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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 2003 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@smithgroupre.com to discuss the material further.

Q4 2003 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) loss for 2003 of \$429 million compared to 2002 gain of \$80.5 million.
- The reason was a one-time reserve strengthening comprised of \$300 million as a result of lowering the discount rate and \$140 million as a result of “morbidity assumptions to reflect the impact of the continuing jobless economic recovery on claim incidence and severity”.
- Group Disability Benefit Ratio excluding the reserve strengthening would have been 92.9% nearly flat from 92% for 2002.
- Group Life and AD&D reported profits for 2003 of \$227.9 million, compared to \$221.9 million reported for 2002.
- Life Benefit Ratio for 2003 was reported as 76.8%, down from 77.6% year ago.
- Note that UK results are also included in these figures.

EP/Sales (Sales on submitted basis):

- LTD premium was \$2,402.9 million for 2003 up from \$2,198.7 million for 2002.
- STD premium was \$630.9 million for 2003 up from \$601.6 million in 2002.
- Group Life premium was \$1,524.6 million for 2003 up from \$1,434.4 million in 2002. AD&D premium was \$198.6 million for 2003 down from \$199.8 in 2002.
- LTD sales were \$380.6 million for 2003 compared to \$382.2 million in 2002. (4Q03 sales were down 11.7% compared to 4Q02 primarily due to reductions in large case sales.)
- STD fully insured sales were \$127.2 million in 2003 vs. \$129.3 million for 2002.
- Life sales were \$269.3 million in 2003 versus \$288.6 million in 2002. (4Q03 sales were off 25.6% compared to 4Q02.)
- AD&D sales were \$26.6 million for 2003 down from \$41.1 million in 2002.

Notable statements:

- Litigation - decline in complaints 25%
- Reorganized field structure (apparently mostly large case folks)
- Seeking profitability at the expense of persistency and market share
- Competitors are being aggressive in certain segments. We'll back away in some areas to improve profits.
- Reason UP results different from others - Size of book, mix of business, growth in past, anti-selection
- In the past we tried to balance profit/growth. Now its price and profit, renewals and new business have double-digit price increases. (New business prices up 18%)
- Not willing to discount new business and hope for a renewal increase down the road
- Growth at faster than industry growth is at the expense of margin. We're not doing that again

Q4 2003 Earnings Releases & Conference Calls Summaries

Hartford:

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

Overall Group (Life, STD, & LTD) 2003 net income was \$148 million compared to \$128 million in 2002. Favorable loss ratio was given as the reason.

Overall group loss ratio was 78.5% for 2003, down from 2002 loss ratio of 80.6%.

EP/Sales:

Disability sales (LTD & STD) were \$225 million for 2003 up from \$218 million in 2002.

Life sales were \$200 million in 2003, down 30% from 2002 of \$284 million.

Disability premiums were \$963 million for 2003 flat compared to \$961 million in 2002.

Group Life premiums were \$984 million, up 2% compared to \$965 million in 2002.

Notable statements:

4Q03 sales were up 43%. This trend is expected to continue due to organic growth rebounding and the effect of the CNA acquisition.

The loss ratio is below trend; don't expect it'll happen again. It was a good quarter and guidance was 78% to 80% and maybe now 77% to 79%.

Delighted with the CNA integration so far.

CIGNA:

Profit (Excluding realized investment gains/losses, net of taxes):

Group Disability and Life earnings were \$137 million for 2003 up from the \$124 reported for 2002.

EP/Sales:

Disability premiums (presumably primarily LTD) for 2003 were \$538 million up over 2002 premiums of \$507 million.

Life premiums increased to \$977 million for 2003 compared to \$914 million in 2002.

Sales results were not disclosed

Notable statements:

Strong disability management execution, good persistency, and new sales resulted in continued good segment results.

Sales were higher in the mid-market.

