



February 21, 2006

Dear Smith Group Client:

We are pleased to provide the 4th Quarter 2005 Earnings Conference Call Summary for leading group LTD carriers. This report is based on insurers' 4th Quarter 2005 earnings releases.

The data and information upon which this summary is based are readily 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. Rather, this summary is meant to increase our collective understanding of the complicated business and times in which we operate.

As always, we welcome your questions and comments. Please direct inquiries to Kristen deCastro (207) 879-5680, kdecastro@smithgroupre.com.

Prudential Financial

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|------------------|----------------------------|----------------------------|-----------------|-----------------|
| Group Disability | NA | NA | 92.9% | 92.6% |
| Group Life | NA | NA | 86.4% | 83.7% |

EP/Sales:

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|------------------|------------------------|---------------------------|------------------------|---------------------------|
| Disability | \$190 | \$17 | \$179 | \$18 |
| Life | \$964 | \$34 | \$762 | \$42 |

Notable Statements

- Persistency ratio on Group Life at 95.2% for 4Q05 versus 93.9% for 4Q04
- Persistency ratio on Group Disability at 92.9% for 4Q05 versus 92.6% for 4Q04
- For full year 2005, Group Life new annualized premium at \$379 million versus \$237 million for 2004. Group Disability new annualized premium at \$154 million for 2005 versus \$151 million for 2004
- Administrative operating expense ratio down for both Group Life & Disability. For Group Life, the administrative operating expense ratio at 8.9% for 2005 versus 10.9% for 2004. For Group Disability the administrative operating expense rate was 20.9% for 2005 versus 22.1% for 2004.
- Per management during the earnings conference call, Group insurance businesses are competitive and sound

UnumProvident

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|------------------|----------------------------|----------------------------|-----------------|-----------------|
| LTD/STD | \$13.6 | (\$88.6) | 93.9% | 104.7% |
| Life/AD&D | \$43.5 | \$62.1 | 76.4% | 75.6% |
| Unum Limited | \$49.3 | \$46.7 | 65.5% | 66.4% |
| Colonial | \$38.7 | \$40.0 | 56.6% | 54.6% |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|------------------|------------------------|---------------------------|------------------------|---------------------------|
| US Brokerage | | | | |
| LTD | \$493.2 | \$68.1 | \$504.7 | \$79.8 |
| STD | \$136.5 | \$32.6 | \$151.5 | \$28.6 |
| Life | \$326.3 | \$64.2 | \$354.9 | \$69.6 |
| AD&D | \$39.8 | \$6.3 | \$44.5 | \$4.6 |
| Unum Limited | | | | |
| LTD | \$149.5 | \$17.5 | \$129.5 | \$24.4 |
| Life | \$41.1 | \$5.8 | \$36.5 | \$10.7 |
| Other | \$7.6 | \$1.6 | \$11.0 | \$3.2 |
| Colonial | | | | |
| LTD | \$129.1 | \$60.0 | \$124.0 | \$55.8 |
| Life | \$29.2 | \$19.5 | \$26.8 | \$19.5 |
| Other | \$42.2 | \$17.8 | \$38.7 | \$17.1 |

Notable Statements

- Group LTD persistency for 2005 was 84.8%, unchanged from 2004
- Group STD persistency for 2005 was 79.6% compared to 80.6% for 2004
- Group Life persistency at 78.3% for 2005 versus 84% for 2004
- Core market sales, pleased that they have sales more balanced. Less of an emphasis on large case market. Group core sales should be up in the low double digit sort of range.
- Large case marketplace continues to be extremely competitive and they expect it to remain so. Core business, they do see premium/life gradually working up. Feel more confident in their ability to compete due to increased focus on customer service.
- Question from an analyst on the changes in the claims organization. Why so many management changes in claims operation? It seems like there has been a constant cycle of change. Is this particular change going to remain in place long enough to produce meaningful results?
- Response was that they were concerned by consistency (by location, by quarter to quarter). They were concerned that there weren't plans in place to improve that consistency. They decided to break the business apart into two pieces, the part that is more judgmental versus the more service oriented area (LTD vs STD?). The plan has greater resources being applied, more management being applied. There are confident that it is going to result in measurable improvements going forward.

