SMITH GROUP
DISABILITY & REINSURANCE CONSULTANTS

February 26, 2010

Dear Smith Group Client:

We are pleased to provide the 4th Quarter 2009 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 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.

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## Prudential Financial

**Quarterly** Profit (not reported by business line):

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Group Disability | NA | NA | 90.3% | 90.0% |
| Group Life | NA | NA | 88.6% | 89.9% |

**Annual** Profit (not reported by business line):

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Group Disability | NA | NA | 88.9% | 87.2% |
| Group Life | NA | NA | 88.4% | 88.6% |

**Quarterly** EP/Sales:

| Line of Business | 4Q09 EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 sales ($000,000) |
|---|---|---|---|---|
| Disability | $274 | $21 | $241 | $26 |
| Life | $877 | $41 | $922 | $76 |

**Annual** EP/Sales:

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 sales ($000,000) |
|---|---|---|---|---|
| Disability | $1,145 | $238 | $1,032 | $204 |
| Life | $3,601 | $339 | $3,623 | $288 |

## Notable Statements

● Group insurance business reported adjusted operating income of $69 million in the current quarter, unchanged from a year ago. We have not seen a measurable impact on our reporting results from general economic conditions.

● Sales for the quarter were $62 million, compared to $102 million a year ago. Group insurance sales don't follow a linear pattern and large case sales follow a lengthy bid process and most of our sales are recorded in the first quarter, based on the effective dates of the business.

## Unum

**Quarterly Profit** (Before FIT and net realized investment Gains/Losses):

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) | 4Q09 Benefit Ratio | 4Q08 Benefit Ratio |
|---|---|---|---|---|
| Unum US | $203.0 | $182.6 | 78.2% | 80.3% |
| LTD/STD | $72.6 | $59.7 | 84.6% | 88.7% |
| Life & AD&D | $47.7 | $50.3 | 69.9% | 70.0% |
| US Supp/Vol | $82.7 | $72.6 | * | * |
| Unum Limited | $61.3 | $54.6 | 59.6% | 63.0% |
| Colonial | $68.3 | $66.3 | 48.5% | 48.3% |

* broken out by product line:

| Product | 4Q09 Benefit Ratio | 4Q08 Benefit Ratio |
|---|---|---|
| IDI | 48.9% | 53.9% |
| LTC | 113.8% | 107.2% |
| Voluntary | 53.0% | 57.2% |

**Annual Profit** (Before FIT and net realized investment Gains/Losses):

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) | 2009 Benefit Ratio | 2008 Benefit Ratio |
|---|---|---|---|---|
| Unum US | $775.0 | $684.1 | 79.1% | 80.6% |
| LTD/STD | $273.6 | $201.4 | 86.3% | 89.9% |
| Life & AD&D | $194.7 | $210.9 | 70.1% | 69.5% |
| US Supp/Vol | $306.7 | $271.8 | * | * |
| Unum Limited | $249.6 | $324.0 | 54.5% | 57.5% |
| Colonial | $280.9 | $268.1 | 47.3% | 47.5% |

* broken out by product line:

| Product | 2009 Benefit Ratio | 2008 Benefit Ratio |
|---|---|---|
| IDI | 51.4% | 53.3% |
| LTC | 111.6% | 106.1% |
| Voluntary | 56.0% | 58.0% |

**Quarterly** EP/Sales

| Line of Business | 4Q09 EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales ($000,000) |
|---|---|---|---|---|
| Unum US | $1,207.9 | $252.3 | $1,246.6 | $258.6 |
| LTD | $428.0 | $75.4 | $459.2 | $77.4 |
| STD | $107.6 | $34.8 | $110.0 | $31.0 |
| Life | $264.1 | $76.5 | $266.2 | $82.6 |
| AD&D | $25.3 | $7.8 | $30.9 | $9.2 |
| Voluntary/Supp | 382.9 | $53.3 | 380.3 | $54.7 |
| Unum Limited | $180.0 | $42.0 | $182.3 | $27.0 |
| LTD | $127.3 | $18.5 | $144.4 | $18.5 |
| Life | $43.6 | $22.0 | $29.5 | $6.9 |
| Other | $9.1 | $1.5 | $8.4 | $1.6 |
| Colonial | $257.4 | $119.7 | $249.1 | $115.4 |
| Acc/Sick/Dis | $158.0 | $75.5 | $154.2 | $75.0 |
| Life | $42.5 | $23.6 | $40.8 | $20.4 |
| Cancer & CI | $56.9 | $20.6 | $54.1 | $20.0 |

**Annual** EP/Sales

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales ($000,000) |
|---|---|---|---|---|
| Unum US | $4,873.1 | $716.9 | $4,963.0 | $708.7 |
| LTD | $1,200.5 | $182.1 | $1,136.4 | $190.3 |
| STD | $118.7 | $83.9 | $132.7 | $71.5 |
| Life | $1,057.7 | $184.9 | $1,062.8 | $165.4 |
| AD&D | $104.9 | $18.7 | $127.6 | $17.2 |
| Voluntary/Supp | $1,550.8 | $239.6 | $1,499.0 | $257.1 |
| Unum Limited | $686.1 | $123.2 | $889.3 | $99.5 |
| LTD | $503.1 | $63.8 | $675.9 | $72.7 |
| Life | $147.8 | $53.8 | $174.6 | $19.6 |
| Other | $35.2 | $5.6 | $38.8 | $7.2 |
| Colonial | $1,015.1 | $343.8 | $977.3 | $340.2 |
| Acc/Sick/Dis | $625.8 | $221.1 | $606.9 | $222.1 |
| Life | $165.6 | $68.3 | $157.4 | $64.0 |
| Cancer & CI | $223.7 | $54.4 | $213.0 | $54.1 |

**Notable Statements**

● The soft economy and ongoing high levels of unemployment continue to put pressure on our ability to grow the top line, but our risk experience across all of our businesses has remained generally stable.

