SmithGroup
Disability & Reinsurance Consultants

August 2021

Dear GC Smith Group Client:

We are pleased to provide the 2nd 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.

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.

GuyCarpenter

Prudential Financial

Profit (Pre-tax):

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)	2Q21 Loss Ratio	2Q20 Loss Ratio
Group Insurance	$17	$5	88.8%	89.6%
Group Disability	NA	NA	80.9%	75.7%
Group Life	NA	NA	91.1%	93.4%

EP/Sales:

Line of Business	2Q21 EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales ($000,000)
Disability	$297	$35	$265	$18
Life	$904	$16	$887	$8

Notable Statements

● In Group Insurance, financial wellness capabilities are core to our business success, and continue to differentiate our value proposition, enhanced benefit participation, and accelerate growth in our targeted markets.

Analyst Questions

● Based on the guidance you'd given out for the third quarter, it looks like you're estimating virtually all of the COVID impacts are going to come on group and not individual life. Is that what you saw in this quarter also? And you can provide a little color about what you're seeing from COVID impacts for group versus individual?

Response: We saw in second-quarter COVID mortality impacts in both individual life insurance and group insurance. And going forward for the thrird quarter, overall we estimate that we will continue to see impact from COVID mortality in both group insurance and in individual life, but I would note that that COVID impact in trend is beginning to moderate as we go into 3Q.

I think what you're picking up there in individual life is the COVID impact is being partially offset by the fact that the Third Quarter is the highest Quarter for our seasonal underwriting results. So that's why that looks a little different in the exhibit.

●With the group disability loss ratio coming down for two straight quarters, how should we be thinking about the relationship with the administrative expense ratio, as that's been elevated for a few quarters to handle those increased cases?

Response: As you rightly noted, we have had enhanced staffing levels in our group insurance business, we talked about this on previous quarters. Given the nature of the pandemic and the morbidity effects, we have seen an enhanced level of STD and absence claims, and we've been maintaining higher staffing levels to make sure that we provide the right level of service.

We also have been making sure that we maintain our long-term disability claims staff at higher levels. So you're definitely seeing that as a contributor to the elevated administrative ratio. The other thing I would mention is, and we've talked about this on previous conversations, we have entered into a strategic relationship with Accenture to do some of the operations for us. The nature of that, we're implementing that as we speak, and there's some transition costs, basically, that are doubling up. But that's a one-time effect, and over time, we expect everything we're doing in our group business will bring down the admin ratio as part of our transformation efforts.

Unum

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

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)	2Q21 Benefit Ratio	2Q20 Benefit Ratio
Unum US	$179.3	$231.9	71.7%	68.1%
LTD/STD	$59.9	$76.0	74.7%	72.8%
Life & AD&D	$5.2	$19.4	85.2%	81.8%
US Supp & Vol	$114.2	$136.5	51.1%	44.7%
Unum Int	$24.8	$15.1	82.5%	82.5%
Colonial	$95.8	$90.9	51.7%	50.7%

EP/Sales

Line of Business	2Q21EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales ($000,000)
Unum US	$1,522.1	$208.6	$1,522.7	$215.3
LTD	$458.6	$42.0	$461.0	$55.2
STD	$213.6	$31.2	$203.6	$29.6
Life/AD&D	$456.6	$63.8	$456.3	$56.6
Voluntary/Supp	$393.3	$71.6	$401.8	$73.9
IDI	$113.6	$14.9	$113.1	$14.2
Vol Benefits	$212.1	$43.7	$224.0	$47
Dental & Vis	$67.6	$13.0	$64.7	$12.7
Unum Int	$183.5	$33.1	$157.1	$30.1
LTD	$105.1	$15.2	$89.0	$13.0
Life	$28.0	$9.6	$25.1	$6.2
Supplemental	$27.9	$4.8	$24.6	$7.9
Unum Poland	$22.5	$3.5	$18.4	$3.0
Colonial	$419.7	$111.1	$438.6	$72.3
Acc/Sick/Dis	$236.4	$69.2	$250.3	$45.3
Life	$96.1	$26.2	$96.8	$16.1
Cancer & CI	$87.2	$15.7	$91.5	$10.9

Notable Statements

Unum U.S.

