SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

November 2018

Dear GC Smith Group Client:

We are pleased to provide the 3rd Quarter 2018 Earnings Conference Call Summary for leading group LTD carriers.

This report is based on insurers' quarterly earnings releases. The data and information upon which this summary is based are available in the public domain. Sources include press releases, statistical supplements, SEC filings, and earnings conference calls. As a service to its reinsurance and consulting clients, Smith Group compiles this earnings information, analyzes group LTD statistics, and identifies notable trends.

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About GC Smith Group

Smith LTD Management Group, Inc. is a disability and reinsurance consultant and a subsidiary of Guy Carpenter & Company, LLC, which is a global leader in providing risk and reinsurance intermediary services. Guy Carpenter is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy and human capital.

GUY CARPENTER

HEALTHCARE & LIFE
SPECIALTY PRACTICE

Prudential Financial

Profit (Pre-tax):

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Group Insurance	$59	$61	---	---
Group Disability	NA	NA	78.7%	78.7%
Group Life	NA	NA	87.3%	87.0%

EP/Sales:

Line of Business	3Q18 EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales ($000,000)
Disability	$245	$16	$220	$12
Life	$1,009	$63	$965	$23

Notable Statements

● Deepening employer and participant relationships with financial wellness programs remains the centerpiece of a lot of what's going on in Group and we've talked about proof points there demonstrating success.

● With respect to process efficiencies and making us easier to do business with, that in Group we did launch additional digital capabilities in Disability and these digital capabilities enhance and improve our claim submission and management results.

Unum

Profit (Pre-tax and net realized investment gains/losses):

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Benefit Ratio	3Q17 Benefit Ratio
Unum US	$270.9	$258.4	67.5%	67.7%
LTD/STD	$93.0	$90.0	76.3%	76.7%
Life/AD&D	$64.0	$60.1	71.8%	71.4%
US Supp & Vol	$113.9	$108.3	48.1%	48.4%
Unum UK	$26.1	$26.5	74.2%	74.9%
Colonial	$84.2	$81.7	51.5%	51.8%

EP/Sales

Line of Business	3Q18 EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales ($000,000)
Unum US	$1,446.2	$152.7	$1,360.9	$161.8
LTD	$441.1	$25.4	$435.2	$31.1
STD	$180.4	$17.9	$161.1	$20.7
Life/AD&D	$438.9	$29.4	$407.2	$35.1
Voluntary/Supp*	$382.8	$80.0	$357.4	$74.9
IDI	$109.5	$20.1	$104.4	$20.4
Voluntary Ben	$222.3	$47.6	$210.8	$44.8
Dental & Vision	$51.0	$12.3	$42.2	$9.7
Unum UK	$138.0	$16.9	$131.5	$16.5
LTD	$91.3	$9.1	$87.0	$6.5
Life	$27.1	$5.6	$26.7	$7.8
Other	$19.6	$20.2	$17.8	$2.2
Colonial	$400.0	$120.8	$378.7	$106.9
Acc/Sick/Dis	$231.9	$77.3	$222.3	$66.5
Life	$81.4	$24.2	$74.6	$22.6
Cancer & CI	$86.7	$19.3	$81.8	$17.8

***Voluntary & Supplemental includes IDI, voluntary benefits and dental/vision**

Notable Statements

Unum U.S.

● As you saw in our earnings release yesterday afternoon, we reported a loss for the third quarter of 2018 of $284.7 million or a $1.30 per diluted common share. This loss included the reserve charge for long-term care, which totaled $593.1 million or $2.71 per diluted common share and was consistent with the estimate of $590 million we pre-announced back on September 18.

● In Unum U.S., it was another very good quarter with positive trends in premium income, very good persistency and stable benefit ratios across our major business lines.

● Benefits experience for group disability, continues to perform well with the benefit ratio improving slightly to 76.3% in the third quarter, compared to 76.7% in the year ago quarter, due primarily to lower claims incidence and favorable claim recovery experience in the group long-term disability line, which was offset by higher claims incidence in the group short-term disability line. Adjusted operating income for group disability increased by 3.3% to $93.0 million in the third quarter.

● The group life and AD&D line had a strong third quarter, with adjusted operating income of $64 million, an increase of 6.5% from the year ago quarter. Premium income increased 7.8%, driven primarily by prior period sales growth and improved persistency, which increased in the group product line to 91.2% for 2018 year-to-date, compared to 87.7% last year. The benefit ratio was slightly higher at 71.8% in the third quarter, compared to 71.4% in the year ago quarter, due primarily to higher claims incidence.

