critical illness and weaker results in group disability as it was more difficult to get necessary documentation and certification for claim terminations given the disruption in our customers' workplaces and the overburdened healthcare system in the UK for COVID-19. We will be watching these trends as it pertains to all of our product lines in the coming months.

Colonial

● In the Colonial Life segment, premium income increased 3.7% which is lower than the growth rates we have seen in the past. This is not surprising and we have seen pressure on sales and persistency trends which have continued through April.

● The benefit ratio at Colonial was slightly higher at 52.4% due to higher claims from the accident, sickness and disability product lines.

Analyst Questions

● If you think about your sales, they were down I think 15% in the U.S. business, 9% in Colonial. I'm assuming most of that happened in March and if that is the case, should we assume a significantly larger decline for 2Q?

Response: I think your read on it is accurate. So if you took a look at where we were, through the first two months of the quarter – across most of our lines of business, particularly here in the U.S. are tracking roughly in line with expectations. And then as we went through March, and certainly the latter half of March and looking to close out that quarter, which is pretty important from a sales point of view we saw a precipitous decline there.

I'd say as we look through April and continue to see significant pressure on proposal activity coming in and feeling it most acutely in the small business market for not surprising reasons, as well as voluntary benefits where a lot of our engagement is direct with the employee and obviously, with many, many businesses furloughing workers, closing and moving to remote,

that's proved more problematic. I'd say that declines plateaued as we went through April and has actually started to slowly climb back. I think to give you a little bit of a sense, quote activity in April was kind of down in the 30% range. Again, most acutely in the small end of the market which would drive a lot of that volume, large case activity, for the most part has been in line with historical norms.

● Persistency probably benefits from this right?

Response: Yes, I think persistency at the case level does tend to benefit as there's less movement between carriers. The pressure obviously comes at the individual employee level. And so, for lines like a voluntary benefit line, we're going to see, some pressure here in the second and third quarter.

● On the benefit ratio in Unum U.S., I think you'd said the STD claims have plateaued into April. Could you talk about what you might expect on the benefit ratio in the near term here and then also your experience in the last recession, how that might play out over time?

Response: So it's good first quarter from a group disability point of view. And Mark I think you got it right. LTD recovery performance was strong, and that more than offset some pressure on short-Term Disability. And we did see the fully insured short-term disability claims come in COVID related at an increased pace at the end of the quarter and then the first couple of weeks in April, as I think Steve hit earlier in the call. We did actually see those fully insured short-term disability claims plateau here in April.

To give you a sense, those are usually paying out a total benefit amount in the say $650 to $750 per claim range. So it's really about just getting people some immediate dollars in their pockets and we feel good actually about the ability to kind of manage within the disability loss ratios we've been talking about.

One case probably a little bit favorable because some of that – those LTD recoveries, but being there in that 73/74 range feels at this point at least reasonable. Couple of watch areas, you highlighted, one of them, that will be the economic climate. So, we've looked closely at the last three recessions actually and what we found generally is that there is a correlation to disability incidence, for social security in particular. The private industry actually has a much more muted correlation to unemployment usually with a one and a half year lag.

And I'd say, Unum has been pretty successful at having even less of a correlation to the point where it almost was none after the financial crisis. Now that doesn't suggest that there'll be none in the economic challenge that we're headed into right now, but reasons at least for optimism, you should think about pretty disciplined underwriting approach and benefits management approach.

The second thing we'll watch pretty closely is just the more short-term impact of a lot of healthcare very appropriately focused on response to the crisis. So, Steve mentioned a little bit

of problems in the UK just getting to the information that you need to adjudicate and get people back to work. At this point, we're managing through that pretty well here in the U.S., but we will watch that over the next couple of months as well.

● Would you mind going into a bit more detail on your outlook for premiums across the different business lines? Maybe also talk about how the outlook could differ, I guess in this recession from prior events, given that you have more voluntary benefits? Maybe also what assumption you're using for unemployment?

