SmithGroup
Disability & Reinsurance Consultants

May 2021

Dear GC Smith Group Client:

We are pleased to provide the 1st Quarter 2021 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.

GuyCarpenter

Prudential Financial

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

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)	1Q21 Loss Ratio	1Q20 Loss Ratio
Group Insurance	($132)	$44	99.0%	85.6%
Group Disability	NA	NA	80.5%	76.0%
Group Life	NA	NA	104.2%	88.4%

EP/Sales:

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q21 EP ($000,000)	1Q20 Sales ($000,000)
Disability	$286	$120	$267	$108
Life	$923	$175	$832	$173

Notable Statements

● Consistent with the information we provided on our fourth quarter call, the estimated sensitivity of operating income for 100,000 incremental US death due to the pandemic is about $85 million. As I noted earlier, our second quarter baseline includes a net mortality impact of $70 million due to COVID-19. The actual impact will depend on a variety of factors such as infection and fatality rates, geographic concentration and the continued speed, acceptance and effectiveness of the vaccine rollout.

Analyst Questions

● There's a lot of talk about COVID-19. But I'm wondering if you had experienced better non-COVID-19 mortality losses for the quarter, I understand the first quarter is usually a heavy flu quarter. But looking at CDC data, it looks like excess mortality excluding COVID was unusually low. Did you have that experience?

Response: This is certainly an unusual stretch of time during a pandemic. But generally, we did not see any significant or credible trend or variance in our underwriting experience, other than what seems to be related to COVID. So, really can't give you any other comments other than that.

● I was curious with some short-term disability claims seemingly then going to long-term disability because of the natural things that occur with economic shock lapses a few quarters out. Can you talk about your expectations with that as well as associated elevated administrative expenses?

Response: So, as you would expect last year, given the impact of COVID in the pandemic, we absolutely saw an increase in short-term disability claims. We've actually seen those claims volumes coming back down, obviously, as the pandemic is getting more under control with vaccines and the like. We continue to expect due to our experience, the impact on the economy to have an effect on long-term disability claim incidence. We have not seen that tick up as of yet. That does not necessarily mean that we won't. There's generally a six-month elimination period on the long-term disability plan. That's why you saw us put up an IBNR last quarter, and we put up an additional IBNR this quarter. So, we're still expecting that. And that directly flows to your question about increased administrative expenses. One of the things that we consider very, very important to managing this business is having the right number of claims professionals, nurses, and vocational specialists. We have beefed up our staffing in the claims part of the business to be ready to properly help individuals return to work that go on long-term disability claims. And you're seeing that reflected in the elevated admin ratio.

Unum

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

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)	1Q21 Benefit Ratio	1Q20 Benefit Ratio
Unum US	$115.7	$261.8	74.3%	64.4%
LTD/STD	$64.1	$76.3	74.8%	73.2%
Life & AD&D	($58.3)	$70.4	98.8%	70.6%
US Supp & Vol	$109.9	$115.1	45.9%	43.2%
Unum International	$26.4	$19.4	75.3%	80.5%
Colonial	$73.3	$81.1	55.4%	52.4%

EP/Sales

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q20 EP ($000,000)	1Q20 Sales ($000,000)
Unum US	$1,525.8	$85.4	$1,527.7	$73.7
LTD	$457.7	$31.1	$463.0	$31.4
STD	$215.2	$24.1	$203.2	$14.2
Life/AD&D	$451.4	$30.2	$456.2	$28.1
Voluntary/Supp	$401.5	$126.0	$405.3	$162.1
IDI	$115.7	$17.0	$109.5	$22.7
Voluntary Ben	$218.7	$101.0	$230.4	$128.6
Dental/Vision	$67.1	$8.0	$65.4	$10.8
Unum International	$174.4	$23.2	$164.6	$23.9
LTD	$97.1	$8.1	$90.8	$8.6
Life	$27.3	$6.5	$30.9	$5.6
Supp	$28.0	$5.1	$23.9	$7.1
Poland	$22.0	$3.5	$19.0	$2.6
Colonial	$426.4	$90.2	$434.7	$99.3
Acc/Sick/Dis	$240.7	$57.4	$249.3	$64.6
Life	$96.6	$20.6	$93.8	$20.7
Cancer & CI	$89.1	$12.2	$91.6	$14.0

Notable Statements

Unum U.S.