● The supplemental and voluntary lines generated excellent results, with adjusted operating income increasing by 5.2% to $113.9 million in the third quarter. Premium income increased 7.1% for the third quarter due primarily to higher sales, including growth generated by the expansion of our dental and vision product line. Benefits experience was very favorable in the third quarter for the voluntary benefits in dental and vision lines, while the individual disability line experienced higher claims incidence and higher average size of new claims. All in all, the supplemental and voluntary lines continue to produce strong levels of income for the company.

● Sales for Unum US in the third quarter declined by 5.6% primarily driven by lower sales in the group disability and life lines. We continue to see positive momentum in the voluntary benefits and dental and vision product lines, but market conditions seem competitive to us in the core market segments, where we intend to remain disciplined with our pricing. Persistency remains very favorable within Unum US, with persistency for the group lines combined increasing to 90.6% for the first three quarters of 2018, compared to 88.2% last year.

Unum UK

● Moving to Unum UK, we continue to see a difficult business and economic environment, creating uncertainty in the marketplace. As a result, adjusted operating income remained relatively flat at £20 million for the third quarter of 2018, compared to £20.2 million in the year ago quarter. Premium income was stronger this quarter, increasing 5.6% on a local currency basis generated largely by improved persistency, rate increases on the group long-term disability block and growth in the in-force business.

● The Unum UK benefit ratio was 74.2% for the third quarter of 2018, compared to 74.9% last year, driven primarily by favorable claims resolutions in the group long-term disability line, partially offset by unfavorable claims activity in the group and supplemental lines of business.

● Unum UK sales for the third quarter increased by 2.4% year-over-year, driven by higher sales in the group long-term disability and supplemental lines, which offset lower sales and group life. The improvement in persistency from 86.4% in the first three quarters of 2017 to 87.7% in the first three quarters of 2018 is particularly encouraging given the level of rate increases we put through the block.

Colonial

● Colonial produced strong results with adjusted operating income in the third quarter of $84.2 million, an increase of 3.1% from the year ago quarter. Premium growth remains steady, increasing by 5.6% in

the quarter. Benefits experience improved slightly to 51.5% in the third quarter, compared to 51.8% in the year ago quarter, primarily due to favorable experience in the life product line.

● Sales at Colonial Life continued to accelerate increasing to 13% in the third quarter, compared to the year ago quarter. The introduction of the dental product earlier this year is contributing to this growth with sales at $7.5 million in the third quarter. In addition to the strong dental rollout, sales from other product lines also showed strong year-over-year growth.

Analyst Questions

● I was hoping you could talk a little bit more about the US group dynamics in terms of competition, persistency, and then also kind of any early look you can provide us on January 1 renewal trends.

Response: I'd say we've got a competitive but rational market. We've gone through stretches of time where you'd have one or two carriers that would be aggressively trying to take market share. I would say that's not necessarily the case right now. But I'd say in general the industry feels pretty good about where margins are and so there's less business moving and you'll see that in our group sales numbers. Third quarter is not typically a big sales quarter for us any way, but we did see some declines in group disability and group life insurance.

I'd highlight this was offset to a degree by continued strong growth in the supplemental & voluntary segment, our voluntary benefits sales were up about 6%. Encouraging to see is continued strong adoption of our dental and vision product of about 27%. So we'll continue to keep an eye on it, most importantly for us is despite it being a difficult new client acquisition market, it's proving to be a market where we're holding onto customers. I think persistency is up a couple of points over the prior year. That's really helping fuel a good, strong, earned premium growth that both Rick and Jack a highlighted.

● On the benefits ratio in the U.S. disability business, it's improved each of the last several years. How do you think – and it seems like it'll be better this year than it was last year. How do you think about that improvement continuing given sort of the competitive environment and the economic backdrop?

Response: Yes so I'd say we were right about in line with where our expectations are. And so that's going to move around a little bit quarter-to-quarter. I would say probably the one thing as we sort of look forward, we saw a bit of benefits ratio pressure in a pretty defined segment on the short-term disability side. And that's something that we're addressing through that renewal program. It's not hugely consequential, but that is something that we'll provide a little bit of improvement to the segment overall.

● You talked about the wage inflation and full employment helping your core business. So you talked about natural growth in the past. Are you seeing that actually flow through your underlying growth?

Response: Yes, we actually, when you think about the natural growth that you talked about in the past comes from two different things that they're coming through, one is just as employment improves over time which we have seen we you look too pretty full employment economy. We haven't always felt the benefits of the swings around that just given who we insure at the employee base whether it's part time workers, other areas of the economy we don't insure. But we certainly have felt that over a period of time.

