SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

November 2014

Dear Smith Group Client:

We are pleased to provide the 3rd Quarter 2014 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.

This summary is not intended to make predictions about insurers or their results.

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Prudential Financial

Profit (not reported by business line):

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Loss Ratio	3Q13 Loss Ratio
Group Disability	NA	NA	133.8%	91.9%
Group Life	NA	NA	89.9%	84.8%

EP/Sales:

Line of Business	3Q14 EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
Disability	$213	$13	$223	$13
Life	$955	$14	$948	$33

Notable Statements

● Persistency in the disability line was 84.6% versus 88.1% a year earlier.

● The Group Insurance segment reported a loss, on an adjusted operating income basis, of $73 million in the current quarter, compared to adjusted operating income of $68 million in the year-ago quarter. Current quarter results include a net charge of $107 million from refinements of reserves and related items reflecting updates of actuarial assumptions based on an annual review, primarily to strengthen reserves for long term disability business, while results for the year-ago quarter included a net benefit of $45 million from refinements reflecting a similar annual review.

● After adjusting for reserve refinements, Group Insurance earnings amounted to $34 million in the current quarter compared to $23 million a year ago. The $11 million increase was driven by more favorable claims experience in disability, partly offset by less favorable claims experience in Group Life.

● On a similar adjusted basis, the Group Life benefits ratio was less favorable than a year ago, reflecting higher average claims size in the current quarter.

Analyst Questions

● The first question I had is just on the Group Disability reserve charge of around $100 million. You had referenced Social Security offsets. Can you give a little more color for what's going on there? Are they getting harder to come by now? Is something changed with the Social Security offsets?

Response: This does not reflect a change in the external environment, external to ourselves, regarding this. We have refined our methodology about assessing the probability that a certain segment of our claimants will receive Social Security disability, and the reserve strengthening that we did this quarter reflects that refund.

Follow up: So, you haven't seen any change in behavior, nor amount of Social Security offsets. It's more assessing future probabilities going lower, I assume?

Response: That's correct. It's a refinement in our own methodologies around that.

● Do you have any sense that Prudential's book would have more Social Security reimbursement exposure than a normal book? And then on that charge, was it mostly due to the Social Security recoverability issue? Or was there another major piece of the charge in the group area?

Response: There's nothing about our business that is materially different about the Social Security matter. As I said, this is a refinement of our own methodologies. The second part of your question was in regard to?

Follow up: Well I'm just trying to reconcile, I think intuitively, you're having good current year otherwise, as you stated. But then, I'm trying to reconcile that with these refinements, and so Social Security has come out as a piece of this, which makes sense. Is there another big piece, and kind of how big of a piece of the charge was the Social Security item?

Response: We made an across-the-board update of our actuarial assumptions, and there were a variety of impacts, but the Social Security offset matter was the biggest piece.

Unum

Profit (Includest net realized investment Gains/Losses):

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Benefit Ratio	3Q13 Benefit Ratio
Unum US	$214.3	$219.8	70.4%	72.0%
LTD/STD	$69.2	$78.6	82.1%	82.9%
Life/AD&D	$62.6	$58.5	70.0%	71.6%
US Supp & Vol	$82.5	$82.7	49.4%	52.3%
Unum UK	$33.5	$31.3	70.8%	70.6%
Colonial	$71.2	$69.0	52.7%	53.1%

EP/Sales

Line of Business	3Q14 EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
Unum US	$1,162.7	$137.7	$1,124.6	$121.8
LTD	$387.7	$28.0	$385.0	$25.7
STD	$138.3	$15.6	$129.5	$12.8
Life/AD&D	$348.3	$33.6	$335.7	$25.5
Voluntary/Supp	$288.4	$60.5	$274.4	$57.8
Unum UK	$152.6	$21.4	$137.3	$17.3
LTD	$104.5	$12.0	$96.5	$10.3
Life	$34.1	$8.4	$25.6	$6.1
Other	$14.0	$1.0	$15.2	$.9
Colonial	$319.4	$85.8	$309.1	$76.1
Acc/Sick/Dis	$190.7	$56.1	$185.0	$50.2
Life	$57.9	$15.7	$55.6	$13.7
Cancer & CI	$70.8	$14.0	$68.5	$12.2

Notable Statements

Unum U.S.