● The Unum US segment reported adjusted operating income for the first quarter of $115.7 million compared to $143.5 million in the fourth quarter. These results were significantly impacted by COVID-related mortality in our group life business line and the life insurance line within the voluntary benefits business.

● In the Unum US group disability line, adjusted operating income for the first quarter was $64.1 million compared to $64.7 million in the fourth quarter of 2020. We were very pleased to see premium income increased by 3.5% compared to the fourth quarter, with solid sales this quarter, very good persistency, and natural growth stabilizing. The benefit ratio was 74.8% compared to the very favorable 72.5% in the fourth quarter.

● The first quarter benefit ratio was elevated due to the short-term disability line, where we continue to see high COVID-related claims driven by infection rates. We continue to expect the annual group disability benefit ratio to run in the 73% to 74% range with some quarterly volatility.

● We're pleased with the improvement in the expense ratio this quarter as we balance making investments to further enhance our service capabilities with managing through the ongoing pressures on expenses from our leave services offerings related to COVID driven volumes.

● Adjusted operating income for Unum US Group Life and AD&D continue to show the impact of COVID-related mortality, with a loss of $58.3 million in the first quarter compared to a loss of $21.9 million in the fourth quarter. The change from the fourth to the first quarter is largely explained by the national COVID-related mortality trend that showed an increase from approximately 145,000 nationwide observed deaths in the fourth quarter to approximately 200,000 in the first quarter. Our 1% claims rule of thumb for Unum share of COVID-related mortality did hold consistent in the quarter, and we estimate that we incurred approximately a 2,050 COVID claims with an average claim size of approximately $50,000.

● Non-COVID-related mortality did not have a significant impact on results in the first quarter as while incidence was slightly higher on a seasonally adjusted basis, it was largely offset by a lower average claim size compared to the prior quarter.

● Looking ahead to the second quarter, national COVID mortality is trending favorably from the peak level seen in December and January. Second-quarter estimates of U.S. COVID-related mortality are in the 50,000 to 60,000 range compared to the first quarter level of approximately 200,000. We are seeing this improving trend in our COVID claims experience as well. The magnitude of the decline is expected to drive a recovery in our group life results. However, the 1% rule of thumb we have experienced throughout the pandemic is likely to change somewhat. If the age distribution of mortality changes and is skewed more to younger people and away from the elderly population due to the vaccine rollout, we would expect to see a higher percentage of national claim counts and a higher average claim size since working-age policies tend to have higher policy amounts than retired and over age 65 individuals. This does equate to an approximately $40 million impact to group life income from COVID-related claims compared to over $100 million in the first quarter. In other words, using these estimates, we would expect our group life earnings to improve by approximately $60 million from the first quarter to the second quarter to an approximately breakeven level of earnings in the second quarter.

● Shifting to the Unum US supplemental and voluntary lines, we saw an improved quarter with adjusted operating income of $109.9 million in the first quarter compared to $100.7 million in the fourth quarter. Outside of the COVID-related mortality impacts we saw in the voluntary benefits life insurance line, we were generally pleased with the trends we saw in this segment.

● Sales for Unum US in total declined by 10.3% in the first quarter compared to the year-ago quarter. Within that, sales increased 15.9% for the employee benefits lines, which are STD, LTD, group life, and AD&D combined, with a good mix of growth in both large case and core market business. This is consistent with our outlook that sales in our group employee benefit lines would recover more quickly than our voluntary benefits businesses. We are currently seeing a good level of quote activity in the group markets, which has recovered to pre-pandemic levels.

● Recovery and sales growth in the supplemental and voluntary lines is slower, which is in line with our expectation. Our recently issued individual disability sales were down 25.1% in the quarter, coming off a strong pre-pandemic first quarter last year. Voluntary benefit sales were down 21.5% in the quarter, which is consistent with our view that mid and larger case VB sales will take longer to recover. Large case VB sales, in particular, have a longer sales cycle and are more concentrated around January 1 effective dates, so we wouldn't expect to see growing momentum there until later in the year.

● Sales in dental and vision were 25.9% lower, caused by the disruption in group sales resulting from discounts and other incentives, many carriers are providing in response to the unusually favorable claims trends seen in the second quarter of last year.

