SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

August 2018

Dear GC Smith Group Client:

We are pleased to provide the 2nd 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.

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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 (Pre-tax):

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)	2Q18 Loss Ratio	2Q17 Loss Ratio
Group Insurance	$82	$136	85.3%	84.5%
Group Disability	NA	NA	71.6%	76.7%
Group Life	NA	NA	88.6%	86.3%

EP/Sales:

Line of Business	2Q18 EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales ($000,000)
Disability	$250	$14	$209	$14
Life	$996	$46	$981	$56

Notable Statements

● Our Group Insurance business incurred elevated expenses in the current quarter, including the costs to terminate a third-party underwriting service provider contract. These services will be performed internally, which should reduce future underwriting costs.

Unum

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

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)	2Q18 Benefit Ratio	2Q17 Benefit Ratio
Unum US	$251.1	$247.8	67.0%	67.4%
LTD/STD	$81.6	$92.4	76.2%	76.5%
Life & AD&D	$67.2	$60.9	70.3%	70.6%
US Supp & Vol	$102.3	$94.5	48.5%	49.0%
Unum UK	$27.6	$28.9	76.7%	75.6%
Colonial	$84.6	$81.8	51.0%	51.3%

EP/Sales

Line of Business	2Q18 EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales ($000,000)
Unum US	$1,416.3	$197.7	$1,357.7	$208.0
LTD	$437.4	$41.0	$437.7	$47.5
STD	$171.0	$23.6	$158.3	$27.4
Life/AD&D	$429.7	$54.5	$400.6	$59.5
Voluntary/Supp	$378.2	$78.6	$361.1	$73.6
Unum UK	$138.9	$28.3	$126.8	$25.2
LTD	$89.7	$15.6	$83.8	$11.5
Life	$27.9	$5.7	$25.4	$6.0
Other	$21.3	$7.0	$17.6	$7.7
Colonial	$395.4	$132.4	$376.3	$116.6
Acc/Sick/Dis	$228.6	$83.6	$220.1	$73.6
Life	$81.5	$27.6	$75.0	$24.9
Cancer & CI	$85.3	$21.2	$81.2	$18.1

Notable Statements

Unum U.S.

● Within Unum US, adjusted operating income for group disability declined by 11.7% to $81.6 million in the second quarter, primarily due to lower net investment income, resulting from a low level of assets backing this line and a lower portfolio yield.

● We continue to see positive trends in risks experienced for group disability with the benefit ratio improving slightly to 76.2% in the second quarter, compared to 76.5% in the year-ago quarter, primarily driven by lower claims incidence in the group LTD line, which was partially offset by higher claims incidence in some of the group STD products.

● The group life and AD&D line had a very strong second quarter with adjusted operating income of $67.2 million, an increase of 10.3% from the year-ago quarter. Premium income

increased 7.3% driven by improved overall persistency and our recent sales trends. The benefit ratio improved slightly to 70.3% in the second quarter from 70.6% in the year-ago quarter due primarily to favorable experience in the AD&D product line and a lower average claim size in the group life product line.

● The supplemental and voluntary lines continue to generate strong results with adjusted operating income increasing by 8.3% to $102.3 million in the second quarter. Premium income increased 4.7% for the second quarter, due to growth in our voluntary benefits business with the rapid growth being generated by the dental and vision product lines. Risk experience was favorable in the second quarter across the major product lines.

● Sales for Unum US in the second quarter declined by 5%, primarily driven by lower sales in the group disability and life lines.

Unum UK

● Unum UK continues to operate in a difficult and uncertain environment. Given this backdrop, adjusted operating earnings declined in the second quarter to £20.4 million compared to £22.6 million in the year-ago quarter.

● The Unum UK benefit ratio was 76.7% for the second quarter of 2018, up from 75.6% last year, driven primarily by higher group life claim volumes, which was partially offset by the favorable benefits experience we saw in the group disability line in the quarter.

● Unum UK sales for the second quarter increased by 4% year-over-year, driven by higher sales in group LTD, which offset slower sales in group life and supplemental lines. Persistency also improved, increasing to 86.8% for the first half of 2018 compared to 85.5% in the first half of 2017. The improvement is particularly encouraging given our active implementation of rate increases in the disability block.

Colonial

● Colonial Life produced a strong result with adjusted operating income in the second quarter of $84.6 million, an increase of 3.4% from the year-ago quarter. Premium growth has trending well, increasing by 5.1% in the quarter. Overall benefits experience showed a slight improvement with the benefit ratio at 51% for the second quarter compared 51.3% in the year-ago quarter.