- UP reported softer-than-expected fourth-quarter profit, citing weak results in its group income protection business. CEO Thomas Watjen: “The results from our U.S. Brokerage -- group income protection line were disappointing, but we have made organizational changes and are taking other actions to restore this business to appropriate levels of profitability.” Premium income in group income protection declined 4% to \$629.7 million, reflecting lower sales in recent quarters as the company has focused on improving the profitability of the business. Sales of fully insured group long-term income protection products in the fourth quarter of 2005 declined 14.7% to \$68.1 million, compared to \$79.8 million in the year-ago quarter, and sales of fully insured group short-term income protection products in the fourth quarter of 2005 increased 14.0% to \$32.6 million, compared to \$28.6 million in the year-ago quarter. For both of these lines, sales in the core small and mid-sized markets improved significantly relative to the year-ago quarter while sales in the large case market declined. Premium persistency in the group long-term income protection line of business was 84.8% for both the full year 2005 and 2004. (TheStreet.com, January 30, 2006).

Reliance Standard Life (RSL)

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

| Line of Business | 4Q05 (\$000,000) | 4Q04 (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|--|------------------|------------------|-----------------|-----------------|
| Group (LTD, STD, Excess WC, Life, Travel Accident, Dental) | \$52.9 | \$39.4 | 68.9% | 70.8% |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|-------------------------|---------------------|------------------------|---------------------|------------------------|
| Disability (mostly LTD) | \$101.5 | \$33.1 | \$78.1 | \$39.3 |
| Life | \$71.6 | \$23.8 | \$67.2 | \$21 |

Notable Statements

- Continued focus on smaller cases (<300 lives)
- Sales rep count rose 9% to 117, expect similar growth in 2006
- RSL’s “Alternate Distribution Initiative” generated premium of \$38 million during 2005, in the range of what was expected. For 2006, they expect the number to be between \$40 and \$45 million.
- Voluntary initiative continues to get more traction (Disability, Life & Accident). RSL expects this area to be an important part of new business productivity. In 2005, sales represented high single digits. Expect 2006 to be at least 10% of overall production.
- Regarding large case market, they continue to see modest growth due to more intense competition. They still maintain a large case committee that is meeting more regularly due to more opportunities. However, they feel that competition in this segment is too aggressive. They are hoping that the pricing of this segment becomes more palatable. They will continue to be cautious in the pricing of large cases.

Standard Financial Group

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) |
|-------------------|----------------------------|----------------------------|
| Employee Benefits | \$74.6 | \$62.8 |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|------------------|------------------------|---------------------------|------------------------|---------------------------|
| LTD | \$198.9 | \$31.9 | \$184 | \$35.4 |
| STD | \$49.6 | \$10.8 | \$46.6 | \$12.8 |
| Life & AD&D | \$173.5 | \$42.9 | \$158.5 | \$47.2 |
| Other | \$17.6 | \$9.6 | \$16.7 | \$9.0 |
| ERR | (\$6.2) | | (\$1.8) | |
| Total EB | \$433.5 | \$95.2 | \$404.0 | \$104.4 |

Notable Statements

- For 2005, Life premium persistency at 89.4% versus 86% for 2004. LTD premium persistency at 89.9% for 2005 versus 87.5% for 2004
- Continue to focus on pricing discipline and risk selection
- 2006 sales are expected to be in line with expectations
- Favorable benefit loss ratio due to the following
 - o LTD claimants returning to work sooner than expected
 - o Fewer new ID claims
 - o 75.8% loss ration in '05 versus 77.4% in 04 and 81.3% in '03
- Expect 2006 loss ratio to be 77-78%
- Question from analyst as to what is going on in California. Response was that it was business as usual. If changes go through, prices will increase and choices for consumers will go down. An awful lot has to be settled prior to any changes.
- Question from analyst, why is loss ratio so good? Response from SFG:
 - o Diversification in portfolio
 - o Pricing discipline and risk selection are key
 - o expertise in claim operation, helping people return to work
 - o customer retention, making sure that customer stay with SFG. Excellent customer service and setting the rate at the right level from the beginning
- Analyst question, how do you think your price compares to the industry?
 - o Varies by segment, plan, area, product, etc.
 - o We are not the lowest and we are not the highest in the industry
 - o Work to set the right plan and price on the right risk from the beginning
 - o Too much acquisition pricing going on in the industry, especially in the large case market (>5000 lives). SFG will not chase this and will be happy to wait until renewal to take its shot.

