

UNM Earnings Call Transcript

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Operator: Hello and thank you for standing by. My name is Bella and I will be your conference operator today. At this time, I would like to welcome everyone to Unum Group 3Q 2025 Earnings Conference Call. [Operator Instructions] I would now like to turn the conference over to Matt Royal, Head of Investor Relations. You may begin.

J. Royal: Thank you, Bella and good morning to everyone. Welcome to Unum Group's Third Quarter 2025 Earnings Call, which will include discussion of our annual reserve assumption review. Please note that today's call may include forward-looking statements and actual results, which are subject to risks and uncertainties, may differ materially, and we are not obligated to update any of these statements. Please refer to our earnings release and our periodic filings with the SEC for a description of factors that could cause actual results to differ from expected results. Yesterday afternoon, Unum released our third quarter earnings press release and financial supplement. Those materials, which include an overview of the GAAP reserve assumption update and updates to key sensitivities may be found on the Investors section of our website, along with a presentation of the most directly comparable GAAP measures and reconciliations of any non-GAAP financial measures included in today's presentation. References made today to core operations sales and premium, including Unum International, are presented on a constant currency basis. Participating in this morning's conference call are Unum's President and CEO, Rick McKenney; Chief Financial Officer, Steve Zabel; Tim Arnold, who heads our Colonial Life and Voluntary Benefits lines; Chris Pyne for Group Benefits; and Mark Till, CEO of Unum International. Now let me turn it over to Rick for his comments.

Richard McKenney: Great. Thank you, Matt, and good morning, everyone. We appreciate you joining us today. Our third quarter results underscore the strength of our core businesses, which have delivered consistent performance throughout 2025. Year-to-date solid premium growth, which is up 4% and disciplined execution continue to drive industry-leading margins and robust capital generation. We will get to the details of our assumption updates, particularly on the Closed Block, which in aggregate increased reserves and had an after-tax impact of \$378 million. The changes there include a series of actions we are taking to continue to manage the block while still affirming our view of no additional capital contributions needed behind this business. Turning to the details of the quarter. We delivered another solid performance across the board from top line growth to bottom line profitability. While earnings per share of \$2.09 fell below our overall expectations, this was primarily due to volatility in the Closed Block. Importantly, our core businesses have exceeded our most recent expectations and continue to demonstrate healthy margins and strong returns. Our core business profitability trends are underscored by continued discipline in pricing and risk selection as we show continued strength in both group disability and group life. Each have shown very favorable levels of earnings power. And we are particularly pleased with the premium growth across our core segments, which grew nearly 4.5%, excluding transactions. This includes Unum US growth of nearly 4%, Colonial Life up over 3% and International delivering 10% growth. This growth is supported by high levels of persistency and sales growth of 12% in the quarter and reflects the strength of our market position and the value employers place on our offerings. That is true for new customers but even more so from existing clients that support our very high persistency trends. Our growth is enabled by the success of key technology initiatives like HR Connect and Total Leave, which continue to differentiate us in the market. These

platforms create deep connections with employers and employees who value a high-quality digital experience backed by the expertise and empathy of our team who are supported by the AI tools we are equipping them with. This combination of technology and human touch is driving stronger engagement and retention and employers increasingly view us as a trusted partner for integrated benefit solutions. Delivering on our purpose and growing the number of people we protect is highly motivating to our team. It is also deeply rooted that we do so with an eye to profitability and long-term growth. Our disciplined approach to pricing and risk selection, combined with consistent execution translates into solid product returns. Return on equity for our core operations continues to be near 20% as margins across our lines remain above historical levels. These results demonstrate the strength and scale of our core operations and our ability to deliver sustainable margins and maintain expense discipline. Combined with our Closed Block, in aggregate, our return on equity is 11.3%. The stability of our core operations supports our ability to take strategic actions to advance our Closed Block strategy and reduce the associated overhang of this legacy business. The third quarter began with the successful closing of our milestone long-term care reinsurance transaction with Fortitude Re, which ceded 20% of our LTC reserves. The transaction showcased our ability to execute in the market and we are actively pursuing additional opportunities with third parties to remove this risk. Meanwhile, we continue to actively manage the block from within. We implemented several actions in conjunction with our annual assumption review that derisked the block and strengthen its long-term stability. While Steve will go into more detail on these changes, I'll stress that while our strategic actions necessitate higher GAAP reserves, we are pleased that they position us to reduce the size of our existing group policies, remove an area of modeling uncertainty and supports further risk management through premium rate increases. Altogether, these steps reinforce our confidence that no future capital contributions will be necessary. Turning to the balance sheet. Our investment portfolio continues to perform well. We have derisked the portfolio, improved credit quality and positioned ourselves for future market cycles. Our portfolio maintains an A- average rating with historically low exposure to below investment-grade securities. Our overall position, combined with strong underlying statutory earnings of approximately \$300 million resulted in holding company liquidity of \$2 billion and an RBC ratio of over 450%, both well above targets. This robust level of capital provides tremendous flexibility to pursue our strategy and return capital to shareholders. Through the first 9 months of the year, we have returned nearly \$1 billion to shareholders, including \$750 million in share repurchases and \$230 million in dividends. Our capital priorities have not changed. First, to invest in strategic initiatives that strengthen our core businesses; second, to pursue selective M&A; opportunities that complement our capabilities; and third, to execute on shareholder-friendly actions through increasing dividends and share repurchases. These priorities reflect our disciplined approach to building franchise value and delivering long-term returns. Underpinning these strong financial results is our team that is relentlessly focused on protecting more people and exceeding customer expectations at time of need. Our digital-first disciplined approach is driving favorable operating trends as we advance our market-leading positions and prepare for continued growth into 2026. With that, I'll turn it over to Steve for some more details on the quarter. Steve?