Unum International

● Adjusted operating income for the first quarter showed a strong improvement to $26.4 million compared to $20.7 million in the fourth quarter last year. A big driver of this improvement was improved results in Unum U.K. with adjusted operating income of GBP18.6 million in the first quarter compared to GBP15.4 million in the fourth quarter. Benefits experience improved in the U.K. with strong performance in the group income protection line due to improved claim recoveries and higher levels of mortality. We also experienced improved performance in the group critical illness line. This improvement offset adverse experience in the group life line, largely resulting from a higher level of COVID-related mortality.

● Unum Poland has seen adverse impacts from COVID on its results in the first quarter relative to the year-ago quarter, but we are pleased with the growth we're seeing in this business with growth in premium income of 11.7% on a year-over-year basis. Although we are encouraged by the improved income in the international operations, we do remain cautious with our near-term outlook as both the U.K. and Poland deal with COVID and related economic impacts.

Colonial

● Adjusted operating income of $73.3 million in the first quarter compared to $71.2 million in the fourth quarter. This uptick was primarily driven by a slight improvement in the benefit ratio and a lower expense ratio. The benefit ratio of 55.4% was slightly improved from 56.6% in the fourth quarter but did remain higher than our historical trends due to the continued impact from COVID on our life insurance line.

● Results in the accident, sickness, and disability line, as well as the cancer and critical illness line, were generally consistent with our long-term experience. Premium income for the first quarter picked up slightly from the fourth quarter, increasing 1.8%, primarily the result of favorable persistency trends. We will need to see further recovery in new sales to rebuild premium growth back to the historic levels of 5% to 6%.

● We're encouraged by the sales trends we saw in the first quarter for Colonial. Although quarterly sales were down 9.2% year-over-year, that has sharply improved from the 31% cumulative decline we experienced for the last three quarters of 2020. We look forward to further improvement in sales momentum over the balance of 2021. We are encouraged by the uptake we are seeing in our recently developed digital enrollment tools, which in the quarter accounted for about 1/3 of our enrollments. It is also encouraging that face-to-face enrollments are rebuilding as we find new, safe and socially distanced ways to conduct these face-to-face enrollments.

Analyst Questions

● Can you talk about your assumed path to margin normalization across different product lines? It sounds like group life could have a little bit of a longer tail as the pandemic impact shift to a younger population. But what are you assuming for disability, critical illness, LTC, etc.? And are there any areas where you're concerned about a potential spike in claims for a period?

Response:

Disability: On the disability front, you did see a bit of an elevated loss ratio in the quarter and as we talked about, that was short-term disability entirely. And then underneath that, it's COVID-related claims entirely. So that will follow pretty closely, actually, the track of improvement that Steve laid out in his opening comments.

So as national COVID cases and then come down, which we saw not only sort of the course of the first quarter, but sitting here in the second quarter, there's something that sort of suggests anything different than that continued steady pace of improvement. There will be lingering impacts on the disability side in the short-term disability component of the segment here in the second quarter. But like we talked about in December, I think the outlook in the second half is quite good with LTD right there within expectations, that kind of 73% to 74% disability loss ratio

that we tend to see on an annual basis. I think that's still a reasonable place to think about us in the second half of the year.

Life/LTC: in the first quarter, nationally, we had about 200,000 deaths that was reflected in our book about one week, got about 1% of that or just over 2,000 deaths. We do estimate from what we've seen kind of out there that we're going to be around 50,000 to 60,000 deaths probably in the second quarter nationally. How we equate that to our book would imply that our group life and AD&D business would be about breakeven in the second quarter. I would say then for the remainder of the year, we would have that gradually revert back to kind of historical loss ratios in that business. So, we think second quarter might be kind of tough, but the latter half of the year, we'll get back to where we historically were at for margins. I would say on LTC we've clearly had very low loss ratios.

Over the last year, we're at 77.7%. And we did see trends through the first quarter where mortality did begin to revert back closer to maybe more normalized, but definitely was still higher, 15% higher than what we'd anticipate. In second quarter, we would see that revert maybe back to more normal expectations. And then incidence really is back in March. Kind of our historical levels, and we'll have to see how that continues into the second quarter, and we'll have to track that. But I would say we anticipate being back in that 85% to 90% kind of range in LTC as we get to the back half of the year.

