



November 17, 2004

Dear Smith Group Client:

We continue our service of providing competitive information by releasing the following information. This report is based upon insurers' 3rd quarter 2004 earnings releases.

The data and information upon which these reports are based are readily available in the public domain. The report is based primarily upon companies' press releases, statistical supplements, SEC filings, and earnings calls. Smith Group also reviews stock analysts' reports. Smith Group adds value to this information through its compilation, analysis and by providing insights to the information.

By providing this information we do not intend to make predictions about insurers nor their results. Rather, we are simply providing information for you to use to help increase your understanding of the complicated business and times in which we operate.

As always, we welcome your questions and comments. Please contact Tom Kirner (207) 879-5680, tkirner@smithgroupe.com to discuss the material further.

Q3 2004 Earnings Releases & Conference Calls Summaries

UnumProvident (UP):

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

Reported group disability (LTD & STD, both US and UK) profits of \$59.9 million in 3Q04 compared to \$37.5 million in 3Q03. Group Disability Benefit Ratio was 88.1% in 3Q04 down from 92.8% in 3Q03.

Group Life and AD&D reported profits of \$60.8 million in 3Q04 compared to \$66.3 million reported for 3Q03. Life Benefit Ratio for 3Q04 was reported as 77.4% compared to 76.9% in 3Q03.

EP/Sales (Sales on submitted basis):

LTD premium was \$635.9 million for 3Q04 up from \$602.6 million for 3Q03.

STD premium was \$151.6 million for 3Q04 compared to \$158.4 million in 3Q03.

Group Life & AD&D premium was \$429.1 million for 3Q04 compared to \$434 million in 3Q03.

LTD sales were \$41.1 million for 3Q04 compared to \$54 million in 3Q03.

STD fully insured sales were \$8.3 million in 3Q04 compared to \$14.3 million for 3Q03.

Life sales were \$46.9 million in 3Q04 compared to \$33.2 million in 3Q03.

AD&D sales were \$2.1 million in 3Q04 compared to \$3.3 million in 3Q03.

Notable statements:

Lower claim litigation and complaint trends continue.

Persistency at 84.6% is lower than 2003 due to renewal activity.

(We will) aggressively pursue market segments that meet our profitability targets.

(Seeing) aggressive pricing and negative selling (from competitors)

Expect improvements in sales comparisons in 2005.

Expect softer persistency in 05 compared to 04 at the 80% level (for LTD).

Hartford:

Profit (Net income before the after tax effect of capital gains/losses):

Overall Group (Life, STD, & LTD) net income was \$70 million in 3Q04 compared to \$38 million in 3Q03. The main reasons are higher premiums due to CNA acquisition and favorable mortality.

Overall group loss ratio was 73.4% for 3Q04 down from a loss ratio of 78.7% in 3Q03.

EP/Sales:

Disability sales (LTD & STD) were \$39 million for 3Q04 up from \$32 million in 3Q03.

Life sales were \$51 million in 3Q04, up from \$38 million in 3Q03.

Disability premiums were \$393 million for 3Q04 up from \$243 million in 3Q03.

Group Life premiums were \$411 million in 3Q04, up from \$249 million in 3Q03.

Premiums reflect the effect of the CNA acquisition.

Notable statements:

No questions on group insurance were asked.

Q3 2004 Earnings Releases & Conference Calls Summaries

CIGNA:

Profit (Income from continuing operations, excluding realized investment gains/losses, after taxes):

☞☞ Group Disability and Life earnings were \$41 million for 3Q04 up from the \$37 million reported for 3Q03

EP/Sales:

☞☞ Disability premiums (presumably primarily LTD) for 3Q04 were \$158 million up from 3Q03 of \$134 million.

☞☞ Life premiums increased to \$253 million for 3Q04 compared to \$232 million in 3Q03.

☞☞ Sales results were not disclosed

Notable statements:

☞☞ Solid revenue growth and sales results.

☞☞ CIGNA has “competitively superior profit margins”.

☞☞ Continued strong results in disability and life. Will continue to grow these.

MetLife:

Profit (Operating Earnings after tax and before after-tax investment gains):

☞☞ Non-medical profit (LTD, STD, Dental, LTC and ID) for 3Q04 was \$48 million compared to \$75 million for 3Q03. The lower profit was attributable to a decline in underwriting margins in dental and AD&D along with higher expenses due to consolidating the Georgia disability claims office into other offices.