The thing that we're looking at now is wage inflation. You're starting to see that in our lines that we cover as well and so we'll look to have that be a lift. But the way you can think about it is if you look over

the last four, five years, but probably 1% addition to our premium growth that we've seen. So out of 6%, 1% is probably coming from an economic lift. If wage inflation really starts to kick in, in our sectors, then we could see more. But that's something we'll look forward to.

● On the persistency side, you touched on this. But it seems strange that your sales are a little slower, granted you have a tough comparison. But at the same time your persistency is quite good. Do you think that's based on your internal initiatives or is it just more broadly business isn't moving quite as much?

Response: I think it is a bit more of the latter. I mean, I think, there's less movement in the markets. The number of proposals that we're seeing coming through on the brokerage side is down year-over-year. So that's a piece of it. But for us taking care of existing clients is job one. So almost all of the investments we make in capabilities we do it with an eye towards improving the experience that we're delivering there. A lot of our growth has come by expanding the number of benefits that are offered by each of our clients and with each line that we extend we see an incremental improvement and stickiness in that relationship.

● In Unum US, we are definitely seeing the dental and vision business continue to grow at a very good pace. I think you've talked about growing that book of business to $500 million of annual premiums in four years at your investor day, do you think you are kind of on track towards that target and maybe can you talk a little, how should we think about the trajectory of that growth?

Response: We are excited about the potential that came with the Starmount acquisition and that we're seeing really nice growth in the group dental line in particular, I think we are right in the range of where we would want to be towards that $500 million target, but it – you know we're early in that five years, so we've got a not just to deliver over the next 12 months, but we've got to continue to invest in the provider network, in the technology that underpins that business. So the trajectory goes beyond just as reported period sales results, it's also kind of investing in the scalability of that business and that's also on track for us.

Principal Financial Group

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

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Specialty Benefits	$83.7	$83.8	61.1%	60.7%
Group Disability	---	---	63.9%	58.5%
Group Life	---	---	59.3%	62.1%

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

Line of Business	3Q18EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales ($000,000)
Disability	$124.8	$15.6	$120.4	$17.1
Life	$111.5	$12.0	$104.5	$12.6

Notable Statements

● Specialty Benefits sales increased 9% due to strong sales in our core SMB market.

● Mortality and morbidity were within our expectations and provided a slight benefit to both Individual Life and Specialty Benefits

Cigna

Profit (Pre-tax and excluding realized investment gains/losses):

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Group Disability & Life	$106	$97	74.9%	76.3%

EP

Line of Business	3Q18 EP ($000,000)	3Q17 EP ($000,000)
Disability	$507	$493
Life	$427	$432

Notable Statements

● In our Group Disability and Life segment, third quarter operating revenues grew to $1.1 billion. Third quarter earnings in our Group business grew 37% to $100 million reflecting continued solid performance in both Disability and Life and a lower tax rate. We now expect full year 2018 earnings in the range of $340 million to $350 million.

MetLife

Profit (Pre-tax and excluding realized investment gains/losses):

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Group Benefits	$370	$241	---	---
Group Life	---	---	85.0%	85.0%

EP

Line of Business	3Q18 EP ($000,000)	3Q17 EP ($000,000)
Group Non-Medical *	$1,713	$1,628
Group Life	$1,722	$1,641

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

Note that going forward, Met's U.S. business will be organized into three businesses, Group Benefits, Retirement & Income Solutions and Property & Casualty. Group benefits will include life, dental, STD, LTD IDI, AD&D, CI, vision, A&H and prepaid legal.

Notable Statements

● Non-medical health's favorable underwriting experience was primarily driven by disability, which had strong renewal results, lower incidence and favorable claim recoveries versus the prior-year quarter.

● Group Benefits continues to see strong momentum in its top line. Adjusted PFOs were up 6% year-over-year, with growth across all markets and product lines. Year-to-date 2018 sales were down 2% relative to the first three quarters of 2017, which had record jumbo cases.

● Voluntary products continued its momentum, with sales up double digits year-to-date in 2018 versus the prior-year period. In addition, we also continue to grow down-market, as regional and small market sales were strong and above our year-to-date target.

Analyst Questions

● I had a question on Group Benefits. The underwriting performance has been very strong this year, for both MetLife and pretty much the entire industry. Can you give us some additional perspective on what you're seeing and, I guess, if we continue to stay in a good economic environment, if you think results can continue to trend more favorably than you would typically expect longer term?

Response: As Steve mentioned in his opening, obviously, the favorable economic environment does help in terms of the underwriting performance. If you think about disability, for example, where we've seen very good results this quarter, lower incidence, high recovery experience. So that's one factor.