● We believe we're making good progress to returning to our pre-pandemic levels of profitability and margins over the coming quarters with the trajectory of that improvement dependent on the developing trends in COVID and the Delta variant. Embedded in our expectations is that COVID mortality will improve, but only slightly in the third and fourth quarters.

● We're seeing a pickup in natural growth, primarily from higher wages in many sectors of the economy, as we continue to build back premium income that was impacted by the sharp spike in unemployment in the first half of 2020.

● Results in our short term disability line and leave services continue to be impacted by COVID-related claims, which remains stubbornly high.

● The Group Life and AD&D business within Unum US returned to profitability in the second quarter after recording losses in the previous two quarters, as COVID-related mortality in the US declined materially from the peak levels experienced late last year through the early months of 2021.

● The Group Disability benefit ratio for the second quarter was 74.7%, which is consistent with the first quarter benefit ratio of 74.8%. We feel the benefit ratio will likely remain at this level over the near term due to the impacts we are seeing from COVID and the Delta variant, which we now believe will likely persist through the second half of the year.

● Adjusted operating income for Unum US Group Life and AD&D showed a sharp improvement in the second quarter to income of $5.2 million compared to a loss of $58.3 million in the first quarter. This improvement is consistent with our expectations and largely explained by the significant reduction in COVID-related mortality in the US, which declined from approximately 200,000 nationwide observed deaths in the first quarter to approximately 52,000 in the second quarter. We estimate that we incurred approximately 800 excess claims from COVID in the second quarter compared to an estimate of 2,050 COVID claims in the first quarter.

● Our average size of claim increased in the second quarter by approximately 10%, as we experienced a mix shift to a more younger, working age policyholders who typically have higher benefit amounts. Non-COVID-related mortality had little impact on results this quarter relative to the first quarter as lower incidence was offset by higher average claim size.

● Now looking ahead to the third quarter, our current expectation for nationwide COVID-related mortality of approximately 40,000 compared to approximately 52,000 experienced in the second quarter. Assuming the shift in the mix continues to more younger, working-age individuals with a continued higher average benefit amount, we would estimate third quarter Group Life operating income to show a modest improvement over second quarter results to approximately $15 million. We are closely watching the impacts emerging from the COVID variants, which have led to increase in estimates for second half mortality expectations.

● Shifting to the Unum US supplemental and voluntary lines, we saw an improved quarter with adjusted operating income of $114.2 million in the second quarter compared to $109.9 million in the first quarter.

● The voluntary benefits line recorded a strong level of income. The benefit ratio increased in the second quarter relative to the first quarter, though it did remain consistent with the pre-

pandemic results. The benefit ratio in the group critical illness line increased, offsetting the improved experience in the life lines of business.

● Utilization in the dental and vision line was higher this quarter, as was the average cost per procedure, pushing the benefit ratio to 77.1% in the second quarter compared to 73.2% in the first quarter. Dental and Vision utilization has been

● Sales for Unum US in total declined 3.1% in the second quarter on a year-over-year basis compared to a decline of 10.3% in the first quarter. For the employee benefit lines, which include LTD, STD, Group Life, AD&D and Stop Loss, total sales declined by 3.1% this quarter.

● We saw good activity and results in the core markets for Group Disability and Group Life, while large case sales were down year-over-year. We are seeing a good level of quote activity in the group markets, which is back to pre-pandemic levels.

● Voluntary Benefit sales were down 7% in the quarter, which is consistent with our view that these 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.

Unum International

● Moving to the Unum International segment, adjusted operating income for the second quarter was $24.8 million compared to $26.4 million in the first quarter and $15.1 million in the second quarter of 2020.

● The reported benefit ratio in Unum UK, which showed an increase to 82.5% in the second quarter from 75.3% in the first quarter was impacted by the increase in inflation in the UK in the second quarter compared to the first quarter. Higher inflation triggers higher inflation related benefits to certain of our policyholders, as well as higher net investment income from the inflation index linked yields in our investment portfolio.