- We have a great claim operation, but we do not believe we will be able to continue the benefit ratio at the current level. Much of the improvements have come through pricing discipline and improvements in the claims operation (more nurses, Drs, VCM, etc). Expectation that the loss ratio will level off at 76% to 77%
- What was the average price increase for 2005? Not sure, but believe that it was ~4%.
- What is the competitive landscape? Very competitive pricing environment, especially >5000 lives. The smaller end can be very competitive, some carriers are acquiring businesses at rates that are not desirable for SFG.

Aetna

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) |
|---|----------------------------|----------------------------|
| Group Insurance (Life, Disability, LTC) | \$35.2 | \$38 |

EP

| Line of Business | 4Q05 Earned Premium (\$000,000) | 4Q04 Earned Premium (\$000,000) |
|---|------------------------------------|------------------------------------|
| Group Insurance (Life, Disability, LTC) | \$554.5 | \$519.3 |

Notable Statements

- The number of individuals covered for Group Disability was 2,571,000 for 4Q05 compared to 2,341,000 for 4Q04
- The number of individuals covered for Group Life was 10,812,000 for 4Q05 compared to 10,930,000 for 4Q04
- The benefit cost ratio for Group Insurance (Life, LTD and LTC) was 94.9% for 4Q05 versus 92.5% for 4Q04

Principal Financial Group

Group life, disability (STD & LTD) dental, vision, and ID are reported as "Specialty Benefits".

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|------------------|----------------------------|----------------------------|-----------------|-----------------|
| Life & Health | \$65.4 | \$71.6 | N/A | N/A |
| Group Disability | N/A | N/A | 68.7% | 71.1% |
| Group Life | N/A | N/A | 67.4% | 65.8% |

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

EP

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|--------------------|------------------------|---------------------------|------------------------|---------------------------|
| Specialty Benefits | \$259.7 | \$50.9 | \$227.2 | \$38.5 |
| Disability | \$55.2 | \$11.1 | \$45.4 | \$8.1 |
| Life | \$65 | \$11.9 | \$61.8 | \$6.0 |

Notable Statements

- Record sales, premiums and earnings in our Specialty Benefits Division with sales up 23%, premiums up 13% and earnings up 26%.
- For the quarter and the year, each of the Specialty Benefits lines achieved strong sales growth and retention driving premium and fees up 13% from 2004.

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) |
|-------------------------------|----------------------------|----------------------------|
| Group Disability & Group Life | \$52 | \$54 |

EP

| Line of Business | 4Q05 EP (\$000,000) | 4Q04 EP (\$000,000) |
|------------------|------------------------|------------------------|
| Disability | \$170 | \$159 |
| Life | \$308 | \$266 |

Notable Statements

- While profit for disability and life was down 4Q05 as compared to 4Q04, for the entire year, it was up (\$227 million for 2005 versus \$183 million for 2004)
- Healthcare membership has grown modestly, 1 to 2%, over 2005. Membership is expected to grow the same level during 2006
- Continue to see strong margin and solid revenue growth in the Disability and Life segment
- Disability and Life Segment had a 24% growth in earnings at \$227 million versus \$183 million in 2004
- Realized unusually favorable mortality in early 2005, do not expect to see such results in 2006
- 2006 Expectation for Disability, Life & Accident is to maintain strong margin while growing revenues through brand recognition

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 | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio (\$000,000) | 4Q04 Loss Ratio (\$000,000) |
|---------------------------------------|----------------------------|----------------------------|--------------------------------|--------------------------------|
| Employee Benefits* (includes DRMS) | \$19.3 | \$20 | 69.9% | 73.6% |

* Employee benefits includes dental, disability & life

EP/Sales

| Line of Business | 4Q05 EP | 4Q05 Sales | 4Q04 EP | 4Q04 Sales |
|------------------|---------|------------|---------|------------|
| LTD & STD | \$123.4 | \$9.7 | \$124 | \$15.4 |
| Life | \$63.7 | \$6.7 | \$61.4 | \$10.0 |