We always like to be cautious and guide towards the range that we provide for our underwriting experience, but we do think that some of the benefit could be sustainable. I would also point out that if you look at our results over the last three quarters, the diversity of our business is an important factor.

In the first quarter, our dental performance was strong. In the second quarter, life underwriting was strong. In the third quarter, disability in particular, but also if you look at our life mortality, it's at the lower end of the range. So we think some of this is sustainable. I would also point out in non-medical health, in particular, that our shift towards voluntary benefits, accident & health, in particular, should over time also help lower our benefit ratio there.

● Just to follow-up on the group pricing, you've talked about dental a little bit aggressive and also in disability. I was just wondering for that aggressiveness, is it aggressive but rational or you are seeing some irrational behavior in the marketplace?

Response: I think you always do see one or two carriers that are overly aggressive, potentially irrational. That's not unusual. We continue to be disciplined in our approach, selective in avoiding situations where pricing is overly aggressive. So that's been our approach and will continue to be our approach, but there is irrational behavior from time-to-time and, in particular, in dental.

Hartford

Profit (Pre-Tax and net realized capital gains/losses)

Line of Business	3Q18 ($000,000)	3Q17 ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Group Benefits (Disability, Life, Other)	$110	$100	75.5%	74.7%
Group Disability	---	---	75.9%	73.0%
Group Life	---	---	76.6%	77.7%

EP/Sales

Line of Business	3Q18 EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales $(000,000)
Group Disability	$641	$48	$368	$43
Group Life	$652	$47	$382	$20

Notable Statements

● Another key accomplishment is the continued successful integration of our Group Benefits acquisition which closed almost a year ago today. This quarter, we began deploying the disability claims and lead management platform across both books, and renewing former Aetna contracts onto The Hartford systems.

● Although the group disability loss ratio was up slightly versus last year which experienced unusually high claim recoveries, we continue to see very strong disability results including favorable emergence from recent accident years.

● The group life loss ratio improved slightly from the volatile adverse trends experienced in recent quarters. Persistency on our employer group block of business remains steady at approximately 90% and fully insured ongoing sales of $104 million were up 53% from prior year.

● January 2019 sales in national accounts are firming up and we expect a strong start to next year. Our expanded sales team is executing very effectively in the market and our differentiated service and claims value proposition is clearly resonating with employers.

● We're excited about how this business is positioned in the marketplace. We will remain very pleased with the overall integration of the Aetna Group Benefits business. We have completed the conversion of former Aetna small business customers to the Hartford platform. Conversion of middle market and large case customers to the Hartford platform is on track to begin in December and will continue throughout 2019 and 2020.

Analyst Questions

● First question is on the Group Benefits. It feels like it's been running ahead of expectations. I know there were some prepared remarks about maybe things were better development than expected. I just

wanted to kind of get a sense for whether the loss ratio is trending more favorably and we shouldn't take that as kind of a run rate level?

Response: So yes, we have seen on our disability book continued favorable experience and sitting here today we'd expect from a loss ratio perspective to see some continuation of that. Again, if you look at our development there it definitely has been higher than we would have expected. But again a lot of that is related to more recent experience, so you so sort of expect that experience to continue in the short term. It's sort of different then when you think of longer-term P&C type liabilities where you're making adjustments on very old accident years that maybe don't indicate kind of current trends. So we're very pleased with how that book is performing overall and like the momentum that we see.

● Is there any kind of read through on sort of what's going on with comp over to the Group Benefits area, perhaps maybe the lower incidence has something to maybe do with the real good employment situation. Do you think about it that way?

Response: We actually obviously watch for that carefully. Our incidence trends and group disability continue to run very strong, but we are watchful. But we don't see anywhere near or anything like what we're seeing in workers' comp but know that we're on that as well in our group business.

Lincoln Financial

Profit (Post-tax and investment gains/losses)

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)	3Q18 Loss Ratio	3Q17 Loss Ratio
Group Protection	$63	$41	73.6%	63.7%
Group Disability	$38	$14	75.8%	69.5%
Group Life	$32	$27	70.6%	55.8%

EP/Sales

Line of Business	3Q18 EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales ($000,000)
Group Protection	$1,011	$158	$500	$94
Group Disability	$569	$73	$227	$35
Group Life	$367	$69	$207	$33

Notable Statements

● Turning to Group Protection, earnings of $63 million increased significantly, which resulted in a 6.2% after-tax margin. Premiums more than doubled, driven by the acquisition, continued sales growth, and strong persistency results. During the quarter, sales increased 68%, again, primarily attributable to the acquisition, which resulted in growth in the Life and the Disability product lines in both employer- and employee-paid sales.

