SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

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Dear Smith Group Client:

We continue our service of providing competitive information by releasing the following information. This report is based upon insurers' 4th quarter and 2002 earnings releases. Since it is the close of 2002, we concentrated on annual numbers when available instead of quarterly numbers. Upon receipt of complete sales and inforce numbers, a supplementary report will be done and routed.

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@smithgroupre.com to discuss the material further.

UnumProvident (UP):
Profit (Before FIT and net unrealized investment Gains/Losses):
Reported group disability (LTD & STD) profit of $333 million for 2002 compared to $336.9 million in 2001. This was due to a continued decline in STD earnings. LTD earnings were up slightly. Disability (LTD & STD) loss ratio in 2002 was 84.4%, up from 84.1% in 2001.
Life profits in 2002 were up to $245.7 million from $179.2 in 2001. Life loss ratio improved to 76.9% from 79.7% in 2001.
EP/Sales (Sales on submitted basis):
LTD premium for 2002 was $2,309.3 million up from $2,151.8 for 01. STD premium was $604.9 million from $569.6 million in 01. Group Life and AD&D premium was $1,658.6 million up from $1,545 million.
LTD sales were $393.5 million for 02, versus $336.9 million a year ago. STD fully insured sales were down – $130 million for 02 vs. $164.5 for 01 – continuing the move from fully insured to ASO. ASO premium equivalents were $162.1 up from $99.7 in 01. Life sales were down as planned with $289.6 million in 02 versus $347.8 in 01. (AD&D sales were lumped in with LTC.)
Notable statements:

- ?? 4Q sales were disciplined.
- ?? Recoveries were down in 4Q02, but expect to get back on track in 03.
- ?? Flat earnings outlook for 03 unless consumer confidence and interest rates recover.
- ?? Media attention distracted from recoveries in 4Q and sales in 3Q.
- ?? Renewals and persistency more important than sales in these uncertain times.

Hartford:
Profit (Net income after tax before capital gains/losses):
Overall Group (Life, STD, & LTD) net income grew 21% in 2002 to $128 million from $106 million a year ago.
EP/Sales:
Disability sales (LTD & STD) were up 4% at $218 million for 2002 over 2001. Life sales were $284 million vs. $220 million a year ago, up 29%. Disability premiums were $961 million, up 11% over 2001. Group Life premiums were $965, up 18% over 2001.
Notable statements:

- ?? Increased competition in the large case group disability and group life markets.
- ?? Group Life and Disability are nearing 1 billion dollar businesses.
- ?? Lower changes in group benefit reserves as a result of good results in getting people off claim.

CIGNA:
Profit (Excluding realized investment gains/losses, net of taxes):
Operating income for Employee Health, Life and Disability continuing operations declined to $579 million in 2002 vs. $778 million a year ago. The Indemnity segment that includes indemnity medical, disability and life declined to $214 million for 2002 from $350 million. The major reason was poor health experience. Group life and disability experience improved.
EP/Sales:
LTD premiums for all of 2002 were down 21% to $469 million from $591 million last year. Life premiums declined 7% to $1,587 million in 2002 from 2001 life premium of $1,698 million.
Notable statements:

- ?? CIGNA taking actions to strengthen underwriting, both in personnel and process.
- ?? Sales compensation and underwriter incentives will be linked and with ties to profitability.
- ?? 3,900 jobs will be eliminated to reduce operating costs. (Many of the layoffs have already occurred.)
- ?? CIGNA will continue to grow specialty operations (of which life and disability are a part).

MetLife:
Profit (Operating Earnings pre tax and before after-tax investment gains (losses) and excluding 4Q releases of $20 million for realignment initiatives and $17 million of 9/11 associated disability reserves.):
Non-medical profit for 2002 was $184 million compared to $152 million for 2001. Group disability loss ratio in the 4Q was 97.7%, down from 102.2% a year ago. Group life earned $308 million in 2002 compared to $298 million in 2001.
EP/Sales:
Group disability (LTD and STD) premiums were $856 million up from $729 a year ago. Group life grew to $5.16 billion in 2002 up from $4.93 billion in 2001.
Notable Statements:

- ?? The Institutional Segment (which includes disability and life) achieved good results through better underwriting results increased investment spreads, and improved expense efficiencies in non-medical health.
- ?? Higher growth than anticipated in disability was due in part to renewals and persistency higher than plan.
- ?? Disability price increases and good mortality resulted in an improved loss ratio of 97.7%.