Principal Financial Group

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

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)	1Q21 Loss Ratio	1Q20 Loss Ratio
Specialty Benefits	$59.2	$88.2	65.9%	59.6%
Group Disability	---	---	60.1%	61.3%
Group Life	---	---	79.3%	64.6%

EP/Sales

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q20 EP ($000,000)	1Q20 Sales ($000,000)
Disability	$132.5	$38.4	$131.2	$33.0
Life	$115.2	$22.2	$113.5	$23.7

Notable Statements

● We've had very insightful conversations with many of our investors and sell side analysts since reaching our agreement with Elliott Management in mid-February. I want to thank all of you for your candor and your perspectives. Our conversations with Elliott remain constructive. Last night, we announced Claudio Muruzabal is joining our Board of Directors. Claudio's immense global experience and leadership in the technology industry will bring valuable insights to our digital initiatives around the world.

Analyst Questions

● An industry participant on the Life side, albeit targeting lower income stratification recently noted increased experience and death or despair in their mortality book. And then, also an increased impact from lack of medical treatment for heart and Alzheimer's disease. Can you talk about what you're experiencing with this dynamic in general mortality trends beyond COVID? Thank you.

Response: We saw the same reports that you've seen in terms of some of the things going on beyond a direct COVID experience, and what I can tell you is, we've taken a really hard look at our Individual Life block as well as our Group Life block. And keep in mind, we probably feel like we have the best point of claim data for our Individual Life block. So, that tends to give us the deepest insight into what the causes were. And as we look through our portfolio of products and customers, what we're seeing on those claims is that we don't see anything beyond normal volatility. So, I appreciate that there is a larger discussion going on out there. Some believe there is -- in the future, we should see fewer deaths, non-COVID. There is other people coming in and saying, there's more deaths non-COVID. What I would say is for Individual Disability as well as Group Life, right now, those are both relatively unremarkable for us. So, we're not

seeing claims patterns that would be on a diagnosis code basis, anything that's remarkable. So again, we like the fact that that's not remarkable, but we understand that's a little bit different than what you might be hearing in the rest of the industry, but that has been our performance.

MetLife

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

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)	1Q21 Loss Ratio	1Q20 Loss Ratio
Group/Voluntary/Worksite	$93	$312	---	---
Group Life	---	---	106.3%	87.9%

EP

Line of Business	1Q21 EP ($000,000)	1Q20 EP ($000,000)
Group Non-Med Health*	$2,371	$1,959
Group Life	$2,088	$1,920

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

Notable Statements

● The Group Life mortality ratio was 106.3% in the first quarter, which included roughly 17 percentage points related to COVID-19 life claims. This reduced Group Benefits adjusted earnings by approximately $280 million after tax. For group non-medical health, the interest adjusted benefit ratio was 71.1% in the first quarter with favorable experience across most products.

● There were approximately 200,000 COVID-19-related deaths in the US in the first quarter, the highest single quarter since the pandemic began and up nearly 40% versus the fourth quarter of 2020. In addition to the higher number of claims, there were more deaths at younger ages below 65, which resulted in increased claims severity. Apart from COVID-19, the number of life insurance claims of greater than $2 million nearly doubled versus a typical quarter.

● The top line performance of the Group Benefits business was strong with sales up 46% year-over-year. We are doing especially well with national accounts and if trends hold, we expect the group business to deliver a record sales year.

● As we look ahead, we see a path to a brighter future from both an economic and health perspective. In the United States conditions look promising for a period of employment growth, which is always good for our group business. On the pandemic front, we believe the worst of the underwriting effects on our Company are behind us as the vaccine rollout continues to advance. The progress is not yet uniform across the world, and certain areas are still struggling, but the trend line is clear, a slow but steady return to something we can call normalcy. While we welcome an improving external environment, we also remain laser-focused on executing our strategy to ensure we are prepared for the post-pandemic world.

Analyst Questions

● Just to start, can you go into a bit more detail on the group life claims trends this quarter and the implications of population deaths skewing younger, which it sounds like can lead to higher severity and is this something we should expect to have continued impact in the second quarter?

Response: The group results this quarter were primarily a frequency effect. We saw the significant increase in the total number of population deaths and that was accompanied by a secondary effect, which is the severity effect whereby we did see an increase in the percentage of claims under 65 and those claims, which tend to be for working employees who do have a higher face amount.

So if you think about it and if you think about the outlook going forward, we're watching that composition very carefully, but I would say that the primary driver in the second quarter is still going to be the frequency, right. So, as you know, with the rollout of the vaccine, the COVID-related deaths in the population has been declining and if you do any comparison between say January average death number to in April, there has been a significant decline. While we still have substantial number of coming through and therefore expect to see an elevated mortality ratio in the second quarter, we do expect the underwriting ratio to come down from its Q1 high.