CIGNA's new strategic focus is to be a leading provider of health care and related benefits. Our strategy builds on a foundation of strong capabilities in medical, pharmacy, behavioral health, clinical information management, dental and vision benefits, case and disease management, and disability, life, and accident products.

Q4 2003 Earnings Releases & Conference Calls Summaries

MetLife:

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

- ☞☞ Non-medical profit (LTD, STD, Dental, and LTC) for 2003 was \$239 million compared to \$201 million for 2002.
- ☞☞ Group disability loss ratio in the 4th quarter was 102.7%, compared to 97.7% for 4Q03. For all of 2003, the disability loss ratio was 98.5%
- ☞☞ Group life earned \$350 million in 2003 compared to \$308 million in 2002. The loss ratio in the 4th quarter of 2003 was 91.4% well below the 94% to 98% target range.

EP/Sales:

- ☞☞ Group disability premiums for 2003 were \$943 million up from \$865 in 2002.
- ☞☞ Group life grew to \$4.728 billion in 2003 up from \$4.490 billion in 2002.

Notable Statements:

- ☞☞ Morbidity ratio was up in the 4th quarter due to lower reported closures due to death. Unlike some others, hasn't had an increase in incidence.
- ☞☞ Average rate increase of 10% across the board on 1/1/04 renewals (in disability).
- ☞☞ Others focused on expense ratio in disability. If we had we could not manage the claims and service as (successfully) as we do.
- ☞☞ Closing ratio in disability has been consistent at 1:20.

Standard:

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

- ☞☞ Employee Benefits profit was \$194.4 million for 2003 up from \$158.4 million in 2002.

EP/Sales:

- ☞☞ LTD sales for 2003 were \$117.9 million down from last year's \$133.8 million. Standard states maintaining price discipline and fewer sales reps as part of the reason along with a continuing tough economic environment.
- ☞☞ EP for LTD in 2003 was \$686.1 million up from \$583.4 in 2002 due to the TIAA acquisition.
- ☞☞ STD sales were \$49.8 million for 2003 up from \$48.8 million in 2002.
- ☞☞ STD EP grew to \$162.9 million in 2003 from \$145.2 million in 2002.
- ☞☞ Life and AD&D sales were \$87.9 million in 2003 down from \$97.1 in 2002.
- ☞☞ Life and AD&D premium was \$606.3 million in 2003, up from \$498 in 2002.

Notable Statements:

- ☞☞ Higher earning due to better than anticipated recoveries in LTD. This higher level of recoveries now seems sustainable over time.
- ☞☞ Increased discount rate used for new claims again to 5.2%. Plan to reduce pricing of new business as a result.
- ☞☞ Persistency for the year was mixed – LTD at 85.5% was down from 2002 persistency of 88.1%. Life persistency was better at 89.7% in 2003 compared to 88% in 2002. Some of the LTD decline was due to shedding of unprofitable business.
- ☞☞ Expect the improving economic environment to have an effect (on sales) in the second half of 2004.
- ☞☞ Basic distribution platform is getting a lot of attention.

Q4 2003 Earnings Releases & Conference Calls Summaries

Prudential:

Profit (Adjusted operating income before taxes):

☞☞ Group Insurance (life, LTD, STC and LTC) profit for Employee Benefits in 2003 was \$169 million up from \$155 million in 2002. In this quarter adjusted operating income was \$47 million “relatively unchanged” compared to \$52 million in 4Q02.

☞☞ Disability loss ratio was 92.4% for 2003 compared to 87.9% in 2002.

☞☞ Life loss ratio for 2003 was 90.9% compared to 91.7% in 2002.

EP/Sales:

☞☞ Group disability (LTD, STD, & LTC) earned premium for 2003 was \$642 million up from \$585 million in 2002.

☞☞ Group disability sales for 2003 were \$144 million compared to \$160 million in 2002.

☞☞ Group Life EP was \$2,426 million in 2003 compared to \$2,388 million in 2002.