● Operating income in our group disability business declined to $69.2 million from $78.6 million a year ago. Premium income increased by 2.2% and the benefit ratio improved further down to 82.1% in the third quarter from 82.9% a year ago due to continued strong claim recovery performance, both of which are very encouraging trends.

● Group life and AD&D results were favorable with operating earnings increasing 7%, driven by premium growth of 3.8% and lower claim incidence as the benefit ratio declined to 70% from 71.6% in the year ago quarter.

● In the supplemental and voluntary lines, operating earnings were relatively flat at $82.5 million. Premium income increased by 1%, while risk trends in both lines were improved relative to last year.

● The headwind in the quarter in this line was net investment income which declined by almost $12 million on a year-over-year comparison. About one third of the decline was attributable to lower miscellaneous income, which can be volatile from quarter to quarter. The other two-thirds of the decline resulted from the slow decline in the portfolio yield in assets over many quarters.

● Within our group benefit lines, total sales increased by 21%, with 13% growth in the core market and 57% growth in the large case market during the third quarter. Importantly, 70% of the large case sales are sales to existing customers, giving us a high level of confidence in the pricing of this business.

Unum UK

● Operating earnings were £20.1 million for the third quarter, flat with the year ago quarter and consistent with our expectations for this business. We have tended to experience a negative seasonality in our Group Income Protection line in the third quarter in our Unum UK results, which caused some pressure on earnings relative to the second quarter. Our risk results remain well within our expectations with the third quarter benefit ratio at 70.8% compared to 70.6% in the year ago quarter. Return on equity for our UK business continues in the high teens.

● Sales increased for the first time in several quarters growing 15% in local currency as we moved past the re-pricing and re-positioning of our group life block. Disability sales contributed to the increase growing at about 8% to £7.1 million and persistency in the UK continues to improve particularly in the disability block which is at 88.4% so far in 2014 compared to 81.9% last year.

Colonial

● Colonial Life generated another strong quarter at $71.2 million of operating earnings compared to $69 million a year ago. We saw favorable experience across our lines resulting in a benefit ratio of 52.7%, slightly improved from the 53.1% benefit ratio from last year. The underlying profitability of this business remains excellent, producing an operating ROE of 16% for the quarter.

● Very good sales in the quarter, increasing 13% for the third quarter and 9% for the year to date compared to the same periods in 2013. Results remain encouraging across all of our sales metrics. Core market corporate sales are up 11%, large case corporate sales are up 35%, and public sector sales are up 11% for the third quarter of 2014 compared to the same time period in 2013

Analyst Questions

● Question about U.S. group insurance sales, you're not the first to report earnings results this quarter, there's been some that have preceded you, I recognize they don't represent the entire group insurance industry. However, it's just about everybody is demonstrating pretty strong sales growth with maybe one or two small exceptions. But the overall market certainly can't be growing at this kind of pace given what we're seeing economically with the lack of employment growth or at least slow employment growth. I guess my question for you is this, who's losing the share? I'm not asking you to name names, just in general like how is this – it's so significant that it seems very stark?

Response: I'd say generally that we see a mix really across the board but certainly there are some players in the market that are re-pricing their business. We know that the industry return on equity, I think it came up to one of the questions earlier, is somewhere in the single digits, and so there's work to be done in terms of pricing. So there are actually a few carriers out there where their earned premium is down and they are terminating some business. That business shows up as new sales in other places. So there's a little bit of churn within. I think it's the combination of the economy improving and some market expansion paired with some carriers that need to do some re-pricing which is generating some churn that spits out the total industry sales numbers.

So the way we sort of look at it is we're comfortable with the returns we're generating in the business, we're sticking with our underwriting standards, and we feel good about having that 90% persistency. So we are not feeding a lot of the churn back into the market, but I think it's the sum, the total of the two that gets you to the sales number.