Standard:
Profit (Pre-tax income after realized capital gains/losses):
Employee Benefits was $158.4 million for 2002 up from $133.3 a year ago.
EP/Sales:
LTD sales for the year were $97.1 million down from last year's $98.6 million. EP for LTD was $583.4 million up from $514.0 a year ago. This was primarily due to good persistency and the TIAA acquisition. STD sales were $48.8 million up $11.8 million year over year. STD EP grew to $145.2 million from $123.7 in 2001. Life sales were $133.8 million up from $115.6 in 01. Life premium was $498.0 from $428.4.
Notable Statements:

- ?? The LTD reserve discount rate was reduced 50 basis points to 5.25% for new claims.
- ?? LTD benefit ratio was 79.4% for 4Q02 better than target of 82-84%.
- ?? Loss Ratio volatility can work both ways [helping in this quarter].
- ?? Manual rate increases for 03 on both LTD and STD.

Prudential:
Profit (Adjusted operating income before taxes):
Group Insurance (LTD, STC and LTC) profit for Employee Benefits was $155 million up from $70 million for 2001. Disability loss ratio was 87.9% for 2002 improved from 95.2% in 2001. Life loss ratio was down to 91.7% for 2002 from 92.6% in 2001.
EP/Sales:
Group disability (LTD, STD, & LTC) premiums for 2002 were $604 million up from $543 million a year ago. Group disability sales in 2002 were $160 million up from $139 million a year ago. Group Life sales were $269 million down from $435 million 2001. Disability persistency was 86.8% while persistency for life was 94.5% in the 4th quarter.
Notable statements:

- ?? Prudential operated selectively in disability in pursuit of new business.
- ?? Highly competitive markets makes it difficult to re-price life, so being selective.
- ?? Half of life book has been re-priced and the rest will be re-priced in 2003.

CNA:
Profit (Net operating income after tax excludes net realized gains (losses), income (loss) from discontinued operations and the cumulative effect of a change in accounting principal.):
Net operating income for Group was $104 million, up from a restated figure of $22 million in 2001. 2002 loss ratio was 87.3% down from 90.8% for 2001.
EP/Sales:
EP was $1,151 million for 2002 vs. $2,218 million in 2001. The loss of the National Postal Mail Handlers contract is the reason for the decline.
Notable statements:

- ?? Offsetting some of the decline in premium from the loss of the Mail Handlers contract was growth in the disability line of business.
- ?? Strong returns in group disability.
- ?? Disciplined underwriting and expense management are the reasons for good results.

Fortis:
Reports in March.

Aetna:
Profit (Operating earnings exclude 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 $142.2 million in 2002 compared to $160.1 in 2001.
EP/Sales:
For 2002, premiums for group were $1,457.4 million compared to $1,378.6 in 2001.
Notable Statements:

- ?? Strategy is for better integration of group and health.
- ?? Lower results were due to lower net investment income and a higher benefit cost ratio.
- ?? Wants to be more effective in the small and middle markets, infusion of outside talent makes this possible.

Liberty
As a mutual company, Liberty does not have quarterly earnings releases. They do publish an annual report, however it will be some time before that is available.

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 2002 was $$122.7 million up from $72.9 million a year ago.
EP/Sales:
Disability premium, mostly LTD, for 2002 was $195 million compared to $162.6 million a year ago. Sales of disability in 2002 were $76 million up from $60.6 million last year. Disability persistency was 81%. Life EP for 2002 was $210 million from $170.8 in 2001. Life sales for 2002 were $70.9 million up from $55.6 million in 2001. Life persistency was 85.1%
Notable Statements:

- ?? Saw increased quote activity despite the economy.
- ?? No significant uptick in disability claims.
- ?? Expect 20% growth on sales in 2003 over 2002.
- ?? Will expand the sales force 10% in 2003.

Guardian
As a mutual company, Guardian does not have quarterly earnings releases. They do publish an annual report, however it will be some time before that is available.

Jefferson Pilot (JP):
Profit (After FIT and before net unrealized investment Gains/Losses):
Benefit Partners loss ratio returned to normal levels in the 4Q resulting in 2002 earnings of $47.5 million compared to $44.5 million on 2001. The loss ratio was 73% for all of 2002 compared to 72.4% in 2001.
EP/Sales:
Overall group sales were $181.9 million for 2002 up 21% over 2001 sales of $150.2 million..
Notable Statements:

- ?? Build out of distribution in Benefit Partners adding to growth.
- ?? Superior service as a result of internet self service coupled with selecting appropriate target markets, allows Jefferson Pilot to differentiate and as a result be more conservative in plan, thus getting better results.
- ?? Current discount rate is 6%, but reviewing and anticipate a change in 03.
- ?? The biggest cost in a disability policy is not the premium but the service hassle for the employer. We eliminate that.