● Many of the same trends we saw in the first three quarters of 2009 continued in the fourth quarter. Premium income is under pressure across all of our businesses as employers are reluctant to add new benefits in this environment and in many cases, they are reducing employment levels.

**Unum US**

● For Unum U.S., 4Q09 core market sales were down 1%, but for the full year actually grew 8%, a strong achievement driven by increased sales to new customers which offset weaker sales results to our existing customer base.

● Additionally in Unum U.S., we saw a strong pickup in voluntary benefit sales which increased 13% in the fourth quarter.

● We continued to see improvement in the benefit ratio which declined to 84.6% in the fourth quarter compared to 88.7% in the year-ago quarter and 85.3% in the third quarter this year. A number of factors continue to drive this improvement including favorable business mix shift, net favorable claims experience and ongoing adherence to pricing discipline.

● Sales in the large case market declined 7.7% in the fourth quarter, but grew by 1.2% for the full year. So, the mix of core market to large case sales in 2009 is 68% in the core market and 32% in the large case market.

● We commented in the third quarter that we saw a slightly higher level of volatility in claim incidence in our U.S. group disability line. Claim incidence continues to be slightly volatile in the fourth quarter but less so in this quarter relative to the third quarter.

● We continued to experience favorable net claims recovery results which, along with the ongoing shift in the mix of business, resulted in further improvement in the benefit ratio this quarter. We anticipate that the benefit ratio in this line will begin to level out in 2010, with further long-term improvement, primarily coming from mix/shift changes.

**Unum UK**

● Sales in Unum U.K. remain strong as we continued to benefit from the exit of a competitor in that market

● The benefit ratio in Unum U.K. declined to 59.6% in the fourth quarter, from 63% a year ago. New claim incidence trends and claim recovery performance in the group long-term disability line were generally favorable relative to a year ago, while results in the Group Life line were slightly worse.

## Colonial

● Colonial Life finished a strong year with growth in the fourth quarter operating income of 3%, to $68.3 million. Premium income in Colonial Life grew 3.3%, while the benefit ratio of 48.5% this quarter was slightly elevated compared to the benefit ratio of 48.3% a year ago.

● Sales at Colonial Life continued to be encouraging, despite the difficult economy and business environment, increasing 3.7% in the fourth quarter and 1.1% for full year 2009.

● We also saw favorable sales growth of 15% this quarter in the public sector, an important market for Colonial Life which contributes about a quarter of its sales.

## Analyst Questions

● Where do you stand with simply Unum? You were kind of quiet on it this quarter; how is the roll-out going?

Response: Simply Unum is going very, very well for us. During the course of the year, we had good and steady progress in terms of growing account acquisitions through Simply Unum. I think something like a quarter of our under 500 life business was put on that platform in the group business and more than a third of our core voluntary benefits business was put on that platform. As we look at the business strategy with Simply Unum, a primary element of it is to provide increased pricing flexibility for employers by combining employer paid and employee paid coverages and we saw a significant increase during the course of 2009 in package sales involving both group and voluntary benefits.

During the 4th quarter, we introduced an expansion of our offering there where we provide additional funding flexibility and group disability for the packages of employer and employee funding. We test marketed that in four offices and had outstanding results in those offices. We'll be rolling out that enhancement during the first quarter of 2010. So, good steady progress in the core market in terms of new account acquisition through our Simply Unum platform.

● It seems like your commentary on market conditions and pricing is a little bit more cautious than it was even in the last quarter and earlier last year; was wondering if Kevin has some thoughts on this?

Response: As I mentioned during the first half of last year, we were significantly ahead of plan. I think that a lot of our competitors were significantly behind. We expected that to correct itself to some degree during the second half of the year especially with the more aggressive competitor pricing actions and as many of our competitors sort of settled down on some of their balance sheet issues.

That's exactly what we saw in the second half of the year. We saw our competitors defending their in-force business much more aggressively, making it more difficult to

capture additional market share. We saw pricing levels go down. In fact, up through the third quarter, our closing ratio on sales was up year-over-year. During the fourth quarter, our closing ratio in comparison to fourth quarter '08 was down 17%. We didn't change our pricing levels and we didn't change our sales goals and sales objectives; we just maintained pricing and underwriting discipline and diligence and I think that showed up in the comparison in the sales results in the fourth quarter.

● Can you comment a bit on how we should be thinking about your margin of safety and reserves, vis-a-vis the discount rate? Obviously, low interest rates and lack of ability to get good yield on new money is a headwind but can you update us as to what that margin looks like? Can you give us any perspective on new money discount rate versus inforce and what those levels are?

Response: Just a few numbers about where we are and the numbers I'll quote are for our Unum U.S. LTD business. Keep in mind, we look at this on every different line of business by company and so there are a lot of different portfolios that we manage because they're different cash flow and duration characteristics. But just focusing in on one for Unum U.S. LTD, we have a 92 basis point margin between the portfolio yield and the aggregate discount rate on claims; that's made up of a portfolio yield of 6.74% currently and an aggregate discount rate of 5.82%.