☞☞ Group disability loss ratio was 92% in 3Q04, compared to 99.8% for 3Q03.

☞☞ Group life earned \$104 million in 3Q04 compared to \$97 million in 3Q03. The loss ratio was 91.3% in 3Q04 flat from 3Q03.

EP/Sales:

☞☞ Group disability premiums for 3Q04 were \$254 million up from \$227 million in 3Q03.

☞☞ Group life grew to \$1,271 million in 3Q04 up from \$1,167 million in 3Q03.

☞☞ MetLife does not disclose sales numbers in these lines.

Notable Statements:

☞☞ Disability sales were up. Small Business Center sales were favorable in part due to having expanded to 9 new locations in the last 4 years.

☞☞ Group disability morbidity improved due to lower incidence.

Q3 2004 Earnings Releases & Conference Calls Summaries

Standard:

Profit (Pre-tax income after realized capital gains/losses):

Employee Benefits profit was \$66.9 million for 3Q04 up from \$48.1 million in 3Q03.

Included in this quarter's results is a reserve release of \$9 million.

EP/Sales:

LTD sales for 3Q04 were \$42 million compared to 3Q03's \$12 million.

EP for LTD in 3Q04 was \$179.9 million up from \$171.5 in 3Q03.

STD sales were \$12.8 million for 3Q04 up from \$5.4 million in 3Q03.

STD EP grew to \$46.4 million in 3Q04 from \$40.8 million in 3Q03.

Life and AD&D sales were \$21 million in 3Q04 compared to \$24 million in 3Q03.

Life and AD&D premium was \$151.3 million in 3Q04, up from \$152.4 million in 3Q03.

Notable Statements:

Starting to see affect on sales of increased flexibility in pricing actions.

Irrational pricing still taking place in small case market. Continuing to see firmer pricing in the mid-to-large case market.

Two large case sales in the quarter contributed to the increase in sales.

Reducing the discount rate on new LTD claims from 5.2% to 5%

Prudential:

Profit (Adjusted operating income before taxes):

Group Insurance (life, LTD, STD and LTC) profit for Employee Benefits was \$48 million in 3Q04 compared to \$30 million in 3Q03. This reflected more favorable life claims experience.

Disability loss ratio was 95.5% for 3Q04 compared to 93.1% in 3Q03. Disability claims are in the lower part of expected range due to slower resolutions.

Life loss ratio for was 88.7% compared to 91.2% in 3Q03.

EP/Sales:

Group disability (LTD, STD, & LTC) earned premium was \$176 million in 3Q04 compared to \$159 million in 3Q03.

Group disability sales were \$38 million in 3Q04 compared to \$24 million in 3Q03.

Group Life EP was \$652 million in 3Q04 compared to \$577 million in 3Q03.

Group Life sales were \$34 million for 3Q04 compared to \$30 million 3Q03.

Notable Statements:

In answer to the issues with the group disability loss ratio: " We got behind in claims resolutions, need to improve speed of resolution, Portland will solve that. Portland will be fully staffed this month expanding claims handling capacity."

Sales increases (in disability) are basically add-ons to existing customers.

Q3 2004 Earnings Releases & Conference Calls Summaries

Assurant:

Profit (Net operating income after tax, before net realized gains and losses and the after tax effect of one time events.):

Assurant Employee Benefits (group lines) had a profit of \$15 million in 3Q04 compared to \$22 million in 3Q03. Overall loss ratio was 73.3% this quarter compared to 66.2% a year ago. 3Q03 benefited from an \$11.5 million after tax reserve release. Taking that one time item out, net income increased 42% 3Q04 over 3Q03 due to continued improvements in loss experience in disability and group life and increased investment income.

EP/Sales:

Overall group EP was \$305.8 million for 3Q04 compared to \$297.2 million in 3Q03.

Group disability (STD & LTD) EP was \$116 million in 3Q04 compared to \$102 million in 3Q03.

Group life EP was \$62 million in 3Q04 flat from 3Q03.

Sales data was not released.

Notable Statements:

Growth in disability EP attributable to improved sales in disability.

Voluntary sales continue to show strong growth, up 25% YTD.

An increase in disability premiums offset by lower premiums in Dental and group Life.

Several other competitors have increased disability rates improving (Assurant's) competitive position.