● How should we be thinking about the decline in interest rate on your new claims discount rate, and to the extent you were to make an adjustment, how much of an impact would that have on your pricing and potential competitiveness within the industry?

Response: When you think about the discount rates of that line and we have adjusted discount rates in the past, and so I'd tell you that on an annual basis, a 25 basis point move is a $12 million to $13 million impact. And so that's something we always look at, but once again it's highly managed that our assets relative to that discount rate, that's something we do over longer period of time, we have a healthy margin today but we have to be reflective of where we are today as well and manage that through a period of time. So, discount rates are something that we always look at in that line. Maybe I'll turn it over to Mike to talk about how we impact that from a pricing perspective.

Thanks, Rick. So we would be looking at discount rate, we'd be looking at returns and incidence and severity when we're building new business pricing into a plan. So, to give you a sense in 2014, because I think it's indicative of where we sort of look going forward, we are able to put about a quarter of our core group insurance business through the renewal program, about a third of our large case business through; pricing forward for things like aging and interest rate. We placed prices in the high single digits, and as Rick hit in his comments, overall block persistency is just about 90%.

So we feel pretty good about the track record and the current environment to take necessary actions. As we look forward, certainly low interest rates is something that we'll factor into our pricing plans and will probably mean a modestly expanded renewal program in '15, but again I think the environment is one where we feel pretty confident going into that.

Standard Financial Group

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

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Ben Ratio	3Q13 Ben Ratio
Insurance Services	$89.3	$78.3	70.9%	75.1%

EP/Sales

Line of Business	3Q14EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
LTD	$187.1	$16.9	$191.3	$9.0
STD	$55.2	$7.8	$56.4	$3.0
Life & AD&D	$202.0	$22.5	$210.4	$10
Other	$19.9	$5.6	$19.8	$7.7
ERR	($10.3)	---	($3.2)	----
Total EB	$453.9	$52.8	$474.7	$29.7

Notable Statements

● The benefit ratio for Employee Benefits was 70.9% for the third quarter of 2014 and that compares to 75.1% for the third quarter of 2013. It's normal to see quarterly claims volatility as we did last quarter. This quarter, we saw a favorable volatility in what is normally a seasonally good quarter for Employee Benefits. To put this result in perspective, this is the single best quarterly benefit ratio since Standard became a public company.

● Looking at the first nine months of 2014, our year-to-date benefit ratio of 78% is squarely in the middle of our 77% to 79% guidance range for the full year of 2014. Excluding the effects of experience rated refunds for favorable claim experience this quarter; Employee Benefits premiums decreased 2.9%. The lower premiums reflected lower sales for the first half of the year as well as low organic growth among our existing customers.

● For the third quarter, employment levels for existing customers grew 0.9%. While this is a small change, we're pleased now that we have seen positive growth for four consecutive quarters. Employee Benefits sales for the third quarter were $52.8 million and that compares to $29.7 million for the third quarter of last year. Increased proposal activity has contributed to sales returning to more normal levels. It's possible that an increase in proposal activity is due to customers' distractions from health care reform tapering off a bit. We believe this in part led to higher sales in the third quarter of 2014, and we continue to be encouraged by the sales pipeline for the remainder of this year.

● The discount rate used for newly established long-term disability claim reserves remained at 4.0% for the third quarter of 2014, 25 basis points higher than the 3.75%

used for the third quarter of last year. The 25 basis point increase in the discount rate results in a corresponding increase in quarterly pretax income of approximately $2 million.

Analyst Questions

● So I guess, listen, I hear you loud and clear, this is the best Employee Benefits benefit ratio you've had since you came public. That's an awful long time. I guess, if you could just talk to -- underlying that, recognizing this was very favorable and we probably shouldn't be run-rating it. But underlying that, what are you seeing? Are you seeing the positive impacts of your pricing still? Are you seeing claims incidence levels returning toward your targets? Can you speak to some of the underlying?