Now, for new claims that come in, we use a much lower discount rate when we set up those reserves. We don't disclose what that is, because it is part of our pricing formula and we don't like to talk about assumptions that go into the pricing formula. So, that's where we stand today. I'll note that in the third quarter, that margin was 91 basis points. So we expanded by 1 basis point over that period of time.

Now, the way we manage it is to really look at it over a much longer period of time because that 92 basis points is good to know at this point but what's more interesting to us is what it's going to look like over the next handful of years, given a bunch of different interest rate scenarios. If I went back and I looked at it three years ago, if you just took a snapshot of fourth quarter of '06, we had a 66 basis point margin. What happened over those three years is that our portfolio yield expanded by five basis points, so we took advantage of a few opportunities in the market when rates were up and corporate spreads widened out, so we got a five basis point expansion in the portfolio yield but a twenty-one basis point expansion in that discount rate.

So what happened is it went from a 6.03% down to a 5.82%, and I think that gives you an indication that for new claims that came in over that period of time, we were using a much lower discount rate and so those things will move gradually over time. We feel very, very good about where we're positioned right now. Certainly, we would love to see a higher interest rate environment. That would be beneficial to us but given the margin that we have right now, it will take a very long time for it to eat into that margin in a substantial way and as it does, then at that point when we look at making some small adjustments quarter-to-quarter, which really wouldn't have much impact in the market.

● I'll ask you this question and I want to begin by saying I'm definitely not asking you to highlight any specific competitors. I'm just more interested in sort of the state of the environment and so I'll ask it this way, what's the most aggressive behavior -- given it's such a difficult sales environment and companies trying hard to keep business on the books, what's the most aggressive behavior you're seeing from competition for new sales? Just how far out on the limb are some companies going to either retain business or to obtain new clients?

Response: Well, we see a couple of different kinds of behaviors. We see incredible discounting of rates. Over the years we've spoken about and other carriers have spoken about the degree of volatility that exists in pricing levels and underwriting performance company to company during the course of a given year. We can see rates off by 25%, 35% and even 45% sometimes.

So, that's one kind of behavior that you see. And I think a lot of times you see it on what I'll call quote important accounts, an account where either it is a name brand in the large case business or the mid-sized business segments. You see it because acquiring that one case can make up for missing out on a lot of small cases. So, you'll see that kind of behavior.

The other thing I'd say is the extended rate guarantees. In this economic environment, I'm sure I'm not the only one who would say that's not a great idea but nevertheless we see it. We've seen four, five, even seven year rate guarantees. That kind of behavior is not a great long-term proposition and we're not going there.

**Reliance Standard Life (RSL)**

**Quarterly** Profit (Operating income, pre-tax):

| Line of Business | 4Q09 ($000) | 4Q08 ($000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Group (LTD, STD, Excess WC, Life, Travel Accident, Dental) | $67,564 | $35,302 | 67.3% | 70.1% |

**Annual** Profit (Operating income, pre-tax):

| Line of Business | 2009 ($000) | 2008 ($000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Group (LTD, STD, Excess WC, Life, Travel Accident, Dental) | $279,848 | $176,073 | 68.5% | 69.5% |

**Quarterly** EP/Sales

| Line of Business | 4Q09 EP ($000) | 4Q09 Sales ($000) | 4Q08 EP ($000) | 4Q08 Sales ($000) |
|---|---|---|---|---|
| Disability (mostly LTD) | $137,551 | $40,221 | $147,131 | $45,486 |
| Life | $93,041 | $36,453 | $101,210 | $35,288 |

**Annual** EP/Sales

| Line of Business | 2009 EP ($000) | 2009 Sales ($000) | 2008 EP ($000) | 2008 Sales ($000) |
|---|---|---|---|---|
| Disability (mostly LTD) | $560,361 | $109,409 | $572,630 | $134,215 |
| Life | $393,173 | $70,526 | $402,928 | $94,681 |

**Notable Statements**

● At RSL, we have not seen any impact from the recession on disability claims incidence or severity. The increase in the combined ratio was entirely due to our expense ratio being 210 basis points higher.

● We believe that the combined ratio level that we achieved in 2009, the 93% range, is sustainable for the foreseeable future.

● At RSL, core premiums declined 1% in 2009. This decline was mostly due to lower production as we maintained our pricing and underwriting discipline. Competition in the small to medium case segment remains intense as small companies cut payrolls and look to reduce other costs including benefits.

● We believe that 2010 will continue to be a challenging year for RSL for top line growth as we remain focused on the bottom line and we'll only write business that meets our profit objectives. We will continue to compete upon the strength of our expertise in writing smaller case business, our excellent broker relationships and diverse product offerings including voluntary products which continue to be a growing percentage of our premiums.

● In the larger case business at RSL where our Integrated Employee Benefit Services from Matrix gives us a competitive advantage, we achieved strong production growth in the 4th quarter and for the year despite intense competition. Our success in this market shows that the benefit of our differentiated product offering continues to work. This offering was recently enhanced with the addition of a Wellness component through our partnership with All-One Health. The next generation of IEB product, called RelianceOne, was launched in late 2009 and has received a strong initial response from our brokers.