Response: I'll start by giving you an overview of what the group insurance lines look like here in the U.S. I'd say we hit it a little bit at the beginning of the call, but I would say premium is going to be pressured at the individual member level most acutely in the small end of the market here and in the voluntary lines.

I think when we look at that and we look at muted sales, particularly here in the first half of the year, we would sort of be looking at a roughly flattish kind of premium number versus the kind of mid-to-lower single digit growth that we would have otherwise been anticipating.

The good news for us is that we tend to be overweight sectors of the U.S. economy that are less economically sensitive. So if you took things like retail, travel, leisure, which might be 20% of employment here in the U.S. for our book of business, that's going to be about 8% of our total exposure. So as we work our way through this downturn, I think we will be - the impact on the book will be a bit more muted.

Principal Financial Group

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

Line of Business	1Q20Profit ($000,000)	1Q19 Profit ($000,000)	1Q20 Loss Ratio	1Q19 Loss Ratio
Specialty Benefits	$88.2	$59.5	59.6%	64.2%
Group Disability	---	---	61.3%	65.7%
Group Life	---	---	64.6%	65.6%

EP/Sales

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales ($000,000)
Disability	$131.2	$33.0	$126.8	$34.9
Life	$113.5	$23.7	$111.4	$26.7

Notable Statements

● The most direct COVID-related impacts in the first quarter were in specialty benefits. Pretax operating earnings benefited from lower claims as dental and vision provider offices closed toward the end of the quarter. We did not have any known COVID-related deaths and only minimal COVID-related short-term disability claims during the first quarter.

Cigna

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

Line of Business	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)
Group Disability & Other*	$76	$84

EP

Line of Business	1Q20 Premium ($000,000)	1Q19 Premium ($000,000)
Group Disability & Other	$1,149	$1,088

*Group Disability and Other includes the results of the business previously reported in the "Group Disability and Life" segment and "Other Operations" comprising the corporate-owned life insurance ("COLI") business along with run-off of the following businesses:

1) reinsurance; 2) settlement annuity; and 3) the sold individual life insurance and annuity and retirement benefits businesses. In addition, certain international run-off business previously reported in the "Global Supplemental Benefits" segment is now reported in "Group Disability and Other".

Notable Statements

● The impact of COVID-19 is still developing, we clearly see headwinds driven by the recession it's causing, including, for example, disenrollment within our commercial customers, both in our Integrated Medical business as well as our Health Service business, as well as some pressure in our Group Disability business.

MetLife

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

Line of Business	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)	1Q20 Loss Ratio	1Q19 Loss Ratio
Group/Voluntary/Worksite	$312	$342	---	---
Group Life	---	---	87.9%	85.3%

EP

Line of Business	1Q20 EP ($000,000)	1Q19 EP ($000,000)
Group Non-Med Health*	$1,959	$1,812
Group Life	$1,920	$1,804

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

Notable Statements

● The interest adjusted benefit ratio for Non-Medical Health was 71.7%, which is below our annual target range of 72% to 77% and also favorable to the prior year quarter of 72.9%. The primary driver was strong disability results, which benefited from higher claim recoveries, lower incidents and lower severity.

Analyst Questions

● A question on group insurance. Should we be taking some deterioration in the margins given this spike unemployment? I know it's typically related to disability claims. And just wanted to get your perspective as to whether that's a headwind we should be watching out for?

Response: Well, maybe just on underwriting, stepping back and giving you an overall context across the U.S. business. We do have significant diversification across the U.S. business. So think about mortality and longevity across the group and the RIS businesses. And then we also have diversification within each one of those businesses. So if you were to focus on group your question, the current environment is leading to various offsets and give and takes across the product lines. We are seeing favorable impacts in dental, given the lower utilization. We're seeing naturally unfavorable impacts on the life block.

And I would say, to date, on the short-term disability block, it's been a push. We've seen an increased number of COVID-related incidents but that's been more than offset in a decrease in other short-term disability claims, so think issues like elective surgeries and the like. So at this stage, while there's still some uncertainty, I mean, relating to the overall number of deaths in the U.S. and the impact on the insured population versus the general population, it's very

reasonable to expect at this stage that the overall impact would more or less offset each other on a full year basis.