Response: Yes. John, the benefit ratio, as you know, is remarkably low. That's probably the understatement of the day, even accounting for seasonality. I'm not going to attempt to make attribution to which portion of this strong result is seasonality, volatility or really the prudent pricing decisions we've made over the last 36 months. But we know all those ingredients are in there. We did see a few exceptional items in the quarter that really didn't drive the result. We had higher number of death closures on LTD claims, for example. But none of the individual items that were exceptional really drove the overall result here. You know, as well as I do, that the quarterly benefit ratio fluctuates for almost every major disability carrier in our space on a quarterly basis. And that's why we really would guide to an annual view of this. And when you look at this annually, even year-to-date basis for nine months, we're squarely in the middle of the guidance range that we provided earlier.

● Question on the overall reserve margin. You said it was 45 basis points. Now my understanding of the way I should be thinking about this, if we think about it developing over the next several years, is because you do a true-up every quarter for the new claim incurral discount rate, there shouldn't really be any material risk to the overall reserve margin. Is that right? Second, has that overall reserve margin of 45 basis points changed at all if you look back over the last few years?

Response: Yes. So the fact over the last few years, the portfolio margin has remained pretty steady, somewhere between 40 and 45 basis points. So that's really our target, and that's how we tend think of it. You're absolutely right that because of the way we set our discount rate and do tight asset liability management, we are not looking at any sort of risk in terms of deterioration of the reserve margin. If interest rates start to go up, we'll be able to take advantage of those higher rates in our discount rates immediately, because we're not using any averaging sort of mechanism.

Aetna

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

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)
Group Insurance (Life, Disability, LTC)	$47.9	$20.5

EP

Line of Business	3Q14 Earned Premium ($000,000)	3Q13 Earned Premium ($000,000)
Group Insurance	$621.4	$577.7

Analyst Questions

- Group insurance which pressured earnings last year continues to post solid results in excess of our projections, driven by a favorable underwriting performance in our life insurance and disability products.

Principal Financial Group

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

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Loss Ratio	3Q13 Loss Ratio
Specialty Benefits	$31.1	$31.7	64.5%	65.3%
Group Disability	---	---	71.5%	73.5%
Group Life	---	---	61.0%	60.0%

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

Line of Business	3Q14EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
Disability	$86.9	$14.0	$76.7	$13.8
Life	$92.7	$11.1	$85.5	$9.8

Notable Statements

● Specialty benefits premium and fees increased 9% over third quarter 2013 as a result of record third quarter sales and strong persistency. In plan growth over the past 12 months was 1.5%, the highest level since 2006 signaling more sustainable job growth.

●The loss ratio for the quarter remained strong at 64.5% relative to our 65% to 71% targeted range. The more favorable claims and strong growth in the current quarter were offset by lower expenses in the prior year quarter. On a trailing twelve month basis, premium and fees were up 6%. This is above our expectation of 3% to 5% growth for the year. Trailing twelve months pretax operating margin of 11% is in-line with our expectations.

Cigna

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

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)
Group Disability & Life	$55	$92

EP

Line of Business	3Q14 EP ($000,000)	3Q13 EP ($000,000)
Disability	$440	$402
Life	$409	$383

Notable Statements

● For Group Disability and Life, third quarter results reflect premium and fee increases of 7% over third quarter 2013. Third quarter earnings in our group business were $55 million, reflecting unfavorable claims experience in the disability business.

● In Group Disability and Life, our innovative productivity improvement programs are helping employees return to work at a faster pace, driving value for customers, as well as clients. Based on our focused, differentiated programs and results, we expect this segment to generate mid- to high-single digit growth rate over the long term.

● Regarding Group Disability and Life, we now expect full year 2014 earnings in the range of $310 million to $320 million, slightly below our previous outlook.

Analyst Questions

● On the disability claims pressure, is that something you expect will abate in the next quarter going into next year?