● Looking at the growth on a year-over-year basis and in local currency to neutralize the benefit we saw from the higher exchange rate, Unum UK generated growth of 3% with strong persistency and the ongoing successful placement of significant rate increases on our in-force block.

● And Unum Poland generated growth of 12.4%, a continuation of the low double-digit growth this business has been producing. With this growth, our Unum International in-force premium is now at its highest level.

Colonial

● We are very pleased with the results generated by Colonial Life, with adjusted operating income of $95.8 million in the second quarter compared to $73.3 million in the first quarter.

This record quarterly income level was primarily driven by improved benefits experience and higher net investment income.

● The benefit ratio improved to 51.7% in the second quarter from 55.4% in the first quarter, as experience in the Life Insurance block improved with the overall decline in COVID-related mortality. Experience in both the accident, sickness and disability line and the cancer and critical illness line also improved relative to the first quarter.

● We're very excited with the rebound in sales activity we experienced in Colonial Life this quarter, increasing 53.7% on a year-over-year basis. While this strong recovery comes off of a COVID depressed result in the year ago quarter, this quarter marks a return to year-over-year growth, as face-to-face sales re-emerge, and we drive further utilization of our digital sales and enrollment capabilities.

● As expected, premium income declined 4.3% on a year-over-year basis and will likely continue with negative comparisons for the next couple of quarters until sales volumes have sufficiently recovered. Persistency for Colonial Life continues to show an encouraging trend at 78.3% for the first half of 2021, almost a point higher than a year ago.

Analyst Questions

● My first question is related to Group Life and AD&D. You talked about 800 excess deaths, excess claims in the quarter with average claim size of $55,000. That would mean kind of roughly $44 million, $45 million of excess claims in the quarter. And that would put you in your normalized earnings kind of for the quarter closer to $50 million, which are still quite low compared to what you historically ran. I was just wondering, besides COVID, what else is driving the depressed earnings for the segment?

Response: I'm not completely following your math, but I'll just kind of restate what our assumptions are and how we're thinking about the last half of the year. In the second quarter of '21, we did have about 800 estimated COVID-related deaths, and that was on a nationwide count of 52,000.

I would say that it's kind of hard to do a rule of thumb calculation anymore just because we are seeing a different population in our experience as COVID starts to impact the kind of younger, more working aged individuals. So we had that 1% kind of rule of thumb. That's drifted up quite a bit. It's probably around 1.5% at this point.

We do anticipate in the third quarter and really in the fourth quarter a nationwide level of about 40,000 COVID-related deaths. And so if you kind of run the math through what we think the distribution of that is going to be, we do think earnings will probably be around $15 million for both third and fourth quarter.

Now as far as just broader kind of historical levels of earnings and that sort of thing, we do see fluctuations quarter-to-quarter just in the average size and the count of claims, that was pretty consistent between first quarter and second quarter, but that can fluctuate quite a bit period to period.

I think what we just need to see is kind of get through this uncertainty of pandemic and then kind of re-baseline what the earnings power of the Group Life business is but we continue to feel really good just about the premium levels there and how that's resonating with the market. So probably more to come as we get into looking into next year.

● Do you have any comments on the recoveries in the Unum US Group Disability line? Any change in behavior at the social security administration around the approving disability claims that might be noteworthy?

Response: Recoveries continue to be solid and favorable relative to our expectation. We've built a good deal of expertise into the folks that work with claimants, the claim and vocational staff, and that's proved to be a really helpful asset for our clients and for us through the period and really rock solid.

The second part of your question, you mentioned SSDI, and it only can move around a little bit. We have seen a little bit of a slowdown. It seems as though the working from home may have created a bit of a backlog. I wouldn't put too much of an emphasis on it at this point because it does move around. Also, we're aware of some pretty significant increases in approved staffing for the staff at SSDI. So we stay close to that inventory. We've got a couple of partners that we use externally that help us keep that inventory moving through. It was a little bit of a pressure point in the quarter, but probably too early to call a trend.