I'll just add to a couple of points mentioned. So because you referenced, I think, unemployment. A couple of things to point out here. One is that the segment that's been hardest hit, which is small business. I think our total premiums there are at $1 billion. So it's not a major component of our current portfolio. And two, if you think about our disability business, it's 11%, as we showed on Investor Day of our total earnings. So – and obviously, there, we've been also taking steps from a pricing perspective in terms of the guarantees that we provide from a rate perspective to make sure that we are also well positioned for a downturn scenario.

Hartford

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

Line of Business	1Q20 ($000,000)	1Q19 ($000,000)	1Q20 Loss Ratio	1Q19 Loss Ratio
Group Benefits (Disability, Life, Other)	$104	$118	71.9%	74.7%
Group Disability	---	---	71.5%	69.6%
Group Life	---	---	74.6%	81.3%

EP/Sales

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales $(000,000)
Group Disability	$660	$213	$659	$219
Group Life	$605	$136	$641	$143

Notable Statements

● The business impact from COVID-19 was approximately $50 million pre-tax in the first quarter including $16 million of increased claims in short-term disability and from expanded benefits under New York's revised disability and paid family leave legislation.

● The overall loss ratio improved by 2.8 points, driven by favorable life and voluntary results which were partially offset by increased disability loss ratio. Excluding the effects of COVID-19 previously discussed, disability underlying trends remain favorable with strong recoveries in recent accident years. Incidence trends were consistent with recent experience, albeit a slowing year-over-year improvement.

● As we look forward, we anticipate increased claims activity from COVID-19, primarily in short-term disability and life insurance as well as statutory paid family leave benefits in certain states. The virus has proven so far to be less acute for individuals under the age of 65, which is the vast majority of our business. However, it is clear that people of all age groups and demographic profiles are at some level of risk. We expect higher claim volumes in all these lines throughout the second quarter. Beyond that, the variables driving elevated losses are highly dependent on how well the virus is contained and ultimately treated. More broadly, the economic impacts of efforts to contain COVID-19 is also a factor to be considered as we look forward.

● We are facing a recessionary environment that was triggered by a very unique circumstance and historical correlations may not prove to be predictive. Nonetheless, disability incidence levels may increase over the next 12 months. We had been anticipating some increase previously, however, COVID-19 may accelerate and deepen that trend. We are adapting rapidly to all these changes operationally and in pricing and underwriting. Our most important priority

is to meet the needs of our customers and our employees during the crisis. The group benefits business is a market leader and enters this period of uncertainty with a strong operational and financial foundation. I am confident we will emerge from this pandemic in a continued strong position.

Lincoln Financial

Profit (Post tax)

Line of Business	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)	1Q20 Loss Ratio	1Q19 Loss Ratio
Group Protection	$40	$55	78.5%	73.7%
Group Disability	$50	$54	78.3%	75.4%
Group Life	($6)	$2	79.4%	71.4%

EP/Sales

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales ($000,000)
Group Protection	$1,094	$102	$1,023	$119
Group Disability	$613	$42	$577	$42
Group Life	$412	$50	$371	$64

Notable Statements

● There are other areas where we are seeing or expect to see direct impacts from COVID-19. First, claims experience from the virus including mortality and morbidity impacts. We expect our virus-related claims experience to be an earnings impact for Lincoln and not a balance sheet event. We do not see many COVID-19 mortality claims in the first quarter, but we expect an increase beginning in the second quarter. In terms of morbidity impacts, we are seeing an increase in short-term disability claims, and long-term disability claim recoveries have slowed. As a result, we believe morbidity trends and experience from COVID-19 and the economic fallout will have a larger impact in life mortality claims within our group business.

● Disability experience was slightly elevated primarily by higher incidents. This impacted the total loss ratio by roughly 1 point

Analyst Questions

● You had mentioned you're seeing increased short-term and long-term disability claims. Can you provide a little bit of color on what you think is going on here? Is it just the historic correlation on unemployment, or you see it kind of a surge in borderline claims or what do you think is going on sort of behind the scenes with disability?