Steven Zabel: Great. Thank you, Rick and good morning, everyone. As Rick mentioned, we're pleased with the results of our core business, which continues to show strength and sustainability for both top line trends and margins. In the quarter, core operations premium grew 2.9%, which does include the impact of both the ceded IDI business from our LTC reinsurance transaction and the runoff of our sold stop-loss business. When adjusting for these impacts, premium growth exceeded 4%, driven by strong persistency that continued to outpace our expectations. Additionally, while a smaller sales quarter, results were robust with core operations sales growing 12.2%. This provides good momentum as we enter the fourth quarter, our largest sales quarter and we remain confident in our full year outlook for core operations sales to be relatively consistent with last year. Third quarter adjusted after-tax operating income per share was \$2.09, down from \$2.13 in the same period last year, reflecting strong core business returns of over 20% that did normalize from the historic highs we saw throughout 2024. Additionally, the results of our annual reserve assumption review that we completed in the third quarter resulted in an overall net increase in reserves of \$478.5 million pretax or \$377.8 million after tax across our product lines. In our core businesses, the impact was favorable with reserve releases totaling \$162

million pretax. In addition, the review recognized the recent elevated incidence experience in our long-term care business. It also reflected the implementation of several strategic actions within the block, which helped reduce the long-term care risk profile and further advance our Closed Block strategy. As I outline results for each segment, I'll provide additional detail on the impacts of the assumption update in my overview. So starting with Unum US, the segment produced adjusted operating income of \$334.9 million for the third quarter of 2025 compared to \$363.3 million a year ago. Not included in adjusted income is the impact of our third quarter assumption update, a \$147.7 million reserve release driven primarily by \$105.8 million of group disability releases. The group disability release reflects the favorable recovery trends in long-term disability and we continue to believe recent levels of recoveries are sustainable. Reflecting these positive recovery trends, group disability produced adjusted operating earnings of \$133.5 million in the quarter compared to \$156.7 million a year ago. While down year-over-year, results this quarter reflect a benefit ratio of 61.3%, in line with our low 60s guidance driven by continued strong recoveries. This translated to an ROE greater than 25%. Adjusted operating income for Group Life and AD&D; was \$88.1 million, which exceeded our expectation but was lower than last year's high watermark of \$94 million. The benefit ratio of 66% outperformed our outlook of approximately 70%, driven by lower overall incidents, including favorable trends in AD&D.; We continue to expect a 70% benefit ratio for this business with normal period-to-period volatility. Our supplemental and voluntary lines showed a year-over-year increase in operating income, driven by growth in our voluntary benefits business. Growth in this segment was despite the impact of our ceded IDI business that was part of our long-term care reinsurance transaction. Adjusted operating income of \$113.3 million was above the \$112.6 million a year ago and slightly exceeded our expectation of approximately \$110 million that we communicated following the transaction. So then wrapping up the discussion on Unum US, top line trends were healthy. Sales grew 16.1% and premium increased 1.9% but was impacted by factors such as the ceded IDI premium for the long-term care reinsurance transaction and the runoff of our stop-loss business. Adjusting for these items, premium increased nearly 4%. Specifically for group disability, adjusted premium growth would have been approximately 3%. While sales were strong in the third quarter, it is a smaller sales quarter for Unum US and therefore, persistency was a key driver for premium growth as it has been all year long. Persistency for total group was 89.8% compared to 92.5% a year ago and above our expectations coming into the year. Now shifting to Colonial. Adjusted operating income of \$116.6 million was above the \$113.4 million from the year ago result, driven by growth in the business as evidenced by premium that grew 3.3% from prior year. Underlying the premium growth was persistency of 78.7%, which was 70 basis points higher than a year ago. In addition, sales increased 3.1% in the quarter, further demonstrating continued improvement in momentum. Finally, the results of the reserve assumption update resulted in reserve releases of \$8.9 million, driven by favorable morbidity trends. Then for the International segment, adjusted operating income totaled \$38.8 million compared to \$40.3 million in the prior year period. Unum UK results reported in pounds of GBP 26.3 million were slightly below our expectation of the upper GBP 20 million range with results primarily driven by higher disability claims in the quarter. Top line results for our International segment continue to trend favorably with premium growth of 9.5%, including 18.7% in Poland and sales growth for the segment of 24.9%. Finally, results of the annual assumption update resulted in \$5.4 million of reserve releases. Before touching on Closed Block earnings and the related assumption update, I'll briefly cover the Corporate segment, which produced an adjusted operating loss of \$47.7 million, slightly improved from the prior year result of \$49.4 million, driven by higher investment income, which was partially offset by onetime expenses from our recent M&A; activity. Rounding out the segments, the Closed Block produced adjusted operating income in the quarter of \$14.1 million, which was below \$34.2 million in the year ago period, driven by a combination of lower alternative investment income and unfavorable average new claim size in the long-term care line of business. Alternative investment income in the quarter was \$21.7 million or an annualized yield of 6.5% compared to our outlook of 8%, putting our year-to-date annualized yield at 6.2%. Additionally, LTC experience this quarter continued to be impacted by the higher new claim size dynamic that occurred in the second quarter, though to a lesser extent. I will note that claim counts for the quarter were in line with the expectations established under our updated reserve assumptions. Turning now to the reserve assumption update impacts for the segment. Closed