Sun: (All numbers were reported in Canadian dollars, but have been converted to US)
Profit (Net income after tax):
US Group Life & Health (LTD, STD, Stop Loss and life) earned $31.2 million in 2002 compared to $26.1 million in 2001.
EP/Sales:
GL&H premiums for 2002 were $641.9 million up from $554.7 million a year ago. Sales of health (disability and stop-loss) were $128 million up from $115.9 in 2001. Life sales were $64.3 million for 2002 compared to sales of $61.8 million in 2001.
Notable Statements:

- ?? Picking up market share with a history of solid year over year increases.
- ?? Mortality moved in the right direction.

AIG:
No detail is reported.

GE ESG:
No detail is reported.

NWML:
As a mutual company, NWML does not have quarterly earnings releases. They do publish an annual report, however it will be some time before that is available.

Principal:
Profit (Operating earnings after tax before capital gains/losses):
Principal combined all life and health (individual and group) as a segment for earnings. Life and Health after tax operating earnings were $61.4 million for the quarter compared to $49.6 million for 4Q01. Loss ratio for group disability in 2002 improved to 86.5% from 88.7% in 2001 and life loss ratio improved to 68.7% from 71.3% in 01.
EP/Sales:
Group disability (STD & LTD) premiums for 2002 were $111 million up from $98.2 million in 2001. Group disability sales were $31.7 million for 02 up from $17.5 in 01. Group disability lapse rate was 14.6%. Group life EP was declined to $217.6 million from $221.8 million a year ago. Group life sales were $29.9 million for the year, up from $16.4 million in 01. Lapse rate was 15% compared to 18.4% in 01.
Notable Statements:

- ?? Earnings up due to improved loss ratios.
- ?? When asked why they were in the disability business when it was so small replied: "Not wedded to the disability business… key advantage of being in it is accommodating distribution which brings other business".
- ?? Group life market is very competitive in large case and Principal won't write it at a loss.

ING:
Reports 21 February. Seldom reports detail on US group.

Canada Life (All amounts in Canadian Dollars):
Profit (Net income after income taxes):
US Group Life and Health earned $1 million in net income in 2002 compared to a loss of $3 million in 2001. Better mortality was offset by poor morbidity experience in group health. Group health includes: STD, LTD, Dental, Critical Illness, and Medical Stop Loss.
Sales/EP:
Group Life and Health premiums were $552 million for 2002 vs. $448 a year ago. Group Life and Health sales for 2002 were $156 million down 7% from 2001.
Notable Statements:

- ?? A major focus in 2002 included re-pricing of a significant portion of the product portfolio and fine tuning underwriting to address product lines where profitability did not meet management's expectations.
- ?? In 2003 continued focus on group profitability.
- ?? In 2003 a main initiative for group production is to develop additional business through in-force groups.

Overall Observations :

?? Most carriers touting disciplined underwriting and pricing in a difficult environment.
?? Capital sufficiency and asset quality becoming increasingly an issue with analysts.
?? "Claims philosophy" coming into question among some with most carriers who commented reporting neither backlash nor advantage from UnumProvident media attention on claims.
?? In companies in which group operations are a small segment, little discussion about group.
?? Results for both growth and profit were mixed especially by line of business within companies.

Profit Summary as % of EP

Company	Group	Disability	LTD	STD	Life
UP		11.4%			13.9%
Hartford	5.5%				
CIGNA	1.3%				
MetLife	5.9%				6.0%
Standard	12.3%				
Prudential	5.5%				
CNA	4.5%				
Fortis					
Aetna	8.0%				
Liberty					
RSL	20.1%				
Guardian					
JP	7.8%				
Sun	4.9%				
AIG					
GE ESG					
NWML					
Principal					
ING					
Canada Life	0.2%				

Notes:
UP – Disability is LTD & STD, Life is life, AD&D, LTC
Hartford – Includes all group products
CIGNA – Indemnity lines, includes life, medical, dental, LTD and other
Metlife – Group defined as "non-medical health"
Standard – Includes all group products
Prudential – Includes all group products
CNA - Includes all group products
Fortis – Not yet reported
Aetna – Includes life, disability, and LTC
Liberty – As a mutual company does not report
RSL – Includes disability, life, excess workers compensation and other products
Guardian – As a mutual company does not report
JP – Includes all group products
Sun – Includes all group products
AIG – Does not report this detail
GE ESG – Does not report this detail
NWML – As a mutual company does not report
Principal – Does not report this detail for the year
ING – Does not report this level of detail
Canada Life