● The introduction of the dental product certainly helped with that growth with sales this quarter of $9.4 million. In addition to the strong dental rollout, sales from our other product categories all exhibited year-over-year growth. Sales also increased for both new accounts and existing accounts.

Analyst Questions

● In the STD line, you saw claims incidence up a bit, anything to read into that? Is that just a variation as far as you can tell or is there something emerging there?

Response: Short answer is, I wouldn't read too much into it. We saw a little bit of a pickup in new claim incidence for STD, but in general feel good about where we're positioned in the product line. And that's also a product line given the nature of how credible the experience is, is that we're able to move pretty quickly from a renewal point of view as well.

So that's a very good contributor to the really healthy group disability segment. And while we did see a little bit of an uptick this quarter, I wouldn't expect the long-term issue there.

● If I could ask one more question on pricing and the competitive environment in the disability market, how that's trending and then also maybe discuss your weak sales this quarter, what really drove that?

Response: Yeah, I would say first question is about the competitive market in the pricing and then second on sales. So first on competition, I think, first and foremost for us is the ability to keep and renew customers. And the story there continues to be a very good one. I think, Jack mentioned it persistency in the quarter and on a year-to-date basis is up a bit from a strong result last year just over 90%. So we feel really good about the value prop and the experience that we are delivering to the claim relative to alternatives in the market.

I would say, what we would have seen in the first two quarters, in particular, as benefit of a frothier more aggressive new business pricing market, so sales have definitely been a mix. We are up a bit in the Unum US segment in the first quarter, down 5% here in the second quarter. So at the turn, mid-year were about flat year-over-year. And as we look forward in to the second half, I'd say, in general, feeling encouraged about the pipeline, where we have a line of sight in the kind of upper end of the mid. In large case market, we do have about 60% of our sales here yet to book.

We've also taken a few actions around additional marketing programs. We started - looked to spur some growth. So we talked heading into the year about 4% to 6% sales year-over-year or full-year guidance, and I still think that's probably the best estimate for us. Longer-term, I'd say feel very good about our growth prospects are being able to continue to grow the business and accelerated in some spot, but in every case maintaining the underwriting discipline that allowed us to get the kind of margins and ROEs that we're targeting.

● Can you weigh the pricing trends in disability right now, so where you thought they'd be today, given the tax reform impact that should be having on pricing front?

Response: So we when we talked about - I still think the logic that we went through, when we talked about the tax reform still holds, which is, in general, for the industry, it's a very - it's a relatively low margin business. A few of us tend to do a bit better. But when you look at what a tax reduction on the magnitude that we saw as a percentage of margin generated off of a business like group disability, and then translate it back to a percentage of premium, you're really only talking about 1 point to 2 points of pricing gravitation.

And we would sort of see that as just kind of normal give and take in the market. So what we're seeing here in the first half, I wouldn't tie it directly back to the tax cut. I'd say in general, it is a bit more competitive than we experienced in 2017. But having been through this cycle many times, I would certainly not call it abnormal.

And again, when I look at it, most important to us is are we able to place renewals, are clients sticking with us, persistency over 90%. It's a very good story. Renewals are actually tracking a bit ahead of plan in terms of placed rate increase, where we need to do so.

And then, as I look at the pipeline for the second half, we are not going to abandon underwriting discipline. But I'm optimistic about growth in the segment.

Principal Financial Group

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

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)	2Q18 Loss Ratio	2Q17 Loss Ratio
Specialty Benefits	$63.9	$63.6	62.8%	63.7%
Group Disability	---	---	63.4%	65.3%
Group Life	---	---	64.5%	66.7%

*Life & Health Division includes Individual Life, Health Insurance and Specialty Benefits

Line of Business	2Q18EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales ($000,000)
Disability	$125.2	$15.1	$116.0	$13.8
Life	$108.2	$11.6	$102.7	$10.4

Notable Statements

Nothing specific to Disability or Life

Cigna

Profit (Income from continuing operations, pre-tax, post realized investment gains/losses):

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)
Group Disability & Life	$133	$143

EP

Line of Business	2Q18 EP ($000,000)	2Q17 EP ($000,000)
Disability	$510	$491
Life	$428	$441

Notable Statements

● For our Group Disability and Life segment, second quarter operating revenues were $1.1 billion. Second quarter earnings in our Group business grew 24% to $103 million, reflecting favorable life results, solid performance in disability and a lower tax rate. (Note the pre-tax and pre-investment gain/loss profit margin was a decline from the year ago quarter).