Principal Financial Group

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

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)	2Q21 Loss Ratio	2Q20 Loss Ratio
Specialty Benefits	$61.7	$127.6	65.2%	53.4%
Group Disability	---	---	60.2%	55.6%
Group Life	---	---	72.8%	70.0%

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

Line of Business	2Q21EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales ($000,000)
Disability	$137.0	$15.1	$129.9	$12.9
Life	$116.9	$11.3	$114.2	$8.6

Notable Statements

● We're exiting U.S. retail fixed annuities as well as the retail segment of U.S. individual life and we are seeking transactions for the related in-force blocks, allowing us to free up capital and de-risk our portfolio. We are focused on executing on the transactions and expect they are actionable in the near-term.

● In U.S. benefits and protection, our small to medium-sized business customers continue to show signs of resiliency and are returning to normal sales levels, expected retention levels and positive in-group growth.

● In group benefits, trailing 12 months' in-group growth turned positive for the first time since the pandemic, increasing nearly 0.5% for the total block with the strongest growth in businesses with under 200 employees, our focused customer segment.

● Specialty benefits pretax operating earnings declined from the year-ago quarter due to higher dental and group life loss ratios driven by severity.

Analyst Questions

● A follow-up to your comment about specialty benefits. Did you say the weakness in the quarter was related to one large claim in group life? And if so, how large was that claim?

Response: That comment was relative to the COVID impact in that we were slightly above our rule of thumb of $10 million after-tax impact for every 100,000 of U.S. deaths and that one large claim was in individual life which took us just slightly above our rule of thumb. And so it

wasn't a comment on specialty benefits. It was a comment on the COVID claims within individual life and total company.

MetLife

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

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)	2Q21 Loss Ratio	2Q20 Loss Ratio
Group Benefits	$315	$319	---	---
Group Life	---	---	106.3%	95.9%

EP

Line of Business	2Q21 EP ($000,000)	2Q20 EP ($000,000)
Group Non-Medical Health	$2,341	$1,376
Group Life	$2,078	$1,943

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

● At MetLife, we see this emerging in sales trends. In the US group business, sales through the first half of 2021 are 39% higher than they were in the first half of 2020. And if current trends hold, 2021 will be a record sales year.

● To further differentiate our Group Benefits business, we acquired Versant Health and immediately became the third largest vision care provider in the United States. Versant has now been part of our results for two quarters. And in Q2, it contributed 6 points of year-over-year growth in US group premiums, fees and other revenues consistent with our expectations.

Year-over-year, requests for vision care proposals are up more than 20% among our national account customers. We are pleased with how our new vision care offering is performing in the marketplace and expect it to contribute meaningfully to growth going forward. Similarly, we have enhanced our pet insurance offering to make it even more attractive to customers. We now offer telehealth -- care services, rollover benefits from the prior year and family plans covering multiple paths.

● The Group Life mortality ratio was 94.3% in the second quarter of 2021, which is above our annual target range of 85% to 90%. COVID reported claims in 2Q of 2021 were roughly 4.5 percentage points, which reduced Group Benefits adjusted earnings by approximately $75 million after tax. Additionally, the quarter included a higher level of life claims above $2.5 million and an additional level of excess mortality that appears to be COVID related. These collectively impacted the ratio by an additional 2.7 percentage points or $40 million after-tax.

● There were approximately 50,000 COVID-19-related deaths in the US in the second quarter of 2021. While still elevated, total deaths have moderated versus the prior year and sequential quarters. Looking ahead, we expect COVID-19-related deaths and group benefits to continue to trend lower.

Analyst Questions

● Can you expand a bit on the Group Life mortality results given vaccination trends? Are you seeing more of the COVID impact shifting to group? I think as you mentioned, the benefits ratio, even taking out the $75 million was still at the high end of the target range. So, do you think these other excess claims relate directly to the pandemic, but just more recorded as COVID deaths? Or are you seeing any increase in non-COVID mortality?