● Can you provide some more underlying details on the non-medical health underwriting trends you saw in the quarter, both in dental and vision utilization and disability experience.

Response: The two I would point out to, one is dental, we see some benefit from lower utilization early in the quarter. But as we expected, the utilization normalized back in line with historical levels as the quarter progressed. And then in disability, we're still seeing very favorable results. We saw a slight uptick in incidence rates from years ago, but we continued to see positive trends on recoverability there.

● On the Group Benefits business, I'm just wondering if you could unpack some of the growth rates that we're seeing, PFOs I think were up 16%, how much of that was Versant versus the other parts of the business and then on the sales growth up 45%, can you just give a little color in terms of what's behind that? How much of it is sort of new clients, head count increases, or new products, just so we get a sense of where the growth is coming from?

Response: I'll start off with the sales. We're really pleased with our performance this quarter and as John mentioned, 2021 is shaping up to be a record year for us in terms of Group Benefits, I would say, the three drivers of sales. The first one is a significant uptick in the jumbo activity in national accounts but that's coming off a low in 2020, but this is our sweet spot. This is where we excel and we've done exceptionally well this quarter there.

I would also remind you just for jumbo accounts, these sales can be lumpy from year-to-year. Beyond that, if you look at products and markets, we've just seen, I would say, strength across the Board from a product perspective as well as increased sales in both regional and small. So its pretty even. And then the last driver of sales I'd point to is we continued to successfully execute on our enrollment and reenrollment strategy at the worksite that we've talked about on prior occasions. So we're seeing pretty strong underlying sales growth there. When it comes to PFO growth, which we think is the actual measure that best captures the top line of this

business, you really need to peel back from that 16%, 5 points due to these participating contracts. So think about 11 as the underlying growth there and that is in line with our expectations and in line with our outlook.

So we're very pleased with that result as well. And the peer drivers, in addition to sales, would be strong persistency. We continued to see very high persistency with our customers and our value proposition is resonating with those customers and they're doing more business with us. We're getting all of our rate actions, renewals, also in line with our expectations and then also, what's driving the PFO number coming back to that reenrollment strategy is very disciplined execution of our voluntary strategy in the work site and so we continue to see those double-digit growth in voluntary in that PFO number.

Hartford

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

Line of Business	1Q21 ($000,000)	1Q20 ($000,000)	1Q21 Loss Ratio	1Q20 Loss Ratio
Group Benefits (Disability, Life, Other)	($3)	$115	84.3%	71.9%
Group Disability	---	---	68.4%	71.5%
Group Life	---	---	108.3%	74.6%

EP/Sales

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q20 EP ($000,000)	1Q20 Sales $(000,000)
Group Disability	$693	$321	$660	$213
Group Life	$602	$151	$605	$136

Notable Statements

● Results for the first quarter were significantly impacted by excess mortality related to the direct and indirect effects of Covid19. Since the end of last year, the number of reported US-Covid deaths continued to increase, peaking in January, and have since slowly declined. Results for the quarter include all-cause excess mortality of $185 million, $13 million of which relates to additional prior year losses. The excess mortality resulted in a reported loss of $3 million, and adversely impacted the core earnings margin by 9.5 points. Based on current declines in mortality and the impact of increasing vaccination rates, we expect excess mortality in the range of $40 million to $60 million in the second quarter.

● Disability results for the quarter were favorable. The loss ratio for the quarter was 68.4%, down 3.1 points from prior year, and reflected higher claim recoveries and lower disability claim incidences.

● Top-line results were solid and reflect strong sales and persistencies. And for the first time since second quarter of 2019, we reported year-over-year premium growth.

●Sales of $512 million for the quarter were greater than the prior year and reflect growth in all market segments. Paid family and medical leave continues to be a focus for us and was a contributor to the increase in sales.

Analyst Questions

● On the Group Benefits guide, the margin guide to 6% to 7& in 2022. I guess I'm just wondering why that is still -- it's down versus where your guide was in 2020, consistent with 2021 ex-Covid, but it does seem like you have a bit more expense saves. So, I'm wondering if you could unpack that just a little bit?