Response: so far, there has not been much COVID-related claim experience. When we think about the effect on morbidity, particularly in the group business, we lump together a couple of the concepts that you just asked about. One is the direct COVID effect on claims, and we expect that to increase. And the second one sort of relates to your question about the experience that all providers have that in a recessionary period of long-term claim incidence increases. So when we look forward, it's some combination of those two things, direct claims and potential. So

again, historical increase in LTD experience associated with recession. So we'll be watching those things closely as we go through the quarters.

Sun

Profit (Net income pre-tax):

Line of Business	1Q20 Profit ($000,000)	1Q19 Profit ($000,000)
Employee Benefits Group (U.S.)	$99	$109

EP/Sales

Line of Business	1Q20 EP ($000,000)	1Q20 Sales ($000,000)	1Q19 EP ($000,000)	1Q19 Sales ($000,000)
Employee Benefits* Group (U.S.)	$990	$75	$929	$63

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

● In the U.S., we made it easier for plan members to keep their benefits during temporary layoffs. We added COVID-19 to critical illness policies at extended grace periods for clients to make premium payments. We launched a series of town halls to explain to clients how disability benefits paid family and medical leaves and the government's new COVID-19 support all work together.

Summary

Company	Earnings	Sales	EP
Prudential	Group: $44M (↓20.5%)	Dis: $108M(↓10.2%) Life: $173M(flat)	Dis: $292M(↑2.4%) Life: $1,034M (↓3.3%)
Unum	LTD/STD: $76.3M (↓8.3%) Life/AD&D: $70.4M (↑4.3%) Unum Int: $19.4M (↓50%) Colonial: $81.1M (↓5.1%)	U.S Brokerage LTD:$31.4M(↓17.5%) STD: $14.2M(↓47.2%) Life/AD&D: $28.1M(↓44.5%) Dental/Vis: $10.8M(↓15.7%) Vol:$128.6M (↓18.5%) Unum Int LTD: $8.6M(↑4.7%) Life: $5.6M(↓8.9%) Colonial Acc/Dis:$64.6M(↓11.8%) Life: $20.7M (↑4.8%) Can/CI: $14M(↓20.7%)	U.S. Brokerage LTD: $463M (↑2.2%) STD: $203.2M (↑7.1%) Life/AD&D: $456.2M (flat) Dental/Vis: $65.4M(↑8.6%) Unum Int: LTD: $90.8M (↑1.2%) Life: $30.9M(↑12%) Colonial Acc/Dis: $249.3M (↑2.8%) Life: $93.8M (6.6%) Can/CI: $91.6M(↑2.3%)
Principal	Specialty Benefits: $88.2M(↑32.5%)	Dis: $33.0M(↓5.8%) Life:$23.7M(↓12.7%)	Dis: $131.2M(↑3.4%) Life: $113.5M(↑1.9%)
Cigna	Group Dis & Other: $76M(↓10.5%)	N/A	Group Dis & Other: $1,149(↑5.3%)
Met	Group/Vol/Worksite: $312M(↓9.6%)	Not reported by line of business	Non-Med: $1,959M (↑7.5%) Life: $1,920M(↑6%)
Hartford	Group: $104M (↓13.5%)	Dis: $213M(↓2.8%) Life: $136M(↓5.1%)	Dis: $660M(flat) Life: $605M(↓6%)
Lincoln	Group Protection: $40M(↓37.5%) Dis:$50M(↓8%) Life:($6)M(↓133.3%)	Dis: $42M(flat) Life: $50M(↓28%)	Group Protection: $1,094M(↑6.5%) Dis:$613M(↑5.9%) Life: $412M(↑10%)
Sun	U.S. Employee Benefits Group: $99M(↓10.1%)	U.S. Employee Benefits Group: $75M(↑16%)	U.S. Employee Benefits Group: $990M (↑6.2%)