Response: Let me just start by giving you a bit more color on the results. And I'll essentially just give you a bit of a walk from the headline number of 94.3% in terms of the major drivers of that. So the first is COVID-related – COVID deaths in the quarter. That's the 50,000 population population death number impacting our portfolio. And that's worth about 4.5 points, as John pointed out.

There's another piece in the quarter, which is that from time to time, we do experience higher volume of claims with larger face amounts, which does impact our mortality ratio. This is non-COVID related, and that was about – worth about a 0.1 to our loss ratio in this quarter.

And then the third piece of this is when we look at our claims data, we did see an increase in certain death codes, which are highly correlated to COVID. So, while the cause of death for those claims is not explicitly stated as COVID, the excess mortality does appear to be COVID related, and that was worth another 1.7% on our ratio.

So, if I think about the quarter and looking forward, there are probably two headlines I'd leave you with. One is that, if you strip out those three factors, our loss ratio is very close to the midpoint of our range. And the second headline is that, we have seen significant declines in deaths in Q2 versus Q1. We've also seen sequential declines in deaths month-on-month continuing into July.

So, despite the current uncertainty with the Delta variant, we're also encouraged by the increase in the pace of vaccination. We're encouraged by the actions undertaken by many large employers, which are impacting the vaccination rates for that insured population. So, sitting here in August on a go-forward basis, we do think that the impact of the pandemic will gradually subside and you should expect from a run rate perspective, our loss ratio to return back to pre-pandemic levels.

● On Group Life, how are you thinking – it doesn't seem like anybody sort of assumed COVID in their pricing this year and obviously, not all of the business prices – re-prices each year. But how are you thinking about renewals in the Group Life side? If we still -- if the pandemic is still ongoing, do you think you'll try to get higher prices in part of the book? Or would you just have to -- would the market not bear that given that most companies are not really making many adjustments? And should we assume margins will remain weak until the pandemic is done?

Response: When we price our business, be it new business and/or renewals, we take a whole number of factors into account. Many of them are case specific factors. But clearly, the outlook,

both near-term and medium-term for mortality is a component of that. So as the pandemic unfolded, we certainly did take into account with respect to near-term mortality in our pricing. And again, it does vary by case, and it depends on the length of the guarantee period and the size of the case and a number of other factors. But certainly, that has been taken into account as we look to renew business or price for new business.

The other point I would just point you to here as you think about our business in particular and our skew towards the larger end of the market, we have a very consistent track record over many, many years of taking appropriate renewal actions, while maintaining very high persistency on that book to -- from the mid to the high 90s. So that's another factor that I would point you to as well.

Hartford

Profit (Pre-tax and investment gains/losses)

Line of Business	2Q21 ($000,000)	2Q20 ($000,000)	2Q21 Loss Ratio	2Q20 Loss Ratio
Group Benefits (Disability, Life, Other)	$212	$123	71.4%	72.0%
Group Dis (LTD/STD)	--	--	64.2%	62.6%
Group Life	--	--	83.6%	85.9%

EP/Sales

Line of Business	2Q21 EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales $(000,000)
Group Disability	$696	$44	$672	$65
Group Life	$603	$43	$605	$73
Other*	$79	$12	$72	$11

*Other segment include retiree health, Critical Illness, Accident, Hospital Indemnity and Participant Accident

Notable Statements

● Results include COVID-19 related losses (benefit) from short-term disability and New York Paid Family Leave claims of $(6) and $(16), respectively, for the three months ended June 30, 2021 and 2020 and $7 and $0, respectively, for the six months ended June 30, 2021 and 2020.

● Turning to Group Benefits. We posted solid results for the quarter driven by excellent investment returns, as well as continued favorable disability trends, offset by elevated excess mortality. Higher year-over-year earned premiums, excluding buyouts, reflect expanding payrolls, as well as new sales in strong persistency.

● U.S. COVID-19 deaths have declined rapidly since peaking in January, but continues to drive elevated mortality in our book for business and across the industry. Consistent with U.S. trends, the average age of our COVID-19 Life climate has decreased. Since younger age cohorts tend to carry higher face amounts, the average claim severity has increased relative to earlier periods in the pandemic.