☞☞ Group Life sales were \$225 million for 2003 compared to \$269 million 2002.

Notable statements:

☞☞ Disability had less favorable experience (than group life) as a result of slower claims resolutions rather than incidence or severity. No trend, due to economy or otherwise, was detected.

☞☞ Portland, Maine, office opening expands claims capacity.

☞☞ Strategy of selective re-pricing and pricing discipline in new business.

CNA:

CNA group is now part of Hartford, so this will be the last time CNA reports on group.

Profit (Net income after tax including net realized gains.):

☞☞ 2003 net income for Group was a loss of \$31 million due to a net realized investment loss of \$131 million. Without the investment loss, income would have been \$100 million. This is compared to net income for 2002 of \$65 million.

EP/Sales:

☞☞ Net EP was \$1,312 million for 2003 compared to 2002 of \$2,327 million.

☞☞ For 2002, \$1,151 million of net earned premium were related to the National Postal Mail Handlers Union contract that transferred on 7/1/2002.

☞☞ CNA does not disclose sales results on a quarterly basis.

Fortis:

Will not report until 3/11. However, it is expected they will not report anything of significance at the group line level. Going forward, Assurant will be the reporting entity.

Q4 2003 Earnings Releases & Conference Calls Summaries

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 \$134.8 million in 2003 compared to \$142.2 million in 2002. Reason for the decrease was given as increased expenses associated with expanding marketing efforts partially offset by better experience and growth.

EP/Sales:

☞☞ For 2003 premiums for group were \$1,832.9 million compared to \$1,745.3 in 2002. Aetna does not release sales numbers or premiums by line. However, Aetna does release member numbers. For 2003 compared to 2002, Group Life membership has grown by 7.8% and LTD declined by 5.7% in enrolled lives. Overall, Group has grown 5.3% in lives.

Notable Statements:

☞☞ Growth in 2004 to be in smaller and mid-case market.

Liberty

As a mutual company, Liberty does not have quarterly earnings releases.

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 2003 was \$140.1 million up from \$122.7 million in 2002.

☞☞ Group loss ratio was 68.2% for 2003 compared to 69.2% in 2002.

☞☞ Excess workers comp contributed 42% to the net income and had 22% of the premium.

EP/Sales:

☞☞ Disability premium, mostly LTD, was \$233.4 million for 2003 compared to \$195 million in 2002.

☞☞ Sales of disability in 2003 were \$84.9 million up from 2002 of \$76 million.

☞☞ Life EP was \$241.9 million in 2003 up from \$210 million in 2002.

☞☞ Life sales for 2003 were \$68.2 million down from to \$70.9 million in 2002.

Notable Statements:

☞☞ In RSL's small case niche, 20% of sales are first time buyers under 100 lives. These cases are less price sensitive and provide less generous benefits.

☞☞ UNUM (sic) with 35% market share is under financial stress (and) said they are trying to increase prices...take lapses. (This is a) good thing, shows market leadership. Disability has not performed as well for us as we would like, others (companies) the same, and allows us to follow. Smart players will follow.

☞☞ Hard to say (if RSL is seeing UP's new pricing discipline), seems outliers (on price) in part moderated.

☞☞ Early to say (if RSL is benefiting from UP's higher rates). If they follow through...opportunity to improve our margins.

Q4 2003 Earnings Releases & Conference Calls Summaries

Guardian

As a mutual company, Guardian does not have quarterly earnings releases.

Jefferson Pilot (JP):

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

- ☞☞Benefit Partners' profit 2003 was \$50.7 million up from \$47.5 in 2002. Life had a favorable fluctuation in loss ratio.
- ☞☞Overall loss ratio for all Benefit Partner lines was 73.7% for 2003 compared to 73% in 2002. With corrective actions taken on life, it is hoped the overall loss ratio improves in 2004.