Block reserves increased \$640.5 million, of which \$643.1 million was attributable to long-term care. As highlighted in the earnings release, I will distinguish the changes into 2 categories, those representing regular assumption refinements to our liability cash flows and those that are onetime nonrecurring in nature and help advance our Closed Block strategy over the long term. In terms of the liability assumption refinements, incidence has rebounded from the significant lows we saw throughout the pandemic and in recent periods have been elevated above our long-term assumptions, leveling out over the past year. While we continue to believe that some of this is delayed incidence that we did not see during the pandemic, we have increased our go-forward incidence assumptions. This resulted in an increase of reserves of approximately \$300 million. Importantly, with this update and with the experience seen in the third quarter, we believe that incidence counts are normalizing from the elevated levels we've seen over the past few years. In the same period of time, we have also seen consistently elevated disabled claim mortality within the same experience set, resulting in a decrease in reserves of approximately \$200 million. Taken together, these updates represent a net reserve increase of approximately \$100 million. I'll now move to the second category of impacts, which, as I mentioned, make up the bulk of the reserve increase and reflect onetime nonrecurring actions that derisk our long-term assumptions and align with our broader strategic objectives. First, we fully removed the morbidity and mortality improvement assumption, which added approximately \$850 million to reserves. The decision to fully remove this key variable follows actuarial analysis through the post-COVID period. While evidenced through pre-COVID experience, we've elected to remove the assumption as a result of the significant reduction and then rebound of incidence in the most recent periods, which has heightened modeling uncertainty. Next, as part of our ongoing efforts to align our portfolio with long-term strategic priorities, we took action to discontinue adding new employee coverage on existing group long-term care cases effective February 1, 2026. As a reminder, we closed our group business to new cases in 2012 and have not written new group cases since that time. However, we have historically allowed employers to enroll new employees to those existing cases. New employee pricing has been based on more recent assumptions. Therefore, those coverages have been profitable and contributed margin to our business. As a result of our decision, we have fully removed the estimated future margin of new employees from our reserve assumption, which increased our reserves by approximately \$200 million. We believe this is a sound decision that will benefit our company and stakeholders by minimizing future risk and supporting our strategic priorities. Finally, after considering all liability assumption changes, we have also reexamined our rate increase plans and assumptions. As a result, we have expanded our program, which reduced reserves by approximately \$525 million. We have been very pleased with the success of our premium rate strategy over time and feel confident in achieving this updated target. In addition to changes I described to the GAAP reserves, which were reflected in current results below the line, the assumption updates also resulted in an increase of the future lifetime loss ratio or net premium ratio from 94.9% to 97.6% sequentially. This change decreased Closed Block quarterly earnings by approximately \$10 million following the update. This impact will continue into future quarters. Considering this change, combined with the impacts of lower alternative investment income in the quarter, earnings per share in the quarter were impacted by approximately \$0.10. We expect a similar effect in the fourth quarter. Despite the GAAP reserve impact, the statutory reserve impact, which will be finalized in the fourth quarter, is expected to be minimal with no capital contributions needed. In addition, our long-term care protections, which consist of statutory reserves above best estimate reserves plus the excess capital at Fairwind remain robust at approximately \$2 billion. While this is a decrease, we see significant value in the trade-offs and substantial benefit of having fully resolved and removed several assumptions. As demonstrated this quarter, the protections not only provide substantial flexibility to manage assumption refinements but also affords us optionality. We remain firmly in a position to proactively manage the block and pursue strategic initiatives and we are confident that no future capital contributions to support LTC reserves will be necessary. Ultimately, these updates do not change our capital outlook. In the quarter, capital metrics across the board remain robust. Holding company liquidity stood at \$2 billion and traditional RBC at 455%, both well above our long-term targets and consistent with our expectations. As we approach the end of the year, we remain confident in our outlook of ending the year with greater than 425% RBC and holding company liquidity above \$2 billion. Through the first 9 months of the year, we have returned just under \$1 billion to our

shareholders, comprised of \$750 million in share repurchases and \$230 million in common stock dividends. In the third quarter alone, we repurchased \$250 million of shares and paid \$78.3 million in dividends. As we close out the remainder of the year, we remain on track to repurchase shares at the top end of our previously announced range of \$500 million to \$1 billion. In addition, we expect to return approximately \$300 million to shareholders through dividends. These actions position us to deliver a total capital return of approximately \$1.3 billion to our shareholders in 2025, underscoring our ongoing commitment to enhancing shareholder value. Our robust capital position is enabled by our strong statutory earnings power, which mirror the strong GAAP margins we saw in our core businesses. Adjusting for the onetime items related to closing our milestone LTC reinsurance transaction, normalized after-tax statutory income was approximately \$300 million, demonstrating continued cash generation of our business model. So before wrapping up the commentary on the quarter, I'll spend a few minutes on our investment portfolio. Our portfolio's after-tax net investment gain totaled \$101.2 million for the quarter and was almost entirely attributable to closing of our long-term care transaction. As a reminder, in previous quarters, since announcing the deal, we recognized investment losses through a mark-to-market. However, gains are only recognized at closing, driving this quarter's result. The investment portfolio remains well positioned. Our portfolio's average rating is A- and both below investment-grade exposure and watch list securities are at historical lows. I already discussed this quarter's alternative portfolio's performance but we'll reiterate that while recent results have been lower than our long-term expectation, the portfolio provides immense value for our long-term care ALM strategy and has produced returns of 9% since inception. In summary, this quarter stands as a testament to our strength and strategic focus. Our core business continues to deliver robust margins and healthy top line growth, fueling strong earnings and capital generation. The decisive actions we've taken in the Closed Block demonstrate our commitment to proactive management of this business. Our capital position remains exceptionally strong, enabling us to invest in growth, return value to shareholders and pursue new opportunities as they arise. As we look ahead to the fourth quarter and into 2026, we are energized by our momentum and confident in our ability to deliver sustainable results for all of our stakeholders. Unum is well positioned for the future and we remain focused on driving innovation, operational excellence and long-term value. Now I'll turn the call back to Rick for his closing comments and I look forward to your questions.

Richard McKenney: Thank you, Steve. As we wrap up our comments, I'd like to shine a light on our core franchise that has continued to lead in the employee benefit space for many years. We have and will steadily invest in the capabilities that will build our future and bring leading solutions to our customers. There will understandably be discussion on the actions we have taken this quarter. Importantly, with our growth trajectory and the capital to back it up, we head toward the end of the year and into 2026 excited about our prospects. We can now turn the call to questions and I'll turn it over to Bella to take your questions.