● We are optimistic about the efficacy of vaccines. However, we are closely monitoring variant strains in the slowing rate of vaccinations, particularly among the younger age cohorts. That said, we do expect lower excess mortality in the second half of 2021 compared to the first half of this year.

● Group Benefits core earnings were $149 million, up 46% over prior year. Earnings for the quarter reflect strong investment results, the lessening effect of excess mortality related to COVID-19 and an increase in fully insured ongoing premium as our customers emerge from the pandemic.

● Sales were nearly $100 million in the quarter, and we experienced a continuation of strong persistency at 91.1%. All cause excess mortality in the quarter was $25 million, which includes $88 million for second quarter deaths paid, offset by $63 million of favorable development for prior period excess mortality estimates, predominantly related to the first quarter.

● Through the first six months of the year, our results include excess mortality of 210 million. As Chris mentioned, although we were encouraged by the trend of declining excess mortality from first quarter to second quarter, we continue to watch a variety of factors including vaccination rates, and the impact of variants. While uncertainty remains, we would expect excess mortality trends in the second half of 2021 to improve significantly.

● The disability loss ratio for the quarter was 64.2% up 1.6 points as the prior year benefited from favorable short-term disability claim frequency due to the deferral of elective medical procedures at the beginning of the pandemic. Long-term disability claim incidence was favorable to prior year, and claim recoveries, although down from the prior year, remain strong.

Analyst Questions

● In group, where you showed the excess mortality, and if I put back the excess mortality that you said developed from Q1, I can revise the trends to about $125 million roughly in Q1 in excess going to 88 in Q2. And when I look at the CDC data, it looks like it's just falling off a lot more than that. And maybe that’s apples - not apples-on-apples, but can you comment about what's going on there? Is it your decline - you're not really seeing that as much decline there?

Response: In the dollars, I would say you're right. I mean if you look at it from dollars, but if you are tracking deaths, which I know you are, like we are, I mean the drop is significant. It's - from its peak, I calculated down close to 75%. What I said in my commentary is that severity is up, so that if you look at the number of death claims, the average amounts that we're paying, it's up from the beginning of the pandemic fairly significantly, and it's up from the second quarter.

I would say we probably had eight or nine large losses above $1 million this quarter. When anyone - we probably had more than that. That was just in June. So we probably had 15 or 20 large losses when you really expect for a month. So you put it all together. And when the younger folks' mortalities increased significantly; working age, they tend to carry larger face amounts, and we're seeing that come through in the dollars.

But as I ultimately tried to foreshadow is that, and we've been talking about this consistently, is that the first half of 2021 and the second half is going to be dramatically different. So deaths -

daily deaths are continuing to be down, and we do feel a lessening impact of excess mortality in the second half of the year.

Beth Costello

The only thing I'd add to that, too, Gary, if you're looking at COVID deaths, just remind you that when we talk about excess mortality, it's all-in excess. It's not just that that have a cause of death that says COVID. And so when we look through our numbers, part of the reason for the - a large part of the revision for first quarter is that that excess non-COVID came in much more favorably than we had anticipated. Our COVID losses came in a little bit better as well, but that was driving the revision.

And when we provided our provision for second quarter, we're assuming some of that excess mortality that we anticipated in the first quarter would be there. So when you look through it, the COVID losses that are truly coded as COVID are coming down. It's that excess piece, which, as you know, has been hard to predict. So it's not just for us.

Lincoln Financial

Profit (Post-tax)

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)	2Q21 Loss Ratio	2Q20 Loss Ratio
Group Protection	$46	$39	79.3%	77.8%
Group Disability	$46	$37	79.0%	78.7%
Group Life	$1	($13)	79.6%	82.6%
Dental	($1)	$15	81.6%	40.2%

EP/Sales

Line of Business	2Q21 EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales ($000,000)
Group Protection	$1,107	$79	$1,086	$105
Group Disability	$635	$37	$608	$47
Group Life	$415	$37	$411	$47
Dental	$57	$5	$67	$11

Notable Statements

● In Group Protection, where we have been driving toward our target margin range of 5% to 7%. Our selective price increases as well as our successful efforts to raise persistency led to a 2% increase in premiums over the prior year period. Although sales in what is a seasonally smaller quarter were down versus the strong prior year quarter, we continue to have success expanding into higher-margin employee-paid products, which represented 56% of second quarter sales.