Notable Statements

- 10% annual growth in profits due to favorable group life results
- Very pleased with overall experience trends
- Continue to have sharper focus on more profitable unique small case market
- Smaller case emphasis has led to flat revenues and as larger less profitable cases terminate profits continue to improve
- Continue to make an investment in technology to better serve the small case market
- Economic trends of improved employment particularly in small businesses and higher interest rates should bode well for this business
- Favorable mortality in Life
- Disability results continue to operate at expectation despite a slight up tick in 4Q05
- While net earned premiums were unchanged for the year, they feel this is a positive since larger, less profitable cases are not being renewed
- We continue to emphasize pricing discipline in a competitive marketplace

MetLife

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

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|------------------|----------------------------|----------------------------|--------------------|--------------------|
| Group Disability | N/A | N/A | 95.7% | 91.1% |
| Group Life | N/A | N/A | 89.8% | 89.3% |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q04 EP (\$000,000) |
|------------------|---------------------|---------------------|
| Disability | \$312 | \$335 |
| Life | \$1,468 | \$1,563 |

MetLife does not disclose sales numbers in these lines.

Notable Statements

- Group life segment performance was particularly strong this quarter with operating earnings of \$118 million. The result was driven by excellent underwriting results across the products that comprise the segment. Our mortality ratio dropped to 89.3% and the good results were broad based with favorable loss experience across all of our institutional market segments. We believe our results in this segment continue to reflect our disciplined approach to new business pricing and favorable persistency experience.
- Underwriting results were also solid in our group disability business this quarter as shown by our morbidity ratio. Overall in group disability, we experienced record sales, record earnings and excellent persistency in 2005.

Hartford**Profit (Pre-Tax and before after)**

| Line of Business | 4Q05 (\$000,000) | 4Q04 (\$000,000) |
|--|---------------------|---------------------|
| Group Benefits (Disability, Life, Other) | \$81 | \$65 |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|--|------------------------|---------------------------|------------------------|---------------------------|
| Group Benefits (Disability, Life, Other) | \$955 | \$136 | \$905 | \$80 |
| Group Disability | \$427 | \$58 | \$393 | \$24 |
| Group Life | \$422 | \$65 | \$417 | \$40 |

Notable Statements

- In Group benefits, fully insured sales were up 70% over the 4th quarter of 2004 with strength in both group disability and group life. Excellent sales in the latter half of 2005 and strong retention should drive fully insured premium up 8-10% in the coming year.
- Group benefits loss ratio at 71.3% for 4Q05 versus 71.7% for 4Q04
- Group disability earned premium up 8% for 2005 versus 2004, Group Life premium down 1%
- For 2005, group disability sales up 49% over 2004 (\$352 million versus \$237 million), group life up 9% (\$328 million versus \$301 million)

Jefferson Pilot
Profit

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) | 4Q05 Loss Ratio | 4Q04 Loss Ratio |
|-------------------|----------------------------|----------------------------|-----------------|-----------------|
| Benefit Partners* | \$16.6 | \$20.0 | | |
| Group Disability | N/A | N/A | 75.5% | 77.4% |
| Group Life | N/A | N/A | 77.3% | 68.5% |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|-------------------|------------------------|---------------------------|------------------------|---------------------------|
| Benefit Partners* | \$295.6 | \$80.8 | \$288.8 | \$54.1 |
| Group Disability | \$126.4 | N/A | \$115.1 | N/A |
| Group Life | \$106.2 | N/A | \$110.6 | N/A |

* include life, disability & dental

Notable Statements

- Overall very good results across the board
- Benefit Partners earnings and sales were good though we did continue to see an increase in Benefit Loss Ratio
- Poor loss ratio in Life insurance in 4Q05 at 77.3% versus 68.5% in 4Q04
- Poor loss ratio in LTD in 4Q05 at 75.5% versus year end 2005 loss ratio of 71.7%
- Early on in 2005 JP was able to realize strong earnings from the Canada Life acquisition
- Full year Benefit Partners earnings were strong, though last ½ of year were below expectations
- Elevated LTD loss ratio continue to be impacted by increase in incidence and lower term rates.
- Elevated Life Loss Ratio due to WOP
- JP has addressed elevated loss ratios by increasing rates and concentrating on operational improvement
- Sales were excellent at \$261.4 million up 29% over last year. 54% of sales are from cases with < 200 lives
- Investment in reps has been beneficial. In 2003 they had 37 at end of 2005 they have 123
- Analyst question on uptick in incidence level. Response was that the increase may be due to broader distribution, now the company is more national. They expect pricing changes to help this.
- Number of claims accepted and lower claim terminations are up due to “growing pains”, increase in claim personnel has caused the disruption.
- They expect to see improvement in claim process and better loss ratios as a result in the coming year.