● Regarding the Group Disability and Life business, we continue to expect full year 2018 earnings in the range of $330 million to $350 million.

MetLife

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

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)	2Q18 Loss Ratio	2Q17 Loss Ratio
Group Benefits	$335	$312	---	---
Group Life	---	---	87.9%	87.3%

EP

Line of Business	2Q18 EP ($000,000)	2Q17 EP ($000,000)
Group Non-Medical Health	$1,687	$1,664
Group Life	$1,741	$1,663

Group Non-Medical Health includes dental, disability, LTC, AD&D, CI, Vision and other health.

● Underwriting results were particularly strong in non-medical health. The interest adjusted benefit ratio for non-medical health was 73.1%, favorable to the prior-year quarter of 76.9% and below the low end of its target range of 75% to 80%. Non-medical health's favorable underwriting expense was primarily driven by disability, which had a higher net closure rate and lower incidence than the prior-year quarter.

● The Group Life mortality ratio was 87.9%, which was within one standard deviation of the prior-year quarter of 87.3% and within its target range of 85% to 90%. Group Benefits continues to see strong momentum in its top line.

● Year-to-date, 2018 sales were down 4% relative to first half of 2017, which had record jumbo case sales. Group Benefits continued its strategy to grow voluntary products, which were up double digit for the first half of 2018 versus the prior-year period.

● In addition, we are also continuing to grow down-market as regional and small market sales were above our target year-to-date.

Hartford

Profit (Pre-tax and investment gains/losses)

Line of Business	2Q18 ($000,000)	2Q17 ($000,000)
Group Benefits (Disability, Life, Other)	$115	$96
Group Dis (LTD/STD)	74.3%	78.9%
Group Life	77.4%	74.2%

EP/Sales

Line of Business	2Q18 EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales $(000,000)
Group Disability	$642	$47	$360	$32
Group Life	$651	$34	$391	$33

2Q18 numbers include Aetna's group block which was acquired on 11/1/18

Notable Statements

● Turning the Group Benefits we had another excellent quarter, with core earnings of $104 million and a margin of 6.9%. Drivers were similar to last quarter, including favorable disability results, lower tax rates and the contribution from our 2017 acquisition, partially offset by slightly higher life mortality.

● Persistency on our employer group block of business remains strong at approximately 90% and fully insured ongoing sales of $85 million were up from prior year. This was a solid sales quarter and we're pleased with our traction in the market.

● Our integration of the Aetna Group Life and Disability business remains on track and is picking up momentum. We began converting small case business to our current platform this month and we will ramp up those efforts throughout the year.

● The new disability claim platform now branded The Hartford Ability Advantage is expected to come online for new cases effective in 2019. As Chris noted in his comments, our expense reduction efforts are on track and as our business conversion process continues in '19 and '20, we are confident that we will be able to exceed our original savings target.

Analyst Questions

● And then just a question on Group Benefits. From the disclosure you provided, it looks like you had another good quarter of very favorable prior year development. By our estimate it's more than half of the earnings for that segment. Now you've been having that favorable development for several years now, so it doesn't appear to be a one-timer; it seems pretty sustainable. So my question is, should we think about most of that development being recent in accident year releases or is a lot of that coming from recoveries of older accident years? Can you

provide some perspective on how that -- where that's coming from and then maybe the sustainability of it?

Response: On the group side and specifically on the disability side as we look at our trends, you know we have been seeing favorable trends, you know more so in the more recent years as those exposures develop.

You know I think in the disability block it's important to remember that you know there's a lag sort of in the timing of when someone goes on disability and then when they actually end up on long term disability. So we peg those lines and then looked at how the development comes in overtime. And our incidence rates and our recoveries on all those fronts have been very favorable. It's hard to predict obviously going forward, but we're very happy with the trends that we've been seeing you know as we kind of go into the second half of this year.

Lincoln Financial

Profit (Post-tax)

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)	2Q18 Loss Ratio	2Q17 Loss Ratio
Group Protection	$45	$35	73.1%	66.1%
Group Disability	$20	$20	76.4%	65.4%
Group Life	$28	$15	68.0%	66.1%

EP/Sales

Line of Business	2Q18 EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales ($000,000)
Group Protection	$846	$94	$494	$88
Group Disability	$464	$38	$226	$32
Group Life	$307	$31	$206	$28

2Q18 numbers include Liberty's block which was acquired on 5/1/18

Notable Statements

● Turning to the Liberty acquisition and progress on integration. We intended Liberty to immediately increase our scale in the group benefits business, further broaden the customer base and distribution access, and expand our capabilities. These benefits were already evident during the second quarter. Our results were strong, with earnings of $45 million and a 5.3% after-tax margin. We experienced favorable risk results on both the Lincoln and Liberty blocks of business, and solid premium growth, driven by good sales and stable persistency.