Response: Just to give some high-level comments in group first and then get to that specific point. I mean, we have our group business viewed as a very attractive part of portfolio. We've got a differentiated model with a focus on health and productivity that delivers great value for clients, customers and shareholders. And have a track record of solid revenue growth and strong return on capital in this business, in what has been a very challenging economic climate. As I mentioned in my remarks, there is a higher disability benefit ratio this quarter, mainly related to higher average claim size. And while we do expect some variability quarter-to-quarter in this business, we do expect group results to improve in the fourth quarter. And I'm confident that our differentiated capabilities that I referenced earlier will allow us to continue to drive value for both customers and shareholders in this business.

Assurant

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

Line of Business	3Q14 Profit ($000)	3Q13 Profit ($000)	3Q14 Loss Ratio	3Q13 Loss Ratio
Employee Benefits* (includes DRMS)	$13,101	$6,149	67.4%	72.7%

* Employee benefits includes dental, disability & life

EP/Sales

Line of Business	3Q14 EP ($000)	3Q14 Sales ($000)	3Q13 EP ($000)	3Q13 Sales ($000)
LTD & STD	$102,242	$7,683	$99,820	$13,642
Life	$50,184	$6,827	$47,796	$9,080

Notable Statements

● At Assurant Employee Benefits, voluntary remains the growth engine, with premiums up 12% year-over-year. Our investments in voluntary to broaden our offering, expand our distribution and strengthen our enrollment capabilities continue to yield results. In addition, we renewed our dental network agreement with Aetna for another three years. This partnership helps to further strengthen our competitive advantage in the group benefits marketplace by providing a broader panel of dentists for our customers.

● Turning to Employee Benefits, earnings doubled year-over-year due to improved disability results in the quarter. During the period, we also started the process to close one of our disability claims offices. This is another example of our efforts to streamline operations for better efficiencies. For 2015, we expect the voluntary business to continue to grow well in excess of the market rate. At the same time, we anticipate taking additional actions to lower our general expense ratio over the long-term.

MetLife

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

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Loss Ratio	3Q13 Loss Ratio
Group, Voluntary and Worksite	$237	$226	---	---
Group Life	---	---	89.9%	90.3%

EP

Line of Business	3Q14 EP ($000,000)	3Q13 EP ($000,000)
Group Non-Medical *	$1,669	$1,602
Group Life	$1,402	$1,352

*Group Non-Medical includes dental, disability, long-term care, AD&D, critical illness and vision.

● Underwriting margins in Group, Voluntary & Worksite Benefits were the low end of the normal range but better than the prior year quarter. Within group, disability results improved year-over-year and sequentially. We anticipate further improvement in disability results from the operational changes and targeted price increases that we shared with you on the second quarter earnings call.

Analyst Questions

● On the underwriting results in group, can you give a little bit more detail on where you saw improvement this quarter and where you see additional opportunities?

Response: Sure. So there are three big drivers here. It's Group Life, Group Disability and Group Dental. Group Life, a little better year-over-year, just under the top end of our guidance range, so I would call it a so-so underwriting quarter. I think there's improvement left there, and I think you'll probably see that in the coming quarters next year. Disability, pretty good improvement sequentially. And on the last quarterly call, we talked about some operational issues in one of our claims management sites, we've seen some improvement in the metrics there, and I think that will continue. So I think there's opportunity for continued upside there. As John alluded to in the call, Dental was soft this quarter. We're still seeing a catch-up in utilization. Remember, in the first quarter, we had a really poor weather. Nobody went to the dentist, and -- but they did eventually go see their dentists in the second quarter and also the third quarter. So utilization now is just where it was at the 9-month period last year, so I think we've had our catch-up. And so my guess is dental should improve from here as well. So even though I think it was an okay improvement overall in group underwriting, I think there's more to come.

Hartford

Profit (Pre-Tax and DAC)

Line of Business	3Q14 ($000,000)	3Q13 ($000,000)
Group Benefits (Disability, Life, Other)	$46	$37

EP/Sales

Line of Business	3Q14 EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales $(000,000)
Group Disability	$343	$26	$343	$32
Group Life	$353	$26	$435	$28

● We continue to see profit improvements driven by favorable life and disability results. The life loss ratio was down 2.9% points, due to continued pricing discipline and favorable mortality. Disability trends also remained favorable for prior year with the loss ratio improving 2.2 points that we're beginning to see the rate of that improvement decelerate. Long-term disability incidence trends continue to be favorable, while claim recoveries were lower than prior year, although still in line with historical norms.