## Standard Financial Group

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

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) |
|---|---|---|
| Insurance Services | $85.1 | $94.8 |

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

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) |
|---|---|---|
| Insurance Services | $356.3 | $366.4 |

**Quarterly** EP/Sales

| Line of Business | 4Q09EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales ($000,000) |
|---|---|---|---|---|
| LTD | $203.9 | $36.8 | $212.9 | $34.1 |
| STD | $48.7 | $9.5 | $53.5 | $11.2 |
| Life & AD&D | $199.1 | $40.1 | $212.9 | $39.7 |
| Other | $19.9 | $6.6 | $19.0 | $9.5 |
| ERR | ($6.5) | --- | ($12.3) | --- |
| Total EB | $465.1 | $93.0 | $480.2 | $94.5 |

**Annual** EP/Sales

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales ($000,000) |
|---|---|---|---|---|
| LTD | $825.6 | $95.3 | $862.9 | $93.5 |
| STD | $205.7 | $35.6 | $215.5 | $33.5 |
| Life & AD&D | $819.6 | $124.8 | $850.3 | $134.8 |
| Other | $79.5 | $32.1 | $75.8 | $30.7 |
| ERR | ($40.2) | --- | ($44.6) | --- |
| Total EB | $1,890.2 | $287.8 | $1,959.9 | $292.5 |

## Notable Statements

● When we look into our insurance services segment, the group insurance benefit ratio was 72.5% for the fourth quarter of 2009 compared to 72.3% for the fourth quarter of 2008. The benefit ratio was slightly below our guidance and included the effects of a reserve release that was partially offset by the effect of a 125-basis point lower discount rate for our long-term disability reserves.

● There is nothing in our overall claims results that we can attribute to weaker employment data.

● Premiums in our group insurance business declined by 3% for the fourth quarter compared to the fourth quarter of last year. While our group insurance business continues to show resiliency, premium levels have definitely been affected by a lack of organic growth due to negative employment and wage growth. Organic growth will be a key variable for premium growth during 2010.

● Persistency is under pressure from intense pricing competition, especially in a larger case market. During these difficult economic times, certain customers have been forced to look only at price, not value. While we always look to provide a cost effective solution to our customers, we absolutely refuse to compete solely on price and will always look to grow our business in areas that meet our profit objectives.

● We continue to hold the line on pricing discipline and we will not chase the market on terminated cases only to retain them at a loss. Persistency in our group insurance business increased to 83.8% for 2009. That compares to 82.9% for 2008. While the increase is favorable, this figure is still below our historical persistency numbers and can be affected by the loss of one or two large cases.

● During the fourth quarter, we made reserve adjustments in both group insurance and individual disability. We reduced our long-term disability incurred, but not reported reserves by $16.6 million pretax and increased individual disability reserves by $11.5 million pretax. In addition to these reserve adjustments for the fourth quarter, we lowered our discount rate used for establishing reserves and new claims to 4.5%, a rate which is 25 basis points lower than the 4.75% that was used for the third quarter of 2009 and a full 125 basis points lower than the discount rate used for the fourth quarter of 2008.

● A 125-basis point reduction in the discount rate results in a quarterly reduction in pretax income of approximately $10 million. This is equivalent to an increase of about 215 basis points in the quarterly group insurance benefit ratio. As part of our reserve oversight, we monitor the ongoing adequacy of the margin between the average investment rate and the reserve discount rate.

**Analyst Questions**

● Can you just provide more color on what you're seeing in terms of the January renewals? I think you were pretty positive earlier in the year. You were positive on quote activity and the growth guidance for 2010 is actually a little bit better than what we were expecting. Can you give any metrics around what you're seeing, whether it's year-over-year, what have you, maybe kind of add a little bit more color on that please?

Response: Throughout the summer and the fall, we were very encouraged with our proposal activity and that sustained on through the close of the year. We're pleased with the proposal activity. We're highly encouraged with the sales activity we've seen thus far in January but we're not going to share any numbers. We're not ready to do that yet but we're encouraged by what we're seeing. When you mention renewals, what you should be thinking about is that things are going to be slightly flat or maybe even be better on the

renewals. We're certainly losing very price sensitive customers to some competitors if they are price-only shopping, but on the other hand, there's some employers who are really looking for value and they are showing interest in our new service and capabilities, so we're encouraged.

**Aetna**

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

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) |
|---|---|---|
| Group Insurance (Life, Disability, LTC) | ($14.1) | $17.1 |

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

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) |
|---|---|---|
| Group Insurance (Life, Disability, LTC) | $103.8 | $136.8 |

**Quarterly** EP

| Line of Business | 4Q09 Earned Premium ($000,000) | 4Q08 Earned Premium ($000,000) |
|---|---|---|
| Group Insurance | $510.1 | $494.4 |

**Annual** EP

| Line of Business | 2009 Earned Premium ($000,000) | 2008 Earned Premium ($000,000) |
|---|---|---|
| Group Insurance | $2,102.2 | $2,021.9 |

**Notable Statements**

● Group insurance total operating earnings were $103.8 million, a 24% decline from 2008. This includes a fourth quarter operating loss of $14.1 million as solid group life results were more than offset by a reserve increase of approximately $50 million before tax in our long-term disability business. This reserve increase reflects longer disability claim durations due in part to the softer economy and a lower reserve discount rate reflecting our new outlook for yields in the investment portfolio that supports this business.

● Our disability underwriting practices remain sound as new claim incidence rates are in line with expectations and our current pricing reflects updated investment yield and claim duration assumptions.

## Analyst Questions

● Can you give me some more color on what exactly happened on your group business? Your competitors are saying that the number of claims don't appear to have gone up in the recession. Is it the claim duration that is the problem and how is that going to change how you employ some return to work initiatives and pricing of any new business?

Response: Let me first start out by stressing how important we think the disability product is to our integrated value proposition. As you recall, we have talked about significant growth in our Aetna One products and what we do see is that when we have the integrated health and disability we see 15% fewer inpatient admissions. We see 33% fewer hospital inpatient days and 6% shorter short-term disability durations. So, we think that the integrated product is extremely important and working relatively well. I will ask Joe to talk about the environmental issues we are seeing that we think are impacting the reserve.