Sun

Profit (Net income after tax):

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) |
|--|----------------------------|----------------------------|
| Group Life & Health (LTD, STD, Stop Loss & Life) | \$10 | \$12 |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|--|------------------------|---------------------------|------------------------|---------------------------|
| SLF US (includes annuities, individual life, & group life & health) | \$1,699 | \$121 | \$1,825 | \$109 |

Notable Statements

- The Group Life & Health Business Unit achieved record gross and net sales in the 4th quarter of 2005 of US\$152 million and US\$86 million respectively. This results significantly to record full year sales. Business in-force surpassed the US\$1 billion milestone.
- Group Life & Health premiums decreased US\$2 million compared to 4th quarter to 2004 but increased US\$6 million for the full year. The full year improvement was due to increased business inforce.

Genworth

Profit (After tax net earnings from continuing operations, excluding after-tax net realized investment gains and losses):

| Line of Business | 4Q05 Profit (\$000,000) | 4Q04 Profit (\$000,000) |
|--|----------------------------|----------------------------|
| Group (part of Protection Segment which includes Dental, Vision, Disability – STD & LTD, Group Medical, and Individual Voluntary) | \$8 | \$5 |

EP/Sales

| Line of Business | 4Q05 EP (\$000,000) | 4Q05 Sales (\$000,000) | 4Q04 EP (\$000,000) | 4Q04 Sales (\$000,000) |
|---|------------------------|---------------------------|------------------------|---------------------------|
| Group (part of Protection Segment which includes Dental, Vision, Disability – STD & LTD, Group Medical, and Individual Voluntary) | \$166 | \$69 | \$159 | \$66 |

Notable Statements

In the Protection Segment, the emphasis will be to extend their middle market focus and broaden their distribution reach

4Q05 Results Summary Versus 4Q04

| Company | Earnings (Segments) | Sales | EP |
|------------|---|---|--|
| UP | Down 30% (Life/AD&D) Down 31% (Unum Limited) Down 3.2% (Colonial) | Down 14.7% (LTD) Up 14% (STD) Down 7.8% (Life) Down 35% (Unum Limited) Up 5.3% (Colonial) | Down 2.3% (LTD) Down 10% (STD) Down 8% (Life) Up 12% (Unum Limited) Up 5.8% (Colonial) |
| Hartford | Up 24.6% (Group Benefits) | Up 142% (Dis) Up 62.5% (Life) | Up 8.7% (Dis) Up 1.2% (Life) |
| Cigna | Down 3.7% (Group Dis & Life) | NR | Up 6.9% (Dis) Up 15.8% (Life) |
| MetLife | NR | NR | Down 7% (Dis) Down 6% (Life) |
| Standard | Up 18.8% (Employee Benefits) | Down 9.9% (LTD) Down 15.6% (STD) Down 9.1% (Life) | Up 8.1% (LTD) Up 6.4% (STD) Up 9.5% (Life) |
| Prudential | ? (all Group) | Down 5.6% (Dis) Down 19% (Life) | Up 6.1% (Dis) Up 26.5% (Life) |
| Assurant | Down 3.5% (Employee Benefits) | Down 63% (LTD/STD) Down 32% (Life) | Down .5%(LTD/STD) Up 3.7% |
| Aetna | Down 7.3% (Group) | NR | Up 6.8% (Group) |
| RSL | Up 34.3% (Group Benefits) | Down 16% (Dis) Up 13.3% (Life) | Up 30% (Dis) Up 6.5% (Life) |
| JP | Down 17% (Benefit Partners) | Up 49.4% (Benefit Partners) | Up 9.8% (Dis) Down 4% (Life) |
| Sun | Down 16.7% (Group Life & Health) | Up 11% (SLF US) | Down 7% (SLF US) |
| AIG | NR | NR | NR |
| Genworth | Up 60% (Group) | Up 4.5% (Group) | Up 4.4% (Group) |
| Principal | Down 8.7% (Life & Health) | Up 37% (Dis) Up 98% (Life) | Up 21.6% (Dis) Up 5.2% (Life) |