● Looking at the top line, fully insured ongoing premium declined 2%, compared to prior year. Overall, book persistency on our employer group block of business exceeded 90% year-to-date through September and we're very pleased with our renewal pricing adequacy. Fully insured ongoing sales of $57 million for the quarter, was essentially flat with last year.

● Given the lead times on large account business, we can see that 2015 is shaping up positively. Sales activity has increased and we're encouraged that our recent investments, particularly those to enhance our product, service and claim capabilities are resonating with customers.

● In fact, we will welcome back several large case customers in the first quarter. As Chris noted in his opening, our overall suite of capabilities is allowing us to compete more effectively to win cases and then achieve greater employee participation through effective marketing and enrollment tools. These are positive signs for us. We like everyone else are adapting to the changing benefit landscape and we're very pleased with our progress.

● We remain focused on expanding the voluntary product suite and group benefits, preparing for a more employee-centric model as the market adjusted to the new healthcare environment. Employee choice benefits is an expanded group benefits of voluntary offering, which is being rolled out with customized educational materials to help employees to make informed decisions about their benefits.

Analyst Questions

● Can you talk a little bit more about the growth outlook for group benefits, which it sounds like you're pretty positive in your prepared remarks, but how much activity are you seeing in the market and how our pricing trends and then maybe also are you starting to see any benefit to premiums from employment growth or higher wages?

Response: Maybe just a few comments and we'll be back in 90 days to give you the full 2015 layout. We are encouraged by the early look at some of our January 1 activity, which is why I shared the comments that I did. January just the beginning of the first quarter, but we've had some nice success on both the new business front and feel good about our retention of key existing accounts. So let's leave it at that and we'll be back with a broader look in 2015 in a few months.

Lincoln Financial

Profit (Post tax)

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)	3Q14 Loss Ratio	3Q13 Loss Ratio
Group Protection	$8	$23	77.6%	73.4%
Group Disability	---	---	80.8%	73.2%
Group Life	---	---	75.9%	74.2%

EP/Sales

Line of Business	3Q14 EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
Group Protection	$550	$94	$516	$107
Group Disability	---	$41	---	$47
Group Life	---	$34	---	$43

Notable Statements

● In Group Protection we are taking the right steps to improve profitability and to position our business for long-term success. As I've stated before, we started implementing price increases in mid-2013 aimed primarily at our employer paid life and disability business. These pricing actions are achieving mid to upper single-digit increases in both new sales and renewals this year and we are again resting up our pricing targets as we renew 2015 business.

● Additionally, we are investing in programs to improve our disability claims management effectiveness which should further enhance our profit improvement. Although success maybe uneven from quarter-to-quarter and it will take time, we believe our profit improvement trajectory is positive. New business levels were lower than last year for the third quarter and for year-to-date although our pricing actions are a factor, industry sales are also down through mid year.

● An important element of our strategy is to capitalize on the growth of the more profitable employee paid market. We continued to advance our strategy with 49% of year-to-date sales coming from the employee paid segment up from 46% in the prior year. We are pleased that our total earned premium is up 7% for the quarter and up more than 9% year-to-date with our growth being fueled by higher margin in new business and increased pricing on renewals. In summary, we are confident that we had the right programs in place to restore profitability and to sustain long-term profitable growth.

● Earnings continue to be affected by adverse claim cost in long-term disability. As a result, group earnings will fall short of the guidance we provided at the beginning of the year. Specific to LTD, metrics were mixed in the quarter with recoveries driving the majority of the unfavorable experience while incidence performed in line with expectations.

● Claims management will impact the LTD loss ratios that we report on a quarterly basis. To minimize the potential volatility that creates, we continue to invest in the claims function. Added staff is needed providing the training necessary to properly adjudicate the claims and we recently installed a new claims management system. We are pleased with the market acceptance of our mid to upper single digit price increases on new and renewal business. And we are now targeting low double-digit increases for renewing business in 2015.