● We expect premiums in the third quarter to be approximately $1 billion, which factors in a full three months of Liberty contributions. This quarterly run rate is ahead of our initial expectations, as the level of rate increases and retention are better than we initially projected. As a result, we remain confident in our repricing program, which Liberty began last year.

● Integration efforts are broad-based and include aligning organizational structures, maintaining and growing distribution relationships, and rationalizing various technology and claim systems. We continue to closely manage integration cost and narrow in on potential expense savings. While it is still too early to provide specific details, we see the potential for upside to our $100 million expense-save target.

● From an enterprise perspective, the addition of Liberty Group business will get us to our target of approximately one-third of earnings coming from insurance risks. As you know, we have also been shifting more of our sales towards products without long-term guarantees. Over the last five years, 72% of new business was from products without long-term guarantees. These combined actions have tilted the risk profile of our business in a positive direction and is expected to reduce our beta over time.

● Sales in the quarter increased 7%, driven by growth in the Disability and Life product lines. Non-medical earned premiums were up 71% from the prior-year quarter as a result of both the acquisition and continued momentum in key premium drivers, namely sales and persistency. The non-medical loss ratio increased to 73%, which merely reflects the impact from the acquisition. Overall risk results remained favorable, with Lincoln's loss ratio of 66.6% largely unchanged from the prior-year quarter, and Liberty's loss ratio coming in a couple points ahead of expectations.

● Bottom line, it was a very strong initial quarter for the newly-combined business. The after-tax margin of 5.3% is already within our 5% to 7% margin target and we are optimistic about our ability to exceed the targets highlighted when we announced the acquisition.

Analyst Questions

● I was just hoping you could talk a bit more about where the Liberty acquisition is performing better than expected. And you mentioned potentially a greater opportunity for cost savings. So, if that plays out, would it mean that you need a less rate to kind of get the block to target margins or would you potentially get there more quickly than your initial guidance?

Response: The $1 billion premium expectation for the next quarter would be ahead of the amount that we had anticipated. And as I said, that's related to the fact that we're getting good pricing increases and that, on the Liberty block, the persistency remains where we expected it to be.

The other points are that we think the integration costs, we're managing those closely. But as we've dug deeper into the cost structure of both organizations, we think we can squeeze more out of integration cost savings and that would come across a wide variety of business areas.

So, to summarize, higher premium expectations because of repricing the program and persistency being better than we assumed and much more focused on upping our $100 million cost saving program. And I would say on that, when we convey $100 million cost saving programs in all the years that we've been doing acquisitions, generally expectation that we'll beat the numbers that we provided and have beat the numbers that we've provided over the years.

Sun

Profit (Pre-tax):

Line of Business	2Q18 Profit ($000,000)	2Q17 Profit ($000,000)
Group Benefits (U.S.)*	$73	$23

EP/Sales

Line of Business	2Q18 EP ($000,000)	2Q18 Sales ($000,000)	2Q17 EP ($000,000)	2Q17 Sales ($000,000)
Group Benefits (U.S.)	$899	$120	$880	$123
Employee Benefits Group	---	$58	---	$64
Medical Stop Loss	---	$62	---	$59

Group Benefits includes group life, disability, dental, vision, DRMS business as well as medical stop loss. Effective 1/1/17, sales and business inforce categories have changed to employee benefits group (life, disability, dental, vision, DRMS) and medical stop loss.

Notable Statements

● In SLF U.S., underlying net income was up 24%. 33% in U.S. dollars reflecting improved morbidity experience in the stop-loss business, the benefit of the lower income tax rate. Our Group Benefits after-tax profit pushed to the high end of our target range of 5% to 6%, increasing to 6.5% in the second quarter from 3.3% in the prior year. Underlying return on equity in SLF U.S., was also strong at 14%.

Analyst Questions

● A question in Group Benefits in the U.S. where the margin remains strong, I understand this quarter, there was some morbidity experience that was a bit favorable. But even taking that out, you’re still at the high end of the range. Do you think that this is a sustainable level that we can operate at going forward? And also I guess, just any commentary you have on new business pricing and any pressure there, because it seems like the industry is also experiencing peak margins in that business?