Operator: [Operator Instructions] Your first question comes from the line of Ryan Krueger with KBW.

Ryan Krueger: My first question is more on the statutory side of the LTC assumption review. I know the overall impact is limited but can you give us any more color on some of the moving parts that impacted stat, whether it be how to think about some of the changes that you did make, how it came to stat and kind of the offset from the future premium rate actions?

Steven Zabel: Sure, Ryan. This is Steve. Yes, I'll kind of break it down a little bit because when you think about the reserve charge, it really impacted the entire block of business. And as you know, we have about 80% of the block in Fairwind. And the way to think about it in Fairwind is the adjustments that we made, including the future rate increase adjustment that we made, really just flows through to the protections that we have there, really did not impact our reported stat reserving levels within Fairwind. They're well in excess of the best estimate reserve that we would have there. Then we do have 20% of the block in our Tennessee company. As you recall, we reinsured the New York block over into the Tennessee company, released quite a bit of capital in the process of doing that. We did reflect these updates as well as other updates around interest rates and what we've been doing around hedging. It did have a slight impact to what we would view as our statutory reserving levels as we go into the fourth quarter. I will remind, we've gone through really the work to understand changes in our best estimate to statutory reserving. We'll report those in the fourth quarter but we have a really good

handle of the impacts. And we do think that those are going to be pretty de minimis and really not impact our capital plans at all.

Ryan Krueger: And then one follow-up. You had originally planned to upstream \$200 million of capital out of Fairwind following the LTC transaction. I think it sounds like maybe you're going to keep it in there now. But can you give us some thoughts on the rationale there?

Steven Zabel: Yes. I'm not sure we ever stated that, that was our intent. But we obviously were going to consider whether that's what we would want to do as we're going into the year-end process. I would say our view right now is we would leave it in Fairwind at this point. We feel really good about the protections we have there at \$2 billion and just think that's probably the prudent thing to do. So that would be our current intent.

Operator: Your next question comes from the line of Tom Gallagher with Evercore ISI.

Thomas Gallagher: First question is just on the \$500 million in change of the actuarial rate -- actuarial justified rate increases. Of those -- based on how you've laid it out, it looks like those are directly linked to the removal of the morbidity and mortality improvement assumptions and also the change in group life contracts. Is that a fair way of looking at it, that those are the main drivers of the rate increase requests?

Steven Zabel: Yes. We look at all of the assumption changes. And as we've done in the past, when we change our best estimate assumptions, we'll flow that through to how we think about the projection of the blocks and what would be actuarially justified. I mean, I think, Tom, the context you can put it in, the normal just experience updates that we made to our assumptions, it was fairly small. And so it's reasonable to say that, that probably hasn't impacted our rate increase program as much. But it's more just because of the magnitude of the adjustments themselves. But those will all flow through to our thinking as far as the rate increase program.

Thomas Gallagher: Got you. And then can you -- I guess when you see a big change like this, you wonder what's sort of behind it, what's driving it. So was there anything in the experience you've been seeing in your block that would warrant these long-term assumption changes to morbidity and mortality? Or was this more due to future uncertainty and prudence? And -- or was this more to get in line with what peers are assuming? Because I guess what I wonder is, if I'm the regulator seeing this request, is this viewed as -- if a management team is just becoming more prudent, are they still likely to approve it, I guess, is the thing I'm grappling with.

Steven Zabel: Yes. Tom, again, I'd break it down into 2 pieces. Just the adjustments that we made through just the cash flow assumptions for both morbidity and mortality, that was based on what we've seen over the past several years on -- we've talked about that quite a bit as far as the higher incidence that we've seen coming out of COVID. We've also seen higher mortality in part of the block. And so that's really just reflecting that into our longer-term assumptions. I think the key here is that coming through COVID, that created a lot of uncertainty in how we view our experience set generally. And so we were comfortable for those basic assumptions that it's been reflected in our experience here long enough that it's time to go ahead and make that change. I would say specific to morbidity improvement, we're now several years behind -- beyond the pandemic. And we have observed morbidity improvement prior to COVID. We felt really good about that assumption. The trend hasn't really fully reemerged, I would say, in recent experience. And so when we just look at that and we look at some of the uncertainty and volatility that we've seen in incidence and mortality, it becomes very tough to model it and so it's created some modeling uncertainty. And so there's a lot of actuarial judgment around this but we did think based on the experience that we've seen, this was the right time to go ahead and make this change. And it derisks our assumption set. It's one of the largest sensitivities that we had to the protections for the block. And so it just felt like the right time to go ahead and make that change. And regulators, they'll take that into account as we're going through the rate increase process. I would say we base all of our assumption changes on the experience that we've seen and we think it's very supportable in all the moves that we would make. So I don't have any concern about that process.

Operator: Your next question comes from the line of Joel Hurwitz with Dowling.

Joel Hurwitz: First, a couple on the Fairwind protection and PDR. On the PDR, I believe there is morbidity improvement included in that. How does this change impact that? And I guess, what's actually left to the PDR given the reinsurance transaction and movement in interest rates? And then

just on the \$2 billion of protection, could you -- can you now provide color what portion of that is excess reserves versus capital?

Steven Zabel: Yes. I'll make a couple of points. I'll reiterate the comments I made earlier about how the assumption changes to the best estimate kind of flow through to Fairwind. And just think about it as the pro rata piece of that block, it kind of dollar for dollar affected how we think about the protections. The best estimate reserve went up. The reported reserves for statutory purposes really didn't change because those are currently in a locked-in position because that reserve exceeds the premium deficiency reserve calculation. So the PDR has become less of a consideration. We think more about what our stated statutory reserves are versus that best estimate reserve. You are right. As part of the transaction, that did impact what the calculated PDR would look like because it was older age and that's where a lot of the margin was built in with the PDR itself. But at this point, when we think about margins to the business, we think more about our best estimate reserve and where our reported locked-in statutory reserves are. Yes, sorry. And the last part of that, none of these changes really impacted excess capital within those -- that protection calculation. The change from the \$2.6 billion to the \$2.0 billion would all be related to the best estimate reserve.