● The combination of improvements in claims management, price increases, and premium growth which was 7% this quarter, will improve profitability overtime. All that being said, we will not be surprised by quarterly volatility consistent with what you've seen from other leading group insurers. The bottom line for the group business is that earnings improvement will not be linear but with the actions we are undertaking, we expect group protection to be a positive lever to Lincoln's long-term earnings growth.

Analyst Questions

● I wanted to just kind of dig into the group piece and just get some color or updates on a few items. I guess one is just on the continued elevated level of claims, is that due to incidence or recoveries or some other item? I think mainly between those two items that claims have been bouncing around kind of three last four quarters. So maybe we could start there and just get a feel for how those items are evolving as you continue to address this block?

Response: This particular quarter as I mentioned the LTD experience on the downside was driven by recoveries that were little lower than we have been experiencing but on the other hand incidence that came right in line with our a longer term expectations. I've got sort of the opposite of what you saw last quarter. So you are seeing some volatility quarter-to-quarter. The other thing I mentioned is just around claims management. You think about what our core mission in claims management is, it is too properly pay claims and then help people get back to work. And as I mentioned we continue to do the things we need to do to make sure we can do that, right. We are growing as a company so we need to keep adding staff.

The nature of claims change all the time so we need to make sure we're giving our staff the proper training they need to properly adjudicate clients. And then we need to make sure they have the best tools available so, we just invested in new claims management system. So you are going to see quarter-to-quarter volatility but I think we are doing things we need to do overtime to make sure that we are getting the best outcome

● Okay and then last I guess – I think that low double-digit price increases were expected there going forward. I guess to me that seems a little bit higher than what we'd expect and what we are seeing from others. Can I just get a -- get more color on how that's going to phase in and how you think that might match up versus competitors?

Response: Sure, as a reminder what I was talking about we have a big renewal book that comes in the first quarter of 2015, right. So first quarter is our biggest part of the year. And when you think about renewals, so when we are looking at renewals for that period

we are now targeting low double-digit price increases for that renewal book as opposed to the mid-to-upper single digit price increases that we have been targeting this year. So that's what I am referring to when I talk about low double-digit increases. And I guess it's pretty obvious but it depends when you are trying to compare that against what the other competitors are saying, where they are starting from in terms of the need to increase prices. Were they higher than us to begin with so again I think it's something that's very hard to mathematically compare.

Sun

Profit (Net income after tax):

Line of Business	3Q14 Profit ($000,000)	3Q13 Profit ($000,000)
Employee Benefits Group (U.S.)	($11)	$23

EP/Sales

Line of Business	3Q14 EP ($000,000)	3Q14 Sales ($000,000)	3Q13 EP ($000,000)	3Q13 Sales ($000,000)
Employee Benefits Group (U.S.)	$603	$107	$556	$120

● Lower sales in U.S. group benefits, as price increases make their way through the book of business.

Analyst Questions

● Group benefits, this quarter you highlight poor morbidity and mortality experienced this quarter. That follows on indications last quarter that morbidity was an issue. I think last quarter, you mentioned changes in pricing. So maybe a bit of an update on how that has impacted sales thus far? How long do you expect the morbidity – poor morbidity to last? Are you seeing anything systemic there? And Larry mentioned, in the other assumption changes, that there was some I think some truing up on Canadian group disability. Was there anything in the assumption review on the U.S. group disability?

Response: The primary drivers of the lower underlying net income in the quarter were adverse mortality in both the in-force life and group life businesses. Weak underwriting results in the group long-term disability business. And minimal AFS gains in the quarter, which had contributed meaningfully to results in the prior two quarters. The mortality experience was driven mostly by a small number of large claims in the quarter. The long-term disability results are primarily due to insufficient pricing on that product.

We've taken aggressive actions, both earlier this year, and more significantly, in the third quarter, to adjust pricing, but this will take some time to work through the book. Therefore, it is likely that weak long-term disability results will continue into next year. We should see some improvement in these results early next year, as the significant portion of the business that is sold and renews on January 1 is re-priced. It's worth noting that the marketplace pricing for disability is firming up this fall, which creates a favorable environment for our increases, and should result in a healthier industry. Also the stop loss and international business continued to perform very well in the quarter.