Response: Yes. We had set out a target margin of 5% to 6% and remember, we also have a 75 basis point tailwind that will phase-in during the year because it’s a trailing 12 months basis from U.S. tax reform. So we’re very pleased with the 6.5% number this quarter. And that’s pushing up against the high-end of the range if you adjust for tax reform. As you mentioned, we did have some favorable morbidity in stop-loss. We actually had some unfavorable morbidity in our disability line. And we’ll expect to see those items fluctuate over time.

However, overall, we are continuing to build margin. Pricing is strong. We've been being able to get good increases both in the group business and in the stop-loss business. We're achieving our new pricing, especially in the stop-loss business where our position remains very strong. So overall, we think we'll be able to remain in the range that we had set out previously.

● So first question is related to the U.S. group business. So given where margins are today, it seemed like top line growth should return for this business. Employee Benefits, if just look at the in-force numbers, still down quarter over quarter but the pace of decline is slowing. Should we expect that Employee Benefits business to return to growth going forward?

Response: Yes. As you noted, especially the most recent couple of quarters, it's pretty much flattening out on the business in force. As you know, we've been very disciplined about pricing. That was the choice we made, was to make sure that we were pricing both new business and renewals at the right place and we've made that trade-off against some growth for a period of time. The business is stabilizing. I would also point out though that we've been converting business from the acquired Assurant Employee Benefits platform. And of course, there were some losses that would be expected from those conversions, but we're actually seeing those lapses lower or better than what we had modeled in the transaction. So as we get through the conversions and get fully through our pricing actions, we would expect to see the Employee Benefits business continue to grow. And then combined with the stop-loss growth, which is 22% at this year – at this point year-over-year, we think the components will combine for a good growth trajectory.

Summary

Company	Earnings	Sales	EP
Prudential	**Group Insurance: $82M(↓39.7%)**	**Dis: $14M(flat) Life: $46M(↓17.9%)**	**Dis: $250M(↑19.6%) Life: $996M (↑1.5%)**
Unum	**LTD/STD: $81.6(↓11.7%) Life/AD&D: $67.2M(↑10.3%) Supp/Vol: $102.3 (↑8.3%) Unum UK: $27.6M(↓4.5%) Colonial: $84.6M (↑3.4%)**	**Unum U.S. LTD: $41M (↓13.7%) STD: $23.6M (↓13.9%) Life/AD&D: $M (↓8.4%) Vol: $78.6M(↑8.2%) Unum UK LTD: $15.6M(↑35.7%) Life: $5.7M(↓5%) Colonial Acc/Dis: $83.6M (↑13.6%) Life: $27.6M(↑10.8%) Can/CI: $21.2M(↑17.1%)**	**Unum U.S LTD:$437.4M(flat) STD: $171M(↑8%) Life/AD&D: $429.7M(↑7.3%) Supp/Vol: $378.2M(↑4.7%) Unum UK LTD: $89.7M(↑7%) Life: $27.9M(↑9.8%) Colonial Acc/Dis: $228.6M(↑3.9%) Life: $81.5M(↑7.5%) Can/CI: $85.3M(↑5%)**
Principal	**Specialty Benefits: $63.9(flat)**	**Dis: $15.1M(↑9.4%) Life: $11.6M(↑11.5%)**	**Dis: $125.2M(↑7.9%) Life: $108.2M(↑5.4%)**
Cigna	**Group Dis & Life: $133M (↓7.0%)**	**N/A**	**Dis: $510M(↑3.9%) Life: $428M (↓2.9)**
Met	**Group: $335M (↑7.4%)**	**Not reported by line of business**	**Group Non Medical: $1,687M(↑1.4%) Life: $1,741M(↑4.7%)**
Hartford	**Group: $115M (↑19.8%)**	**Dis: $47M(↑46.9%) Life: $34M(↑3%)**	**Dis: $642M(↑78.3%) Life: $M(↑66.5%)**
Lincoln	**Dis: $20M(flat) Life: $28 (↑86.7%)**	**Dis: $38M(↑18.8%) Life: $31M(↑10.7%)**	**Dis: $464M(↑105.3%) Life: $307M(↑49%)**
Sun	**Group Benefits: $73M(217.4%)**	**U.S. Employee Benefits Group: $58M (↓9.4%)**	**Group Benefits: $899M(↑2.2%)**