● Included within our employee-paid products is supplemental health insurance, where we will be adding a hospital indemnity solution, another example of Lincoln expanding our already broad portfolio of high-quality offerings.

● Excluding pandemic claims and favorable alternative investment income, the group margin of 6.1% was in the middle of a 5% to 7% target range, an improvement from the first quarter.

● The Group Protection loss ratio was 79.3% in the quarter, a 750 basis point sequential improvement. Excluding pandemic-related claims from both periods, loss ratio improved 50 basis points to 76.1% due to better mortality results.

● Group's expense ratio rose 30 basis points year-over-year as we make ongoing investments in our claims organization to address elevated claim volume due to the pandemic. We expect the expense ratio to improve when the pandemic subsides and we execute our ongoing expense

savings initiatives. Growing operating revenues, coupled with improving underlying margin performance, have flipped the group business on much firmer footing looking forward.

Analyst Questions

● In group, if I adjust to the variable investment income and COVID, you guys had a 6% margin in the quarter, kind of, the midpoint of your target range. So just hoping to get some more granularity on the core trends within the quarter and anything you're calling out that is favorable or unfavorable? I know you guys had pointed to getting to the top end of that range over the longer term, I believe, is that still the target for the group business?

Response: We made $46 million in the quarter of two items we spiked out were the pandemic of $28 million. And then going the other way, it was favorable alternative investment income of $8 million and if you make those two adjustments, you're at $66 million. And that's what drives the 6.1% underlying margin. I didn't spike anything out in my script, because I find the quarter relatively unremarkable in that every -- all the key drivers were inside of a normal confidence interval, so looking at disability, three big drivers, incidence, severity and resolutions. Incidence was right in line with our expectations. Severity went a little bit high, but resolutions were a little better than we expect. So I think the overall quarter itself, that $66 million underlying earnings number is just very solid. And I really think really reflects really good performance.

In terms of what takes it from 6.1% to the upper end of the range, I think it's -- that's only one point. I think it's probably a combination of continued expense improvements. Dennis referenced another expense savings initiative and a little bit from underlying improvement in loss ratio. So we feel great about the quarter, and I think we feel great about our ability to continue -- to see continued improvement going forward over time.

Sun Life

Profit (Pre-tax):

Line of Business	2Q21 Profit ($000,000)	2Q20 Profit ($000,000)
Group Benefits (U.S.)*	$127	$102

EP/Sales

Line of Business	2Q21 EP ($000,000)	2Q21 Sales ($000,000)	2Q20 EP ($000,000)	2Q20 Sales ($000,000)
Group Benefits (U.S.)	$1,099	$156	$1,020	$165
Employee Benefits Group	---	$68	---	$62
Medical Stop Loss	---	$88	---	$103

Notable Statements

● We are adding new and innovative capabilities to our group businesses in the U.S. On July 1, we completed our acquisition of PinnacleCare, a leading U.S. health care navigation and medical intelligence provider, which is now part of our U.S. stop-loss and health business. Sun Life and PinnacleCare create a new dynamic that will improve care, outcomes and costs for our clients. PinnacleCare's health advisers help members navigate the complex U.S. health care landscape to identify the best possible treatment options for their unique conditions, leading to better client health outcomes.

● The U.S. Group Benefits business achieved after-tax margin of 8.5% on a trailing 12-month basis, up from 7.5% in the prior year

Analyst Questions

● On the U.S. group side, and we've seen a steady improvement in the reported earnings, your after-tax profit margin is 8.5%. And you talked a bit about things eventually normalizing? And how -- like over what time frame should we think about claims trends starting to normalize? And can you remind us like where does this after-tax profit margin likely settle down? Could you address it on the employee benefit and the stop-loss side?