● As we enter the fourth quarter and the important January 1 renewal season, we are optimistic about our ability to grow premiums as we sustain persistency trends, while also achieving modest rate increases. Additionally, we expect to effectively compete for new business opportunities across all case sizes, given our increased scale, broader distribution, access, and expanded capabilities.

Analyst Questions

● In Group Protection, you've talked about persistency being a little better than you expected, sales continue to be strong, and based on your comments, the strong economy is helping. So, maybe kind of when we put all of these into a top-line expectation, how should we think about the premium growth, at least for 2019?

Response: Yes, a good question. And all the predicates to your question are correct. As we look into 2019, our premium growth is probably in the lower-single digits, the way we're thinking about it right now. And that has upside to it, because in that comment we're assuming some lapses that we haven't seen yet, but we continue to assume it. We get out a year or so and we're back to our 5% to 7% premium growth expectations.

Sun

Profit (Pre-tax and special charges):

Line of Business	3Q18 Profit ($000,000)	3Q17 Profit ($000,000)
U.S. Group Benefits	$86	$126

EP/Sales

Line of Business	3Q18 EP ($000,000)	3Q18 Sales ($000,000)	3Q17 EP ($000,000)	3Q17 Sales ($000,000)
U.S. Group Benefits	$914	$132	$880	$154

Notable Statements

● Our group benefits after-tax profit margin was 6.4% in the third quarter compared to 4.5% in the prior year, reflecting the continued strong result from our stop-loss business. Underlying return equity on SLF U.S. was also strong at 15.7%.

Summary

Company	Earnings	Sales	EP
Prudential	Group: $59M (↓3.3%)	LTD/STD: $16M (↑33.3%%) Life/AD&D: $63M (↑173.9%)	LTD/STD: $245M (↑11.4%) Life/AD&D: $1,009M (↑4.6%)
Unum	LTD/STD: $93.0M (↑3.3%) Life/AD&D: $64.0M (↑6.5%) Supp/Vol: $113.9M(↑5.2%) Unum UK: $26.1M (↓1.5%) Colonial: $84.2M (↑3.1%)	U.S Brokerage LTD: $25.4M(↓18.3%) STD: $17.9M(↓13.5%) Life/AD&D: $29.4M(↓16.2%) Supp/Vol IDI: $20.1M(↓1.5%) Voluntary: $47.6M(↑6.3%) Dental/Vis: $12.3M(↓26.8%) Unum UK LTD: $9.1M(↑40%) Life: $5.6M(↓28.2%) Colonial Acc/Dis: $77.3M(↑12.8%) Life: $24.2M(↑7.1%) Can/CI: $19.3M(↑8.4%)	U.S. Brokerage LTD: $441.1M (↑1.4%) STD: $180.4M (↑12.0%) Life/AD&D: $438.9M (↑7.2%) Supp/Vol IDI: $109.5M(↑4.4%) Voluntary: $222.3M(↑5.5%) Dental/Vis: $51.0M(↑20.9%) Unum UK LTD: $91.3M(↑5.0%) Life: $27.1M(↑1.5%) Colonial Acc/Dis: $231.9M(↑4.3%) Life: $81.4M(↑9.1%) Can/CI: $86.7M(↑6.0%)
Principal	Specialty Benefits: $83.7M(flat)	LTD/STD: $15.6M(↓8.8%) Life/AD&D: 12M(↓4.8%)	LTD/STD: $124.8M(↑3.7%) Life/AD&D: $111.5M(↑6.7%)
Cigna	Group Dis & Life: $106M(↑9.3%)	N/A	LTD/STD: $507M(↑2.8%) Life/AD&D: $427M(↓1.2%)
Met	Group Benefits: $370M(↑53.5%)	Not reported by line of business	Non-Med: $1,713M(↑5.2%) Life: $1,722M(↑4.9%)
Hartford	Group: $110M (↑10.0%)	LTD/STD: $48M(↑11.6%) Life/AD&D: $47M(↑135%)	LTD/STD: $641M(↑74.2%) Life/AD&D: $652M(↑70.7%)
Lincoln	LTD/STD: $38M(↑171.4%) Life/AD&D: $32M(↑18.5%)	LTD/STD: $73M(↑108.6%) Life/AD&D: $69M(↑109.1%)	LTD/STD: $569M(↑150.7%) Life/AD&D: $367M(↑77.3%)
Sun	U.S. Employee Benefits Group: $86M(↓31.7%)	U.S. Employee Benefits Group: $132M(↓14.3%)	U.S. Employee Benefits Group: $914M(↑3.9%)