I think you hit it straight on. We have seen in the fourth quarter some extending claim durations meaning our claim resolution rates are down. We decided to change the assumption in our reserve balance to reflect a new expectation going forward. As you suggested, we are seeing a very good incidence rate, meaning the number of claims per thousand on the book of business has met our expectations. We think this is due to the soft economy. We think it might abate in the future but we decided to take a reserve action to get ahead of what we think could be an emerging trend.

● Analyst asked if there was any correlation between the contract issue date and the extended claim durations.

Response: There is no particular correlation between the newness of the case. It just has to do with the general nature of the economy. We think in some instances companies may not be ready to take people back given their current issues and aren't maybe working as hard to help end the duration. I think what we are trying to do is be certain those people who are appropriately disabled are getting access to the benefits they are entitled to but those who are ready to return do return. However, there is this environmental pressure and it is not synchronized to the newness of the case or the integrated value proposition.

## Principal Financial Group

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

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Specialty Benefits | $25.5 | $26.6 | --- | --- |
| Group Disability | --- | --- | 74.5% | 71.1% |
| Group Life | --- | --- | 68.7% | 67.9% |

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

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

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Specialty Benefits | $92.7 | $112.6 | --- | --- |
| Group Disability | --- | --- | 72.2% | 70.3% |
| Group Life | --- | --- | 67.1% | 68.1% |

**Quarterly** EP/Sales

| Line of Business | 4Q09EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales ($000,000) |
|---|---|---|---|---|
| Disability | $72.2 | $6.3 | $86.0 | $7.3 |
| Life | $82.4 | $5.7 | $76.2 | $6.9 |

**Annual** EP/Sales

| Line of Business | 2009EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales ($000,000) |
|---|---|---|---|---|
| Disability | $290.8 | $49.5 | $303.5 | $49.6 |
| Life | $333.2 | $45.9 | $348.2 | $44.8 |

**Cigna**

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

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) |
|---|---|---|
| Group Disability & Group Life | $66 | $64 |

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

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) |
|---|---|---|
| Group Disability & Group Life | $279 | $275 |

**Quarterly** EP

| Line of Business | 4Q09 EP ($000,000) | 4Q08 EP ($000,000) |
|---|---|---|
| Disability | $268 | $255 |
| Life | $314 | $338 |

**Annual** EP

| Line of Business | 2009 EP ($000,000) | 2008 EP ($000,000) |
|---|---|---|
| Disability | $1,057 | $1,004 |
| Life | $1,301 | $1,261 |

**Notable Statements**

● In our disability operations, the effective use of information coupled with a broad and diverse clinical team has driven another strong year of results for our customers. Our disability management model continues to demonstrate competitively strong value for our clients by helping their employees get back to work sooner than the competition.

● In group insurance, we continue to see strong demand for disability management solutions. Why, because of our focus on improving productivity for our clients, which is enabled by our industry leading return-to-work rates. The three key components of our best in class disability management model are our effective early claim notification and engagement, our broad clinical and return-to-work resources, and our ability to provide specialized case management services, all focused on helping our individual customers recover and return to work, a clear benefit to the individual as well as to our employer clients.

● In group disability, life and international operations, we expect these businesses to contribute full year 2010 year earnings of $465 million to $495 million, which reflects solid earnings contributions. These businesses consistently deliver competitively strong margins and we continue to see good demand for the products and services. I would also remind you that our 2010 earnings outlook for group insurance reflects an expectation that the favorable impact of approximately $15 million after tax from the 2009 life and accident reserve studies will not repeat in 2010. In addition, our 2010 outlook includes the impact of strategic investments to position our disability business for further growth.

**Assurant**

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

| Line of Business | 4Q09 Profit ($000) | 4Q08 Profit ($0000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Employee Benefits* (includes DRMS) | $11,556 | $14,138 | 69.9% | 70.0% |

* Employee benefits includes dental, disability & life

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

| Line of Business | 2009 Profit ($000) | 2008 Profit ($0000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Employee Benefits* (includes DRMS) | $42,156 | $70,557 | 72.0% | 69.8% |

**Quarterly EP/Sales**

| Line of Business | 4Q09 EP ($000) | 4Q09 Sales ($000) | 4Q08 EP ($000) | 4Q08 Sales ($000) |
|---|---|---|---|---|
| LTD & STD | $112,722 | $6,351 | $115,749 | $9,310 |
| Life | $48,508 | $4,509 | $51,107 | $5,738 |

**Annual EP/Sales**

| Line of Business | 2009 EP ($000) | 2009 Sales ($000) | 2008 EP ($000) | 2008 Sales ($000) |
|---|---|---|---|---|
| LTD & STD | $434,381 | $39,317 | $459,208 | $52,595 |
| Life | $192,468 | $26,001 | $205,978 | $28,285 |

**Notable Statements**

● At Assurant Employee Benefits, our focus remains on the small employer, particularly through the sale of worksite or voluntary employee paid products, which should continue growing at a double digit pace.

● Results have been pressured by the persisting economic challenges in the small group sector leading to higher lapse rates and lower premium growth on inforce policies. Although we are seeing more optimism in small business owner's outlook, they remain cautious in adding new employees and wage growth continues to be modest.