EP/Sales:

- ☞☞Overall group sales were \$200 million for 2003 up over \$181.9 million in 2002. However, 4Q sales were off 4.3% compared to 4Q02 and sales were slower in the second half of 2003 reflecting an industry wide softening in non-medical benefits sales.
- ☞☞Sales by line were not disclosed.
- ☞☞Overall group premium for 2003 came in at \$756 million compared to 2002 of \$638.1 million.
- ☞☞Premium by line was not disclosed.

Notable Statements:

- ☞☞Part of the second half slowing of sales was due to the environment and tighter underwriting rules and an emphasis on the under 500 lives market.
- ☞☞Distribution expanded to 87 reps up from 78 at the end of 2002.
- ☞☞The acquisition of Canada Life's group division is expected to accelerate distribution growth as well as reaching the right scale for JP's markets.

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 \$42 million in 2003 compared to \$49 million in 2002. However, in US dollars the results were nearly flat year over year with \$30 million in 2003 versus \$31 million in 2002.

EP/Sales:

- ☞☞GL&H premiums for 2003 were \$992 million compared to \$1,008 million in 2002. It is assumed that the decline is due to exchange rates and the stronger Canadian dollar in 2003 compared to 2002.
- ☞☞Sales of health (disability and stop-loss) were \$221 for 2003 up from \$201 million in 2002. Given the exchange rate having the effect of lowering 2003 figures when converted to Canadian dollars, the sales grew more rapidly than these numbers suggest.
- ☞☞Life sales were \$99 million for 2003 compared to \$101 million in 2002.

Notable Statements:

- ☞☞Unfavorable currency exchange due to stronger Canadian dollar dampens US results.
- ☞☞In the fourth quarter of 2003, annualized sales of GL&H were up 53% which contributed to a 22% increase in all of 2003.

Q4 2003 Earnings Releases & Conference Calls Summaries

AIG:

Group Life/Health includes stop loss, life, dental, vision, STD, LTD, voluntary and travel assist. Results are not available by line.

Profit (Pretax Operating Income)

☞☞ Group Life/Health profits for 2003 were \$119.9 million up from \$100.9 million in 2002.

EP/Sales:

☞☞ Group Life/Health premiums for 2003 were \$1,046 million up from \$966.9 million in 2002.

☞☞ Sales are not listed nor commented on.

Notable Statements:

☞☞ The difference in some companies between what management thinks is happening and what is happening is great. (We have) No rogue underwriters doing something foolish (due to our internal controls).

GE ESG:

GE reports no detail on this segment. GE ESG is part of the GE Financial Assurance (GEFA) reporting segment and is included under the "other insurance" heading. Earnings in "other insurance" for GEFA were down 39% for 2003. Genworth, the IPO that includes GE ESG is on track for the first half of 2004. The IPO will reduce GE's ownership of Genworth to 70%. GE stated it plans to "reduce ownership over 2-3 years".

NWML:

As a mutual company, NWML does not have quarterly earnings releases. NWML did produce a news release with 2003 financial results for the company as a whole. No detail was provided.

Principal:

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

Principal reports earnings by life (individual and group), health (individual and group), and disability (individual and group) as segments for earnings.

☞☞ Disability (ID, STD, and LTD) for 2003 was \$11.3 million up from \$10.4 million for 2002. (Group disability STD and LTD represents about 57% of all disability premiums.)

☞☞ Loss ratio for group disability in 2003 was 80.3% down from 86.51% in 2002.

☞☞ ROE for all disability (ID, STD, & LTD) was reported at 5.7% compared to 5.9% for 2002.

☞☞ Group Life loss ratio was 73.6% in 2003 compared to 68.7% in 2002.

EP/Sales:

☞☞ Group disability (STD & LTD) premiums for 2003 were \$140 million up from \$109.9 million in 2002. Lapse rate was 16.6% in 2003 compared to 17.2% in 2002.