Aetna:

Profit (Operating earnings excluding other items, net realized capital gains or losses, income from discontinued operations and cumulative effect adjustments.):

Group Insurance (life, Disability and LTC) operating earnings were \$30.5 million in 3Q04 compared to \$33.4 million in 3Q03. The reason given was "higher mortality in the company's (group) term life insurance product".

EP/Sales:

3Q04 premiums for group were \$492.2 million compared to \$448 million in 3Q03. Aetna does not release sales numbers or premiums by line. However, Aetna does release member numbers. Group Life membership for 3Q04 increased to 10,723,000 from 9,784,000 in 3Q03. Disability membership for 3Q04 increased to 2,348,000 from 2,068,000 in 3Q03.

Total group membership increased from 12.594 million after 2Q04 to 13.287 million at the end of this quarter.

Notable Statements:

None noted.

Q3 2004 Earnings Releases & Conference Calls Summaries

Liberty:

Liberty's disability is so small compared to the rest of the company that not much is mentioned about LTD. Liberty did report EP for group disability of \$62 million in 3Q04 compared to \$66 million in 3Q03.

Reliance Standard Life (RSL):

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

Operating income for Group (LTD, life, excess workers comp) for 3Q04 was \$39.7 million up from \$35.7 million in 3Q03.

Group loss ratio was 68.6% for 3Q04 compared to 68.7% in 3Q03.

EP/Sales:

Disability premium, mostly LTD, was \$74.4 million for 3Q04 up from \$58.9 million in 3Q03.

Sales of disability in 3Q04 were \$15.1 million compared to \$18.5 million in 3Q03.

Life EP was \$65.4 million in 3Q04 up from \$60.5 million in 3Q03.

Life sales were \$12 million compared to \$12.9 million in 3Q03.

Notable Statements:

Premium increase in disability largely due to increased retention due to reinsurance change.

Sales premium down due to concentration on smaller cases with average case size declining from \$25,000 to \$20,000.

Competitive environment seems reasonably favorable; able to get (rate) increases.

Jefferson Pilot (JP):

Profit (After FIT and before net unrealized investment Gains/Losses):

Benefit Partners' profit for 3Q04 was \$19.7 million up from \$10 million in 3Q03.

Canada Life contributed \$5 million to this quarter's results. By line profits were:

- o Life - \$7.1 million compared to \$4.5 million in 3Q03.
- o Disability - \$12 million compared to \$5.4 million in 3Q03.

Overall loss ratio for all Benefit Partner lines was 72.9% for 3Q04 compared to 74.3% in 3Q03. By line loss ratio was:

- o Life - 75% compared to 76.6% in 3Q03.
- o Disability - 69.6% compared to 69.7% in 3Q03.

EP/Sales:

Overall group sales were \$46.7 million for 3Q04 up from \$38.5 million in 3Q03.

Sales by line were not disclosed.

Overall group premium was \$284.2 million in 3Q04 compared to \$190.3 million in 3Q03. Without Canada Life, growth was 12%.

Premium by line was not disclosed.

Notable Statements:

Integration of Canada Life is ahead of plan...essentially finished.

Growth in group partly as a result of increased number of reps.

Ability to grow really only limited by ability to increase number of sales reps.

Q3 2004 Earnings Releases & Conference Calls Summaries

Sun: (All numbers were reported in Canadian dollars except where noted.)

Profit (Net income after tax):

☞☞US Group Life & Health (LTD, STD, Stop Loss and life) earned \$10 million in 3Q04 compared to \$9 million in 3Q03.

EP/Sales:

☞☞GL&H premiums for 3Q04 were \$263 million compared to \$247 million in 3Q03.

☞☞Sales of health (disability and stop-loss) were \$31 million for 3Q04 compared to \$31 million in 3Q03.

☞☞Life sales were \$25 million for 2Q04 compared to \$16 million in 2Q03.

Notable Statements:

☞☞Results were significant despite strength of Canadian dollar vis-à-vis US dollar.

☞☞Expanded distribution channel (increased sales offices) resulted in 26% growth in group sales.

☞☞Strong life and disability persistency contributed to 12% growth in inforce.

AIG:

AIG, being so large, does not provide information at the product level. They lump all group into Group Life/Health that includes stop loss, life, dental, vision, STD, LTD, voluntary and travel assist.