● Employee Benefits is finding other ways to grow even in this difficult environment. Full year sales of voluntary coverage were up 13% to almost $60 million for the year. 2010 revenue will also increase by approximately $100 million due to new client additions at Disability RMS and the Shenandoah Life Block we acquired in 2009. I should note that, neither of these are reflected in the sales figures in our financial supplement.

**MetLife**

**Quarterly** Profit (Operating Earnings after tax & investment gains/losses):

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Non-Medical* | ($53) | $1,240 | 90.2% | 86.3% |
| Group Life | $94 | $19 | 89.7% | 91.9% |

**Annual** Profit (Operating Earnings after tax & investment gains/losses):

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Non-Medical* | ($681) | $1,671 | --- | --- |
| Group Life | $195 | $279 | --- | --- |

**Quarterly EP**

| Line of Business | 4Q09 EP ($000,000) | 4Q08 EP ($000,000) |
|---|---|---|
| Non-Medical* | $1,623 | $1,552 |
| Life | $1,829 | $1,635 |

**Annual EP**

| Line of Business | 2009 EP ($000,000) | 2008 EP ($000,000) |
|---|---|---|
| Non-Medical* | $6,305 | $6,073 |
| Life | $7,067 | $6,624 |

*Beginning with 4Q09, Met will report disability results lumped in with other non-medical coverages (Dental, LTC)

**Notable Statements**

● Historically, we spoke about group disability morbidity ratios. Now that our dental business has become just as important as our disability business in terms of the bottom line, we will discuss a total benefits ratio that includes dental, disability and other non-medical health coverages such as long-term care which we think is a better indicator of morbidity trends across the products in this segment.

● At 90.2% for the fourth quarter, the total benefits ratio is up from 86.3% in the prior year quarter and that was driven by higher dental claims activity and weaker disability margins during the recession.

● Group life grew by nearly 10% and non-medical health grew by almost 5% due largely to continued organic growth in our dental business.

● In U.S. business our mortality results were very strong in both group life and individual life with the four-year mortality ratios coming in below Investor Day ranges. The group life mortality ratio for the quarter was 89.7% bringing the full year ratio to 90.3% versus our estimated range of 91-93%.

## Hartford

**Quarterly** Profit (Pre-Tax and DAC)

| Line of Business | 4Q09 ($000,000) | 4Q08 ($000,000) |
|---|---|---|
| Group Benefits (Disability, Life, Other) | $111 | $127 |

**Annual** Profit (Pre-Tax and DAC)

| Line of Business | 2009 ($000,000) | 2008 ($000,000) |
|---|---|---|
| Group Benefits (Disability, Life, Other) | $373 | $480 |

**Quarterly** EP/Sales

| Line of Business | 4Q09 EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales $(000,000) |
|---|---|---|---|---|
| Group Disability | $471 | $50 | $517 | $65 |
| Group Life | $526 | $76 | $516 | $75 |

**Annual** EP/Sales

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales $(000,000) |
|---|---|---|---|---|
| Group Disability | $1,934 | $347 | $1,984 | $375 |
| Group Life | $2,126 | $374 | $2,084 | $424 |

**Notable Statements**

● In group benefits, fully insured premium continues to fall from prior year levels, due in part to higher unemployment.

● In the fourth quarter, we observed some unfavorable disability incidence resulting from higher new incurrals. We believe the higher loss ratio in the fourth quarter is a reflection of normal volatility, but we are monitoring this issue closely.

● We continued to be disciplined in our pricing. That discipline, shrinking payrolls and the carryover effects from last year's challenges weighed on sales in the fourth quarter as well as the key 1/1 date. That said, we anticipate a gradual sales recovery over the course of 2010.

## Lincoln Financial

**Quarterly** Profit (Post tax)

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) | 4Q09 Loss Ratio | 4Q08 Loss Ratio |
|---|---|---|---|---|
| Group Protection | $30.1 | $18.4 | 69.3% | 72.8% |
| Group Disability | $15.6 | $13.1 | 68.7% | 67.5% |
| Group Life | $13.3 | $3.8 | 77.3% | 69.6% |

**Annual** Profit (Post tax)

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) | 2009 Loss Ratio | 2008 Loss Ratio |
|---|---|---|---|---|
| Group Protection | $123.9 | $104.1 | 69.1% | 71.4% |
| Group Disability | $78.9 | $64.4 | 64.0% | 67.9% |
| Group Life | $42.4 | $34.2 | 72.0% | 73.9% |

**Quarterly** EP/Sales

| Line of Business | 4Q09 EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales ($000,000) |
|---|---|---|---|---|
| Group Protection | $396.4 | $166.8 | $382.9 | $129.0 |
| Group Disability | $174.1 | $78.3 | $173.1 | $63.6 |
| Group Life | $152.1 | $67.2 | $138.8 | $49.9 |

**Annual** EP/Sales

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales ($000,000) |
|---|---|---|---|---|
| Group Protection | $1,579.0 | $360.4 | $1,516.9 | $316.1 |
| Group Disability | $692.2 | $169.6 | $671.7 | $148.2 |
| Group Life | $584.1 | $142.4 | $541.2 | $125.2 |

### Notable Statements

● In our group business, another strong earnings performance with favorable loss ratios coming in at roughly 69%. We experienced strong loss ratios in both our Life and LTD lines, with favorable mortality and solid overall fundamentals. Net earned premium increased 5% sequentially, and up about 4% over last year's quarter. As we move into 2010, we would expect loss ratios at the low end of our range, closer to 70%, and a modest recovery in premium growth rates to the high single-digit area, recognizing we ended the year with strong production results.