Reponse: As you know, our target margin is 7% or greater. And as you pointed out, we're now at 8.5%. So well above that number. There are different factors pointing in different directions, which makes it very hard to predict exactly how that will play out over what period of time in the future. So I'll just quickly go through what some of the biggest factors are.

On mortality, we obviously, over the past 16 months, have seen significantly elevated group life mortality. That did moderate in the second quarter, although we certainly have some concern about that maybe starting to come back with the delta variant. We continue to see elevated short-term disability claims directly related to COVID. The good news is our long-term disability experience so far has been relatively benign in line with expectations.

Dental claims this quarter were in line with normal expectations, but much higher than the same quarter last year because as you'll recall, last year, at this time, dental offices were closed. So there was very little dental utilization. And then, of course, there's the stop-loss component of this as well, which I described a little earlier, but it has been very favorable.

We believe the majority of that favorability is due to delays in care related to COVID, but certainly not all of it. There's underlying favorability in our performance that should continue. So as to how exactly all of those factors play out over what period of time, it's not really possible to predict that. We would say we're confident of being able to remain at or above the 7% target. We still feel good about that target.

Summary

Company	Earnings	Sales	EP
Prudential	**Group Insurance: $17M(↑240%)**	**Dis: $35M(↑94.4%) Life: $16M(↑100%)**	**Dis: $297M(↑12.1%) Life: $904M (↑1.9%)**
Unum	**LTD/STD: $59.9(↓21.2%) Life/AD&D: $5.2M(↓73.2%) Supp/Vol: $114.2 (↓16.3%) Unum Int: $24.8M(↑64.2%) Colonial: $95.8M (↑%)**	**Unum U.S. LTD: $42.0M (↓23.9%) STD: $31.2M (↑5.4%) Life/AD&D: $63.8M (↑12.7%) Supp/Vol IDI: $14.9M(↑4.9%) Vol: $43.7M(↓7.0%) Dent/Vis: $13.0 (↑2.4%) Unum Int LTD:$15.2M(↑16.9%) Life: $9.6M(↑54.8%) Colonial Acc/Dis: $69.2M (↑52.8%) Life: $26.2M(↑62.7%) Can/CI: $15.7M(↑44.0%)**	**Unum U.S LTD: $458.6M(↓.5%) STD: $213.6M(↑4.9%) Life/AD&D: $456.6M(flat) Supp/Vol IDI: $113.6M(flat) Vol: $212.1M (↓5.3%) Dent/Vis: $67.6M(↑4.5%) Unum Int LTD: $105.1M(↑18.1%) Life: $28.0M(↑11.6%) Colonial Acc/Dis: $236.4M(↓5.6%) Life: $96.1M(↓.7%) Can/CI: $87.2M(↓4.7%)**
Principal	**Specialty Benefits: $61.7M(↓51.6%)**	**Dis: $15.1M(↑17.1%) Life: $11.3M(↑31.4%)**	**Dis: $137M(↑5.5%) Life: $116.9M(↑2.4%)**
Met	**Group: $315M (↓1.3%)**	**Not reported by line of business**	**Group Non Medical: $2,341M(↑70.1%%) Life: $2,078M(↑6.9%)**
Hartford	**Group: $212M(↑72.4%)**	**Dis: $44M(↓32.3%) Life: $43M(↓41.1%)**	**Dis: $696M(↑3.6%) Life: $603M(↓.3%)**
Lincoln	**Dis: $46M(↑24.3%) Life: $1M (neg $13M year ago)**	**Dis: $37M(↓21.3%) Life: $37M(↓21.3%)**	**Dis: $635M(↑4.4%) Life: $415M(↑1%)**
Sun Life	**Group Benefits: $127M(↑24.5%)**	**U.S. Employee Benefits Group: $68M (↑9.7%) Medical Stop Loss: $88M (↓14.6%)**	**Group Benefits: $1,099M(↑7.7%)**