Response: We've talked about it in the past that the year-over-year improvements, with incidences being driven down and favorable prior-year developments recoveries all will sort of revert back to a mean. And what that really means is, in our current accident year, in essence, accident year loss ratios we establish are going to be closer to ultimate than they were five years ago when they were quite a bit higher. So, it's still a margin, 6% to 7% margin, and that business still produces a solid double-digit ROE. IRRs are strong, so it's a healthy margin, but it's -- particularly with all the prior-year reserve releases, we just don't see that happening going forward just because our current picks are established a lot lower.

Lincoln Financial

Profit (Post tax)

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)	1Q21 Loss Ratio	1Q20 Loss Ratio
Group Protection	($26)	$40	86.8%	78.5%
Group Disability	$48	$50	78.8%	78.3%
Group Life	($71)	($6)	101.0%	79.4%

EP/Sales

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q20 EP ($000,000)	1Q20 Sales ($000,000)
Group Protection	$1,119	$74	$1,094	$102
Group Disability	$650	$28	$613	$42
Group Life	$410	$41	$412	$50

Notable Statements

● In Group Protection, premium rose more than 2% over the prior year quarter and nearly 7% sequentially, driven by improved persistency, price increases and organic growth resulting from the economic recovery.

● Sales in what is typically a seasonally smaller quarter were down versus the strong prior year quarter. However, underlying drivers were positive as 2/3 of our sales were employee paid products. As we communicated last quarter, we are taking actions to increase Group Protection margins.

● We are already seeing improved results as factors such as pricing actions, higher persistency and investments in our claim organization have put our margin, excluding the pandemic and excess alternative income, in the lower end of our targeted range. We continue to expect further expansion, building gradually toward the upper end of our 5% to 7% margin target.

● The outlook for the Life Insurance business is strong, as our new products are starting to take hold in the market. Group Protection's underlying profitability is experiencing an ongoing recovery. Expense savings initiatives will continue to contribute to earnings growth.

● Group Protection reported a loss from operations of $26 million compared to operating earnings of $40 million in the prior year quarter, with the decrease driven by $90 million of pandemic-related claims, with $61 million of direct COVID-19 mortality, seven million of morbidity and $22 million of indirect mortality. This was partially offset by $6 million of favorable alternative investment experience. The reported total loss ratio was 86.8% in the quarter, one percentage point better sequentially as an increase in the life loss ratio was more than offset by improvement in the disability loss ratio.

● While pandemic impacts continue to be a headwind, we are optimistic about the outlook for the business as improving unemployment rates, coupled with vaccine rollouts, should provide tailwinds going forward.

Analyst Questions

● Would you expect that $22 million of the indirect mortality, that would kind of go away once we're out of the pandemic?

Response: Yes, we do. This is an interesting topic, we spend a lot of time looking at the overall mortality experience and the question is, why do you believe that indirect component is related to the pandemic. There are a number of aspects of that. The first thing we look at is just what is the nature of COVID-19. The nature of COVID-19 is that while it is more impactful than the flu, it acts like the flu, and that it hits people with comorbidities harder.

So that's just the nature of COVID-19. We also know that when we look inside of our experience, where this indirect component is coming, is coming in areas where you would expect the comorbidities to emerge, respiratory and cardiac, which is just like the flu. We also know that when it comes to comorbidities, it's oftentimes the case, and we see this with the flu.

Flu is rarely noted on the death certificate as the cause of death, but it's oftentimes what starts the process. So everything that we know about COVID-19, all of our experience is what leads us to really assess this indirect component as related to the pandemic and something we believe will go away when we get this pandemic behind us in the country.

● Thank you for the color on indirect mortality. A number of participants talked about like death of despair and then impact from delay in care, particularly Alzheimer's and Heart. One talked about death of despair being 20%, the 80% being the remainder. Can you talk about what you're seeing on that side that's probably independent of the indirect mortality?

Response: We're not seeing that. So whether you're talking, let's say, suicides or overdoses, those sorts of things, we're not seeing an elevation in those causes of death. As I mentioned, it is in the phase that are related to a virus like COVID-19, respiratory and cardiac. In terms of the delayed care question, as we talked to the doctors here at Lincoln, that is not sort of something that's going to impact mortality in the very near term.

It's something that will impact mortality in a very modest way over the longer term, and it would probably be more than offset by, as we've talked about, on the Life side, the front end of claims that COVID has caused, which will probably benefit us over the next few years.