☞☞ Group disability sales were \$41.6 million for 2003 up from \$31.7 million in 2002. (4Q sales were similarly strong.)

☞☞ Group life EP for 2003 was \$216.7 million down from \$217.9 in 2002. Lapse rate was 15.1% in 2003 compared to 12.3% in 2002.

Q4 2003 Earnings Releases & Conference Calls Summaries

Group life sales were \$31.8 million for 2003 nearly flat from \$31.3 million in 2002. (4Q03 sales were down almost 10% compared to 4Q02.)

Notable Statements:

- Principal expects “growth to continue to pick up (in disability) in 2004 as wholesalers (group reps?) become more mature”.
- Expects to have more wholesalers in 2004 and that combined with packaging life with other products should provide growth.

Great West – Canada Life:

Great West has sold the Canada Life group operation (except the stop loss) to Jefferson Pilot. However, several interesting tidbits came out of the 4Q Investor Conference Call Great West held on January 29. When asked why Great West was selling the operation (after indicating it intended to grow it) Great West’s response was that there were two reasons. First, they discovered an overlap in sales offices and brokers between the CL operation and Great West’s existing operations here in the US. Next they noted that Canada Life’s business was comprised of commodity products and too small to have a good opportunity for long-term profitable growth. In fact, they disclosed Canada Life was breakeven in 2001 and 2002 and made money in 2003 (\$7 million according to their statements). The implication for other companies with group operations of similar size may be a need to evaluate the strategic fit of these businesses with their core businesses.

Great West markets health insurance and reports the segment as Employee Benefits, so it includes LTD, STD, Life, Stop-Loss, Medical, and Dental. Unlike Sun Life (another Canadian based company), Great West does report figures in US dollars.

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

- Great West reported \$180 million for 2003 compared to \$159 million in 2002. Again, the Canada Life’s contribution to this was stated as \$7 million.

EP/Sales:

- EP for all lines was \$5,589 million for 2003 from \$6,233 million in 2002. A statement was made that Canada Life contributed \$221 million. Thus must be a partial year figure as the inforce number that was announced for the sale of CL to JP was \$340 million.
- Sales for 2003 were \$671 million compared to \$749 million in 2002. A statement was made that CL contributed \$34 million to this.

Q4 2003 Earnings Releases & Conference Calls Summaries

2003 Results Summary Versus 2002

Company	Earnings (Segments)	Sales	EP
UP	Reported a Loss (STD & LTD – US&UK)	Flat (LTD)	Up 9% (LTD)
Hartford	Up 16% (All group)	Up 3% (LTD & STD)	Flat (LTD & STD)
CIGNA	Up 10% (Disability & Life)	NR*	Up 6% (LTD & STD)
MetLife	Up 19% (Non-Medical lines)	NR*	Up 9% (LTD & STD)
Standard	Up 23% (All group)	Down 12% (LTD)	Up 18% (LTD)
Prudential	Up 9% (All group)	Down 10% (LTD, STD, LTC)	Up 10% (LTD, STD, LTC)
CNA	Reported a Loss (All group)	NR*	Up 11% (All Group, without Mail Handlers)
Aetna	Down 5% (Life, STD, LTD, LTC)	NR*	Up 5% (Life, STD, LTD, LTC)
RSL	Up 14% (LTD, STD, life, excess WC)	Up 12% (LTD & STD)	Up 20% (LTD & STD)
JP	Up 7% (All group)	Up 10% (All group)	Up 18% (All group)
Sun	Down 14% (All group)	Up 10% (LTD, STD, Stop- loss)	Down 1% (All group)
AIG	Up 19% (All group)	NR*	Up 18% (All group)
Principal	Up 9% (ID, STD, LTD – group loss ratio improved)	Up 31% (LTD & STD)	Up 27% (LTD & STD)
Great West (Canada Life)	Up 13% (All lines including medical)	Down 10% (All lines including medical)	Down 10% (All lines including medical)

* NR – Not Reported