Joel Hurwitz: Got it. Okay. And then shifting gears to group disability, can you just provide some more color on what you saw in the quarter in terms of incidence and recoveries? And then on the actuarial assumption review, just, I guess, what gives you comfort for further reserve releases in this business? I think this is the fifth straight year that you've had a positive assumption review in that business. And any statutory benefit from that change?

Steven Zabel: Yes. There's a lot in there. Let me kind of click through them. So first of all, we're very pleased with the group disability benefit ratio within the quarter. Internally, from management's point of view, we've been in the range all the year when it comes to the benefit ratio right around the 62% range. This quarter is a little bit lower. I would say, first half of the year, we had a couple things with incidence that our cost was a little bit inflated, whether it was count or it was average size. That all kind of settled down in the third quarter. I would say recoveries have been very consistent throughout the year and right on our expectations. And we continue to think that operationally, those are very sustainable. When you think about the GAAP reserve assumptions, we do want to see some time pass before we go ahead and adjust the recovery assumptions within that reserve. We've now seen several quarters at a higher level of recoveries. And we went ahead and took the opportunity to adjust that assumption in the current period for GAAP. That's something that we'll consider in the fourth quarter for our statutory reserves but we'll have to work through that. And anything that we would do there, we'd record in the fourth quarter. I would say it might give us a little bit of a tailwind but doesn't really impact how we think about our capital outlook.

Operator: Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Greenspan: It seems like the actions you guys took with the LTC block this year do position you for -- better for potential future risk transfer deals. So if you could just comment just relative to just discussions in the market and the potential for additional transactions with the block.

Richard McKenney: Yes. Elyse, it's Rick. Just to talk about the market first in general. I think we've said it's been constructive in terms of dialogues that are out there. People that are interested. As we said, it ebbs and flows in terms of who's interested because it is something that needs some more detailed modeling, some better understanding. But we feel like the market is constructive around that and we're really happy to get our transaction done earlier in the year. More specifically, when you think about these actions that we've taken, we've said pretty consistently that a counterparty is going to be looking at the details. So they're going to be forming their own views of what things look like. And with all that being said, I think that some of these assumptions that we have changed, sometimes they can garner discussions in those negotiations. And so it's always good to be on a simpler basis and I think that's what we saw as part of these actions. And then the last thing I'd say is we haven't discussed it more in detail in the Q&A; but the removal of new lives also makes it simpler in terms of what somebody -- a counterparty would need to model. So on the margins, it probably is a little bit easier. But I would say that our counterparties that we're talking to and have talked to for a long time know the details and they form their own views around what these risks look like. And so I think it's all part of the context. So it's a good question and I appreciate the question, right. We're going to stay active on it, as we've said. This

is something we want to continue to do, to reduce the size of this block. And we'll stay active in the markets to help us do that.

Elyse Greenspan: And then my second question was just a follow-up on the group disability side, right? So you guys saw better results in the Q3. I think you had been guiding to around a 62% benefit ratio in the back half. So does it feel like the Q4 could potentially be better relative to that guide also? And then can you just give us some initial thoughts on '26? Does it feel like you'll still be kind of in the low 60s there?

Steven Zabel: Yes. So I would say 62% is as good of an estimate as any for the fourth quarter. There will be volatility around that. And so we, again, kind of feel like each quarter this year, we've been in that range of normal volatility around kind of what our expectations were. And it was a little bit better in the third quarter but we think 62% is still a good planning assumption as we head into the fourth quarter. And then we'll talk more about 2026 as we get into our outlook discussion for next year.

Richard McKenney: Yes. I'd just add to that, too. When you think about these levels, 62%, as we're talking about low 60s, this is a very high-returning business for us. And so making sure we continue to do that, the team is working on that. And I'd just remind, even with that range that Steve talked about and volatility, this is all at very high margins. And so we're very happy with the results we saw this quarter and actually that we've seen all year.

Operator: Question comes from the line of Alex Scott with Barclays.

Taylor Scott: I just had a follow-up on disability. Wanted to get your views on just the pricing environment as we're heading into the enrollment period. And also maybe even just reflecting on the pricing environment over the last couple of years that will be earning in because of the longer duration nature of some of these contracts. I mean, do you have any kind of visibility on just the trajectory of sort of what's already happened over the last couple of years that will be earning in next year?

Christopher Pyne: Yes, Alex. It's Chris. Thanks for the question. The competition is out there. We've talked about it before. It's still a normal competitive environment. We also -- even the display loss ratio conversation that's been going on, we're operating at these levels because disability is a cornerstone product for what we do. It gets you to the leave management side. It gets you into the connection to HCM platforms. So the conversation isn't all about price. As you step back and you think about how we work with our customers, we're very transparent on price. We renew case by case. But they look for long-term stability. And when you're doing things like solving problems around leave management and you're connected into their HCM platform and you can show them what a fair returning price is, there are some up, some down but it does present a reasonable and fair pricing environment, which I think we've seen over the past period and we'd expect to continue.

Taylor Scott: Got it. Just listening at some of the peers' earnings calls, I think it sounded like there was some pressure on leave management across the industry this quarter. So I was just interested what you're seeing there, if there's any kind of repricing activity going on? Any kind of way we should think about from that this quarter?