Sun Life

Profit (Net income pre-tax):

Line of Business	1Q21 Profit ($000,000)	1Q20 Profit ($000,000)
Employee Benefits Group*(U.S.)	$112	$99

EP/Sales

Line of Business	1Q21 EP ($000,000)	1Q21 Sales ($000,000)	1Q20 EP ($000,000)	1Q20 Sales ($000,000)
Employee Benefits* Group (U.S.)	$1,099	$121	$1,031	$122
Medical Stop Loss	---	$34	---	$48
Employee Benefits	---	$87	---	$74

*includes group life, disability, dental, vision, DRMS business, medical stop loss

● In the U.S., underlying net income increased $10 million, reflecting favorable morbidity experience in stop-loss and long-term disability. This was partially offset by lower-investment gain, lower earnings on surplus and unfavorable mortality experience.

Analyst Questions

●In U.S. employee benefits, in-force premium again this quarter. I'm wondering if you could just talk about and maybe quantify what you're seeing in underlying covered lives, if that's still a headwind from an exposure standpoint and how we should be thinking about that over the course of the rest of the year? If employment does improve, would you expect to see a meaningful increase just from exposure growth in covered lives?

Response: Thank you for the question. We're really seeing a pretty rapid recovery in employment in the U.S. So I think we had mentioned in the last call that we estimated about a 3% reduction in covered lives at the bottom, but that's largely come back. As we look at our January one enrollment, it's a little hard to parse out all the different factors in terms of number of employees versus number of people who enroll, but generally enrollment was higher in January than it had been in the prior January. So the economy in covered lives seems to be snapping back rather quickly and really never went down that much in the first place.

Summary

Company	Earnings	Sales	EP
Prudential	**Group: Neg $132M (↓400%)**	**Dis: $120M (↑11.1%) Life: $175M(↑1.2%)**	**Dis: $286M (↑6.7%) Life: $923M (↑10.9%)**
Unum	**LTD/STD: $64.1M (↓55.8%) Life/AD&D: Neg $58.3M (↓182.8%) Unum Int: $26.4M (↑36.1%) Colonial: $73.3M (↓9.6%)**	**U.S Brokerage LTD: $31.1M(↓1.0%) STD: $24.1M(↑69.7%) Life/AD&D: $30.2M(↑7.5%) Dental/Vis: $8.0M(↓25.9%) Vol: $101.0M (↓21.5%) Unum Int LTD: $8.1M(↓5.8%) Life: $6.5M(↑16.1%) Colonial Acc/Dis: $57.4M(↓11.1%) Life: $20.6M (flat) Can/CI: $12.2M(↓12.9%)**	**U.S. Brokerage LTD: $457.7M (↓1.1%) STD: $215.2M (↑5.9%) Life/AD&D: $451.4M (↓1.1%) Vol: $218.7 (↓5.1%) Dental/Vis: $67.1M(↑2.6%) Unum Int: LTD: $97.1M (↑6.9%) Life: $27.3M(↓11.7%) Colonial Acc/Dis: $240.7M (↓3.4%) Life: $96.6M (↑3.0%) Can/CI: $89.1M(↓2.7%)**
Principal	**Specialty Benefits: $59.2M (↓32.9%)**	**Dis: $38.4M (↑16.4%) Life:$22.2M (↓6.3%)**	**Dis: $132.5M (↑1.0%) Life: $115.2M (↑1.5%)**
Met	**Group/Vol/Worksite: $93M (↓70.2%)**	**Not reported by line of business**	**Non-Med: $2,371M (21.0%) Life: $2,088M (↑8.7%)**
Hartford	**Group: Neg $3M (↓102.6%)**	**Dis: $321M (↑50.7%) Life: $151M (↑11.0%)**	**Dis: $693M (↑5.0%) Life: $602M (↓.5%)**
Lincoln	**Group Protection: Neg $26M (↓165%) Dis:$48M (↓4.0%) Life: Neg $71M (neg $6 a year ago)**	**Dis: $28M (↓33.3%) Life: $41M (↓18.0%)**	**Group Protection: $1,119M (↑2.3%) Dis: $650M (↑6.0%) Life: $410M (↓.5%)**
Sun	**U.S. Employee Benefits Group: $112M (↑13.1%)**	**Employee Benefits: : $87M (↑17.6%) Medical Stop Loss: $34M (↓29.2%)**	**U.S. Employee Benefits Group: $1,099M (↑6.6%)**