Profit (Pretax Operating Income)

☞☞Group Life/Health profits for 3Q04 were \$26.6 million down from \$29.9 million in 3Q03. This represents the second quarter of Q/Q decline. For 9 months 04/03 operating income is off 18.8%.

EP/Sales:

☞☞Group Life/Health premiums for 3Q04 were \$305.6 million up from \$264.3 million in 3Q03.

☞☞Sales are not listed nor commented on.

Notable Statements:

☞☞We will not be distracted from running our businesses the way that we should.

☞☞No slowdown in activity due to this situation.

Q3 2004 Earnings Releases & Conference Calls Summaries

Genworth:

Genworth reports its group business under its Protection Segment. In the Protection Segment, Group is broken out as a whole and includes group non-medical insurance products, such as dental, vision, term life and disability insurance; group medical products, such as fully insured medical and stop loss insurance, together with claims administrative services and group and individual voluntary life and health insurance. Profit (After tax net earnings from continuing operations, excluding after-tax net realized investment gains and losses):

Net earnings for 3Q04 were \$10 million compared to \$13 million in 3Q03. The reason for the decline is the favorable claims experience of 2003 did not repeat.

EP/Sales:

EP for 3Q04 was \$156 million up from \$147 million in 3Q03. Overall group sales for 3Q04 were \$39 million up from \$32 million in 3Q03. The increases were in non-medical lines of life, disability and dental.

Notable Statements:

Genworth stated in its target market of small Group Life & Health customers they try to sell multiple coverages through “solutions selling”.

Principal:

Profit (Net Income after tax after capital gains/losses):

Principal changed reporting segments. Group life, disability (STD & LTD) dental, vision, and ID are reported as “Specialty Benefits”.

Specialty Benefits reported net income of \$13.8 million for 3Q04 compared to \$13.6 million in 3Q03. During this quarter there was an LTD IBNR reserve release of \$3.6 million that contributed to the current quarter’s results.

Loss ratio for group disability in 3Q04 was 66.5% compared to 82.5% in 3Q03. Life loss ratio was 74.3% in 3Q04 compared to 72.1% in 3Q03.

EP/Sales:

Group disability (STD & LTD) premiums were \$43 million in 3Q04 up from \$35.3 million in 3Q03.

Group disability sales were \$12.4 million for 3Q04 compared to \$11.8 million in 3Q03.

Group life EP was \$58.6 million in 3Q04 up from \$54.9 million in 3Q03.

Group life sales were \$10.5 million for 3Q04 compared to \$6.5 million in 3Q03.

Notable Statements:

Improving sales and retention in each of the division’s business lines contributed to the premium increases.

Q3 2004 Earnings Releases & Conference Calls Summaries

3Q04 Results Summary Versus 3Q03

Company	Earnings (Segments)	Sales	EP
UP	Up 60% (STD & LTD – US&UK)	Down 24% (LTD)	Up 5% (LTD)
Hartford	Up 84% (All group)	Up 22% (LTD & STD)	Up 62% (Due to CNA) (LTD & STD)
CIGNA	Up 11% (Disability & Life)	NR*	Up 18% (LTD & STD)
MetLife	Down 36% (Non-Medical lines)	NR*	Up 12% (LTD & STD)
Standard	Up 39% (All group)	Up 350% (LTD)	Up 5% (LTD)
Prudential	Up 60% (All group)	Up 58% (LTD, STD, LTC)	Up 11% (LTD, STD, LTC)
Assurant	Down 32% (All group)	NR*	Up 14% (LTD & STD)
Aetna	Down 8% (Life, STD, LTD, LTC)	NR*	Up 10% (Life, STD, LTD, LTC)
Liberty	NR*	NR*	Down 6.1% (Disability)
RSL	Up 11% (LTD, STD, life, excess WC)	Down 18% (LTD & STD)	Up 26% (LTD & STD)
JP	Up 200% (STD & LTD)	Up 21% (All group)	Up 12% (All group) (without CL)
Sun	Up 11% (All group)	Flat (LTD, STD, Stop- loss)	Up 6% (All group)
AIG	Down 11% (All group)	NR*	Up 15% (All group)
Genworth	Down 23% (All Group)	Up 22% (All Group)	Up 6% (All Group)
Principal	Up 1% (group STD, LTD and life)	Up 5% (LTD & STD)	Up 22% (LTD & STD)

* NR – Not Reported