Christopher Pyne: Yes. Again, it's Chris. Leave management is a major topic that we all do talk about quite a bit. I think there -- you kind of got us into it the -- in the first part of the question around disability pricing. That's part of it. Then you get some elements of pricing around what are people getting for the fees for services. That's a little bit more granular. And then I think the third part is those states that have incorporated a new paid family medical leave plan where private options exist and we very much participate in that. That's kind of core -- a core element of our leave management program. It's part of our Total Leave offering. As they come on, again, you set a price and then you manage it over time. You take a look at the experience. You make adjustments. This is just a very normal thing we do. Obviously, we're equipped to manage that as part of our overall disability block, So we -- it kind of absorbs in. But I think that might be what you're referencing in terms of some of the maturing of the business. It's maybe the new PFML states. And we work through that very normally.

Operator: Your next question comes from the line of Suneet Kamath with Jefferies.

Suneet Kamath: I wanted to come back to the premium rate increases related to the reserve review, the [523]. Can you just unpack that a little bit and just provide some color around how this compares to what you've asked for in the past? And sort of over what time frame are you assuming that you would get these increases? And I believe in the past, you kind of had a number and you put a haircut on it for

potential that you wouldn't get what you asked for. Just wondering if there's an element of that baked in here.

Steven Zabel: Sure, yes. So I would say our approach is very consistent to the approach we've taken in the past. Any time we change our estimate assumption set, we really -- we look at that, we flow that through our future cash flows, and then we look at the different blocks of business to really understand what's actuarially supported. And then we go state by state. And we really look at past experience that we've had in those states. Different states approve these differently as far as the pace, the significance. And so we overlay that to that aggregate premium rate request and then we come up with what our best estimate is. And we've gone through the same process. And that affects the timing as well as the magnitude of what we think should be expected. It's very consistent with what we've historically done. I think we're over \$5 billion of present value of approvals that we have gotten over time. So in the context of that, this adjustment, I think, is pretty manageable. I think the time frame of getting these approvals will be fairly consistent with what we've seen in the past. It usually takes 3 to 5 years anytime we have new request to kind of work its way both through the review process, the administrative process, the implementation process and then, ultimately, the effective date of the premium increase. And so I would view this as very much consistent with the playbook that we've historically run. And I would say, we feel like we've been very successful in the past. And so we'll go through the process like we've done in the past and feel pretty confident of our ability to be able to meet that. I will say, more recently, there's been times where we've actually overperformed that assumption a little bit. We did that last year with some large states. And so we try to be prudent with the best estimate that we set but also make sure it's a very reasonable estimate. And we feel like we've done that this time around as well.

Richard McKenney: Yes, I'd just add to that, Suneet. This is a very mature process for us. And the team knows exactly how they're going to go about it and what they're going to do, who they're going to talk to over what time frame. So we feel very confident about achieving these rate increases.

Suneet Kamath: Okay. And then I guess on group disability, one of the things that we've been hearing from other companies is around recoveries and how they're just not as strong as they have been over the past few years. Just kind of want to get a sense of what you're seeing there? Any big changes? And just any color would be helpful.

Richard McKenney: Yes. Thanks, Suneet. I mean, our team does do an incredibly good job of managing our group disability block, taking care of our customers, getting people back to work. And so when we look at that, we've talked a little bit about -- we had a really strong recovery year last year and it's been very stable as we look at over the course of this year. I think what's important is the process hasn't changed when you think of what we do and how we go through that. And so I wouldn't highlight those similar things. I think we do see and you can see on the incidence side some volatility as people submit claims. But when it comes to recoveries, our teams just do a good job of managing this over the longer term. And I'd also caution the read across to other companies and what they see on recoveries particularly in a given quarter because I think that dynamic just isn't going to be consistent across the industry. So we feel good about where they are. Team has done a great job. Loss ratio, 61.3%, incorporating all those things that Chris talked about and we feel good about it.

Operator: Your next question comes from the line of Jack Matten with BMO Capital Markets.

Francis Matten: Just one on capital management. I guess now that we're through the assumption review, you're still running with a very healthy level of excess capital. I guess, could we see a level of share buybacks potentially ramp up next year? And then maybe other uses of cash that you think could come into play?

Richard McKenney: Yes, sure. Thanks, Jack. And I think when you think about our capital deployment plans, they've been very consistent. We've been increasing our share repurchase over time. So maybe I'll talk a little bit about this year. I think it's probably a little bit early to talk about what we're seeing into next year. And the first thing I'd highlight is the strong capital generation. And so with that, you can see the -- building in the balance sheet. And as we redeploy that back to customers, you're really starting to look at cash conversion ratio that's close to 100% between share repurchase and dividends. And so we feel good about that there. But I'd take you back and say, first and foremost, we want to put our money back into growing the core operations. How do we take these good franchises we have and just allow them to grow faster? And so that's where the cash and capital is going to go first. Second, on the M&A;

front, inorganically, how can we grow? We'll certainly pursue items in the market. I think we've been consistent to say these will look more like capability acquisitions as opposed to a big block deal or something like that. So we're going to put money there when we need to. And then you get back to what we've done with share repurchase over the last couple of years and we've seen that ramp up. And I think Steve said in his comments and I've reiterated, we started the year at a range of \$500 million to \$1 billion. We're at the top end of that range. We feel good about that as we wrap up 2025. And then we'll have to see what we do in the future because we are in a good capital position. We are in a strong capital position and it gives us ample flexibility to do the things that we want to do.

Francis Matten: Got it. And a follow-up on the premium growth outlook, especially for Unum US. I think you've been running kind of like in the 3% to 6% range on an underlying basis this year. I guess just wondering how sustainable you see that? And are you seeing any changes in kind of that natural growth rate regarding employment and wage levels given that we've seen some signs of potential labor market softening in recent months?

Richard McKenney: Yes. I'll just start at the macro from a premium side and the growth in the company. We'll hear from each of our businesses around that because I think it's very insightful in terms of what they're seeing. I think when you think about our premium growth overall, we feel good at just continuing to engage with customers, taking on -- protecting more people. And you talked about the natural growth. We are still seeing natural growth and we're seeing that somewhere in the range of 3%, plus or minus. So we're still getting good natural growth behind the block. The concerns that you hear about are usually one-off in terms of what you see in the market. So we're just not seeing that in our block today. But it's helpful to hear from each of our business lines. And maybe we'll start off in the U.S. Chris, you want to talk a little bit about how we're feeling about premium growth and the trajectory?