You asked a question also about sales? We have seen, as we mentioned, 11% reduction year-over-year in group sales, quarter-to-quarter. And that is a direct result of the tightening of pricing. Although overall, we're still seeing strong sales. I think there was also a reserving question for Larry?

So, U.S. Group reserve or assumption change impacts were relatively neutral. And I would just remind you that we include, in our group actuarial liabilities, only claim reserves, basically. And so we don't project forward premiums, incidence or expenses, other than expenses related to claim management. So, the termination experience has been in line with our assumptions, and we didn't have big changes there.

Summary

Company	Earnings	Sales	EP
Prudential	**Not reported by line of business**	**Dis: $13M (flat) Life: $14M (↓57.6%)**	**Dis: $213M (↓4.5%) Life: $955M (↑.7%)**
Unum	**LTD/STD: $69.2 (↓12%) Life/AD&D: $62.6M (↑7%) Limited: $33.5M (↑7%) Colonial: $71.2M (↑3.2%)**	**U.S Brokerage LTD: $28M(↑8.9%) STD: $15.6M (↑21.9%) Life/AD&D: $33.6M(↑31.8%) Vol: $60.5M(↑4.7%) Unum UK LTD: $12.0M(↑16.5%) Life: $8.4M(↑37.7%) Colonial Acc/Dis: $56.1M(↑11.8%) Life: $15.7M (↑14.6%) Can/CI: $14.0M (↑14.8%)**	**U.S. Brokerage LTD: $387.7M (↑.7%) STD: $138.3M (↑6.8%) Life/AD&D: $348.3M (↑3.8%) Vol: $288.4M(↑5.1%) Unum UK LTD: $104.5M (↑8.3%) Life: $34.1(↑33.2%) Colonial Acc/Dis: $190.7M (↑3.1%) Life: $57.9M (↑4.1%) Can/CI: $70.8M (↑3.4%)**
Standard	**Group: $89.3M (↑14%)**	**LTD: $16.9M (↑87.8%) STD: $7.8M (↑160%) Life/AD&D: $22.5M (↑125%)**	**LTD: $187.1M (↓2.2%) STD: $55.2M (↓2.1%) Life/AD&D: $202M (↓4%)**
Aetna	**Group: $47.9M (↑133.7%)**	**Group:N/A**	**Group: $621.4M (↑7.6%)**
Principal	**Specialty Benefits: $31.1M (↓1.9%)**	**Dis: $14M (↑1.4%) Life: $11.1M (↑13.3%)**	**Dis: $86.9M (↑13.3%) Life: $92.7 (↑8.4%)**
Cigna	**Group Dis & Life: $55M (↓40.2%)**	**N/A**	**Dis: $440M (↑9.5%) Life: $409M (↑6.8%)**
Assurant	**Employee Benefit: $13.1M(↑113.1%)**	**LTD/STD: $7.7M(↓43.7%) Life: $6.8M (↓24.8%)**	**LTD/STD: $102.2M (↑2.4%) Life: $50.2M (↑5%)**
Met	**Non Medical: $237M (↑4.9%)**	**Not reported by line of business**	**Non-Med: $1,669M (↑4.2%) Life: $1,402(↑3.7%)**
Hartford	**Group: $46M (↑24.3%)**	**Dis: $26M (↓18.8%) Life: $26M (↓7.1%)**	**Dis: $343M (flat) Life: $353 (↓18.9%)**
Lincoln	**Group Protection: $8M (↓65.2%)**	**Dis: $41M(↓12.8%) Life: $34M (↓20.9%)**	**Group Protection: $550M (↑6.6%)**
Sun	**U.S. Employee Benefits Group: ($11M) (positive $23M a year ago)**	**U.S. Employee Benefits Group: $107M (↓10.8%)**	**U.S. Employee Benefits Group: $603M (↑8.5%)**