### Analyst Questions

● On your group insurance sales, they seem pretty strong. Other companies have reported weakness, partly because the macro environment, but if you could just discuss what's causing that, and whether you have taken any pricing actions that are helping your group sales?

Response: The fourth quarter numbers are always larger by far than the other quarters during the year. So that explains in part the fourth quarter up tick. Second point and substantive to the increasing results at the company, sales results, is that we're in the second full year of change to the distribution model. So, the model is beginning to settle in and the sales rep development and tenure is paying off.

Average rep productivity increased 10% versus 2008; it's up to the highest productivity ever of about $3 million per rep. We've done our annual pricing review in mid 2009, just like every other year, some price increases, some price declines, but we're certain that pricing is not driving the results. Furthermore, continued refinement in the service model, underwriting and implementation is paying dividends with improved broker and customer experience.

I guess in short, the model is working. We continue to focus on the 50 to 500 market. We've got increased penetration in the voluntary market, and we have some of what I would refer to as opportunistic sales in the 1,000+ employee market, where it fits our model, both from a service and the simplicity of product and distribution.

**Sun**

**Quarterly** Profit (Net income after tax):

| Line of Business | 4Q09 Profit ($000,000) | 4Q08 Profit ($000,000) |
|---|---|---|
| Employee Benefits Group (U.S.) | $22 | $1 |

**Annual** Profit (Net income after tax):

| Line of Business | 2009 Profit ($000,000) | 2008 Profit ($000,000) |
|---|---|---|
| Employee Benefits Group (U.S.) | $122 | $75 |

**Quarterly EP/Sales**

| Line of Business | 4Q09 EP ($000,000) | 4Q09 Sales ($000,000) | 4Q08 EP ($000,000) | 4Q08 Sales ($000,000) |
|---|---|---|---|---|
| Employee Benefits Group (U.S.) | $474 | $323 | $465 | $323 |

**Annual EP/Sales**

| Line of Business | 2009 EP ($000,000) | 2009 Sales ($000,000) | 2008 EP ($000,000) | 2008 Sales ($000,000) |
|---|---|---|---|---|
| Employee Benefits Group (U.S.) | $1,910 | $602 | $1,865 | $588 |

## Notable Statements

● Sales of $323 in our employee benefits group were consistent with the record level set in Q4 '08, and this was accomplished alongside of the successful introduction of a new technology system that will not only improve efficiencies but provide competitive advantage in the marketplace.

## Quarterly Summary

| Company | Earnings | Sales | EP |
|---|---|---|---|
| **Prudential** | **Not reported by line of business** | **Dis: $21M (↓19.3% )**<br>**Life: $41M (↓46%)** | **Dis: $274M (↑13.7%)**<br>**Life: $877M (↓5%)** |
| **Unum** | **LTD/STD: $72.6 (↑21.6%)**<br>**Life/AD&D: $47.7M (↓5.2%)**<br>**Limited: $61.3M (↑12.3% )**<br>**Colonial: $68.3M (↑3% )** | **U.S Brokerage**<br>**LTD: $75.4M(↓2.6%)**<br>**STD: $34.8M(↑12.3%)**<br>**Life: $76.5M(↓7.4%)**<br>**ADD: $7.8M(↓15.2%)**<br>**Vol: $53.3M(↓2.6%)**<br>**Unum Limited**<br>**LTD: $18.5M(flat)**<br>**Life: $22.0M(↑219%)**<br>**Colonial**<br>**Acc/Dis: $75.5M(↑1%)**<br>**Life: $23.6M (↑15.7%)**<br>**Can/CI:$20.6M(↑3%)** | **U.S. Brokerage**<br>**LTD: $428M (↓7%)**<br>**STD: $107.6M (↓2%)**<br>**Life: $264.1M (flat)**<br>**AD&D: $25.3M (↓18%)**<br>**Vol: $382.9M(flat)**<br>**Unum Limited**<br>**LTD: $127.3M (↓12%)**<br>**Life: $43.6M (↑47.8%)**<br>**Colonial**<br>**Acc/Dis: $158.0M (↑2.5%)**<br>**Life: $42.5M (↑4.2%)**<br>**Can/CI:$56.9(↑5.2%)** |
| **RSL** | **Group: $67.6M(↑91.4%)** | **Dis: $40.2M(↓11.6%)**<br>**Life: $36.5M (↑3.3%)** | **Dis: $137.6M (↓6.5%)**<br>**Life: $93M (↓8.1%)** |
| **Standard** | **Group: $85.1M (↓11.2%)** | **LTD: $36.8M (↑7.9%)**<br>**STD: $9.5M (↓15.2%)**<br>**Life/AD&D: $40.1M (↑1%)** | **LTD: $203.9M (↓4.3%)**<br>**STD: $48.7M (↓9%)**<br>**Life/AD&D: $199.1M (↓6.5%)** |
| **Aetna** | **Group: ($14.1M) (+17.1M a year ago)** | **Group:N/A** | **Group: $510.1M (↑3.2%)** |
| **Principal** | **Specialty Benefits: $25.5M (↓4.2%)** | **Dis: $6.3M (↓13.7%)**<br>**Life:$5.7M (↓17.4%)** | **Dis: $72.2M (↓16%)**<br>**Life: $82.4M (↑8.1%)** |
| **Cigna** | **Group Dis & Life: $66M(↑3.1%)** | **N/A** | **Dis: $268M (↑5.1%)**<br>**Life: $314M (↓7.2%)** |
| **Assurant** | **Employee Benefit: $11.6M(↓18.3%)** | **LTD/STD: $6.4 (↓32%)**<br>**Life: $4.5M (↓21.5%)** | **LTD/STD: $112.7M (↓2.7%)**<br>**Life: $48.5M (↓5.1%)** |
| **Met** | **Group Life: $94M (↑395%)** | **Not reported by line of business** | **Non Medical: $1,623M (↑4.6%)**<br>**Life: $1,829M (↑11.9%)** |
| **Hartford** | **Group: $111M (↓12.6%)** | **Dis: $50M (↓23.%)**<br>**Life: $62M (↑1.3%)** | **Dis: $471M (↓8.9%)**<br>**Life: $526M (↑1.94%)** |
| **Lincoln** | **Dis: $15.6M(↑19.1%)**<br>**Life: $13.3 (↑250%)** | **Dis: $78.3M(↑23.1%)**<br>**Life: $67.2M (↑34.7%)** | **Dis: $174.1M (flat)**<br>**Life: $152.1M (↑9.6%)** |
| **Sun** | **U.S. Employee Benefits Group: $22M ($1M a year ago)** | **U.S. Employee Benefits Group: $323M (flat)** | **U.S. Employee Benefits Group: $474M (↑1.9%)** |