Christopher Pyne: Yes. Thanks, Rick. Yes, we remain very excited about the premium growth. Sales in the quarter were obviously quite good. There is some volatility, small quarter for -- smallest quarter of the year, as Rick pointed out at the outset. And we did have a couple of large wins that presented some positive volatility, which we're excited about but wouldn't expect to continue every year. Fourth quarter, Rick's guided to flattish sales, which makes sense and we're excited about that but it's coupled with really strong persistency. And persistency has been going up through the course of the year, where we see both close ratio on new and retained customers that are tied to our strategic investments. There's a lot of good logic as to why they're coming to us, why they're staying and also why we'll get a fair price over time. And those things add up to put us in that strong premium growth range that you referenced. And we expect that to continue and we're really excited about it.

Richard McKenney: That's good. Tim, do you want to talk about Colonial Life and voluntary?

Timothy Arnold: Yes. I'll start with VB on the Unum side. When you think about the industry growth rate, most of the resources we have suggest the industry growth rates in the 4% to 6% range on sales. For the last couple of years, on the Unum side, we've had double-digit sales growth and that's led to some pretty strong premium growth. In the first quarter this year, we had a really strong quarter again. Second quarter was a lot softer. LIMRA indicated midyear that first -- sorry, sales for the first half of the year were a bit sluggish for the entire industry but we see that rebounding in the third quarter and we have expectations that 2026 will also rebound it to the range we've provided before. Strong persistency on the Unum side led to 5.6% earnings premium growth in the quarter. So we feel good about that. Also early indications on the 1Q pipeline looked pretty strong, especially in large case for Unum. So we continue to believe that we can perform as we have over the last few years. On the Colonial Life side, sales momentum has been improving. Growth rates are better subsequently each quarter of 2025. Our sales organization is now fully staffed and we have a high degree of confidence in their ability to execute. Our value prop continues to resonate with strong growth in our strategic initiatives, including cross-brand sales and Gather, which as a reminder, our proprietary HR and benefits platform. Fundamentals on the Colonial side are also really, really good with recruiting of 29%. Sales from those new agents, up almost 36%. Offices that were established in 2025, new district offices, we have 20% more of those than we did last year. And sales from those new offices are up 75%. As Steve pointed out in his comments, persistency was also up 70 basis points from last year. So that led to earnings -- sorry, earned premium growth of 3.3% and we see that continuing into '26.

Richard McKenney: Exciting. Mark?

Mark Till: Okay. Yes. I mean, just very briefly on international results. We're pleased with the top line growth that we've seeing. Poland remains a very buoyant market with strong growth potential. We can see that translating into sales growth in Poland of 17% in quarter, premium growth of 19%. U.K. market has been steady for new business this year. We've seen good growth in quarter 3 with sales up 25% and that's off the back of new business in both core and large case, offset a little bit by slightly lower new lines on existing schemes. Persistency in both countries has been good. In the U.K., we've hit a record 91.8%, so that's an increase on the prior year. And premium growth overall in the U.K. for the quarter was 7.6%. And I think sitting behind all of this really is the very strong customer satisfaction that we're seeing, which is at a record high for the business. And I think that's off the back of the investments we've been making in technology, both customer-facing from the employer and the employee perspective, as well as the experience we're offering for our brokers. So I think we have -- we're feeling pretty buoyant about how the market is playing out in both countries at the moment.

Richard McKenney: Great, Mark. And Jack, as I wrap it up, I'd just say like when you think about our premium growth, you represented the ranges. If you're 3% to 6% in that range, you get to 5%, you're talking about \$0.5 billion of new premiums that we're bringing on. These are done at good margins as you've heard about, and you've seen from [indiscernible] and it's really part of our engine. So when you think about the enterprise and then the people we have here are focused, we are focused on premium growth because we think that's all in line with our purpose, do it at a good price. And we'll see the overall enterprise growth. So I appreciate the question.

Operator: Your next question comes from the line of Wilma Burdis with Raymond James.

Wilma Jackson Burdis: I guess one question for you. Why do you guys report earnings on Closed Block and LTC given that the block has lost capital over time?

Richard McKenney: Missed the last part of your question.

Steven Zabel: Yes, Wilma, can you repeat that?

Wilma Jackson Burdis: Given that the block has lost capital over time.

Steven Zabel: Yes. Wilma, you keep cutting out. Sorry.

Wilma Jackson Burdis: Okay. Sorry. My question is, why do you guys report earnings on Closed Block and LTC given that the block has lost capital over time?

Steven Zabel: Well, I'll try to answer that question. I mean, as part of kind of the overall organization, clearly we have the requirement to report earnings for the entire entity. And so we do that. We have put LTC in Closed Block status. So from a segmentation perspective, we think that's the right thing to do. And then I think the key for the long-term care block, obviously, is cash generation or cash deployment. And so we try to be very disclosive just around kind of how we think about the capital needs of that block. And clearly, right now, we're in the position that there really are no capital needs for that block and we don't foresee that going forward. And so that's kind of how we think about the type of information that would be meaningful to investors and we try to focus on that.

Richard McKenney: Yes. I'd just reiterate that. On the statutory side, we do kind of follow what you're talking about, which is we kind of split it in 2 and talk about our Closed Block separately and distinct from our core operations. And we think that's a better disclosure. But from a GAAP perspective, it's in the segment and earnings that we need to report on.

Wilma Jackson Burdis: And then I guess just my takeaways on the assumption review are that it doesn't have a negative cash impact. Ultimately, it will add cash generation given the rate increases that you're seeking. And then I guess, third, just [indiscernible] assumptions that are going to reduce the risk of future charges. Do you think that's fair?