## Annual Summary

| Company | Earnings | Sales | EP |
|---|---|---|---|
| **Prudential** | **Not reported by line of business** | **Dis: $238M (↑16.7% )**<br>**Life: $339M (↑17.7%)** | **Dis: $1,145M (↑10.9%)**<br>**Life: $3,601M (flat)** |
| **Unum** | **LTD/STD: $273.6 (↑35.8%)**<br>**Life/AD&D: $194.7M (↓7.7%)**<br>**Limited: $249.6M (↓23% )**<br>**Colonial: $280.9M (↑4.8% )** | **U.S Brokerage**<br>**LTD: $182.1M(↓4.4%)**<br>**STD: $83.9M(↑17.3%)**<br>**Life: $184.9M(↑11.8%)**<br>**ADD: $18.7M(↑8.7%)**<br>**Vol: $239.6M(↓7%)**<br>**Unum Limited**<br>**LTD: $63.8M(↓12.2%)**<br>**Life: $53.8M(↑174.5%)**<br>**Colonial**<br>**Acc/Dis: $221.1M(flat)**<br>**Life: $68.3M (↑6.7%)**<br>**Can/CI:$54.4M(flat)** | **U.S. Brokerage**<br>**LTD: $1,200.5M (↑5.6%)**<br>**STD: $118.7M (↓10.6%)**<br>**Life: $1,057.7M (flat)**<br>**AD&D: $104.9M (↓18%)**<br>**Vol: $1,550.8M(↑3.5%)**<br>**Unum Limited**<br>**LTD: $503.1M (↓26.6%)**<br>**Life: $147.8M (↓15.4%)**<br>**Colonial**<br>**Acc/Dis: $625.8M (↑3.1%)**<br>**Life: $165.6M (↑5.2%)**<br>**Can/CI:$223.7(↑5%)** |
| **RSL** | **Group: $279.8M(↑58.9%)** | **Dis: $109.4M(↓18.5%)**<br>**Life: $70.5M (↓25.5%)** | **Dis: $560.4M (↓2.2%)**<br>**Life: $393.2M (↓2.5%)** |
| **Standard** | **Group: $356.3M (↓2.8%)** | **LTD: $95.3M (↑1.9%)**<br>**STD: $35.6M (↑6.3%)**<br>**Life/AD&D: $124.8M (↓7.4%)** | **LTD: $825.6M (↓4.3%)**<br>**STD: $205.7M (↓4.5%)**<br>**Life/AD&D: $819.6M (↓3.4%)** |
| **Aetna** | **Group: $103.8M) (↓24.1%)** | **Group:N/A** | **Group: $2,102.2M (↑4%)** |
| **Principal** | **Specialty Benefits: $92.7M (↓17.7%)** | **Dis: $49.5M (flat)**<br>**Life:$45.9M (↑2.5%)** | **Dis: $290.8M (↓4.2%)**<br>**Life: $333.2M (↓4.3%)** |
| **Cigna** | **Group Dis & Life: $279M(↑1.5%)** | **N/A** | **Dis: $1,057M (↑5.3%)**<br>**Life: $1,301M (↑3.2%)** |
| **Assurant** | **Employee Benefit: $42.2M(↓40.3%)** | **LTD/STD: $39.3 (↓25%)**<br>**Life: $26M (↓8.1%)** | **LTD/STD: $434.4M (↓5.5%)**<br>**Life: $192.5M (↓6.6%)** |
| **Met** | **Group Life: $195M (↓30.1%)** | **Not reported by line of business** | **Non Medical: $6,305M (↑3.8%)**<br>**Life: $7,067M (↑6.7%)** |
| **Hartford** | **Group: $373M (↓22.3%)** | **Dis: $347M (↓7.5%)**<br>**Life: $374M (↓12%)** | **Dis: $1,934M (↓2.5%)**<br>**Life: $2,126M (↑2%)** |
| **Lincoln** | **Dis: $78.9M(↑22.5%)**<br>**Life: $42.4 (↑24%)** | **Dis: $169.6M(↑14.4%)**<br>**Life: $142.4M (↑13.7%)** | **Dis: $692.2M (↑3.1%)**<br>**Life: $584.1M (↑7.9%)** |
| **Sun** | **U.S. Employee Benefits Group: $122M (↑62.7%)** | **U.S. Employee Benefits Group: $602M (↑2.4)** | **U.S. Employee Benefits Group: $1,910M (↑2.4%)** |