Steven Zabel: I think that's the right way to think about it. And just generally speaking, when you think about the assumption set itself, we've created less risk around some of the assumptions, which maybe are less controllable around morbidity improvement. And we've bolstered some of the assumptions specifically around rate increase, which we think are more controllable and things that we can execute against and generate value. And you're right, generate -- cash generation directly from those actions that we can take. So I think your model is good, like how you're thinking about it.

Operator: Your next question comes from the line of Wes Carmichael with Autonomous Research.

Wesley Carmichael: I had a follow-up question on the assumption review. But is there a way to size

each of the gross impacts of the removal of morbidity improvement and the removal of mortality improvement? I know they're somewhat offsetting but I wonder if you could provide the gross impact there.

Steven Zabel: Yes. Wes, we haven't disclosed that. And part of the reason is they're so interchanged with each other, where when you think about the drivers or the cause of both morbidity and mortality improvement, it comes back to fundamental health trends that you would see in the population and specifically in our insured population. And so it's kind of tough to pull those apart and think about them independently in our view. And we've historically seen those really move together. And so we did remove both of them as part of this assumption update but really view those as kind of one concept and one assumption that we need to get comfortable with.

Wesley Carmichael: Got it. And maybe just one more follow-up on LTC. But on the net premium ratio, should we think about that increase to the NPR is expected to increase the volatility in quarterly earnings in the Closed Block segment, I guess, as most of the -- or more of the cohorts become capped under LDTI? I know you gave some insight on 4Q but just wondering how you're thinking about overall volatility on a quarterly basis.

Steven Zabel: Yes. No, it's a good point. And just to kind of step back a little bit, the NPR did increase as part of the assumption review. And so therefore, future margins, expected margins are going to be less with LTC and we kind of talked about that being one of the drivers in the third quarter as well as going forward. I would say, generally speaking, the more capped cohorts you get, probably the more volatility you're going to see within the results. But that's something that we'll just have to see how it plays out and it's very dependent on just variations against our expected results and which cohorts those are in.

Operator: Your next question comes from the line of Tracy Benguigui with Wolfe Research.

Tracy Benguigui: Most of my questions were asked. Just a few quick follow-ups. When you conduct your fourth quarter statutory reserve review, it will be helpful to understand if you're looking at similar factors both on the experience side and the strategic update? Or are you just looking at a subset of those factors?

Steven Zabel: Yes. Tracy, I can answer that right now because we've already really evaluated that, where every change that we have made for GAAP, we have factored into our view of what this -- the results of the statutory work is going to be. So we kind of already know the results as of 9/30 and understand what the results are going to look like. It's just that from a regulatory basis, we report on any kind of adjustments we make in the fourth quarter. But I would consider the work to pretty much be done as far as understanding the impacts of the changes we made in the third quarter to statutory results. We just won't book them until the fourth quarter.

Tracy Benguigui: Perfect. And just another follow-up on what's driving some of the experience adjustments. So on the morbidity improvement assumption, does any of that reflect some of these medical advances we're seeing like GLP-1?

Steven Zabel: Yes. I would say we are not able to kind of draw straight line between any causes and how we think about the assumption itself. It more comes down to, you go all the way back to pre-COVID, we had really good data that would support the assumption that we made at that point. There's been just a lot of volatility through COVID. And as we kind of come out of that period of time and also seeing some of the elevated incidence, it's harder to really model and there's just more modeling uncertainty around being able to support that assumption. And so we really just made the choice to go ahead and remove that assumption completely.

Richard McKenney: I think it's -- yes, Tracy, I think it's just...

Tracy Benguigui: I was talking more about the \$200 million improvement, not the drop of the future morbidity or mortality improvements.

Steven Zabel: Oh, around -- yes, I'm sorry, around mortality. Yes. So I would say we haven't probably seen a direct cause and effect there. But we have seen improved mortality in certain segments of that block and we just went ahead and reflected that. It's hard to attribute it to any one thing. It's just -- it has built up over time and we feel confident now that we should go ahead and change our longer-term assumptions.

Richard McKenney: Yes. I think important to that, Tracy, is GLP-1s or just drugs in general, I mean, that

actually lend to better health outcomes. We don't factor that in until we've really seen that coming through our block. And so it's early for that. When you think about that, it's hard to project exactly how that will impact. We think it's probably good that there's better healthier populations across a number of our products. But we really wait until we see it before we factor those type of things in.

Operator: Question comes from the line of Maxwell Fritscher with Truist.

Maxwell Fritscher: I'm on for Mark Hughes. Just one for me on the government shutdown. Any updates there? And are you seeing any effect on new disability awards?

Christopher Pyne: Yes, Maxwell, this is Chris. Right now, we are -- all systems go and no particular impact. We kind of have a playbook. We are ready for government shutdowns. And generally speaking, it doesn't really hit and play out in reality. So I think we're living that right now. But we're ready if anything changes and -- but all systems go right now.

Operator: And your next and last question is from Josh Shanker with Bank of America.

Joshua Shanker: In terms of thinking about the review, you made a interesting comment about that you're closing the existing group contracts to new cases. But also the cases that you were adding were actually beneficial and that cost you about \$200 million in the review. If they were a positive, which just comes to me as a surprise given the cost of capital and whatnot, why take them out? And maybe I can answer my own question, if people are looking at this Closed Block, maybe you need to stop adding cases. What was the motivation of taking off something that was benefiting the trends over time?

Richard McKenney: Yes. First, Josh, it's Rick. Let me clarify when you talk about cases. We were not writing new cases and so that's first foremost. We actually closed that down back in 2012. What we're talking about is, if you think about an employer, so you have to think about a group construct for any of our products, where when a new employee joins the company, they get added on to the rolls of their health care or even our types of products on group disability, group life, et cetera. And so that was happening as well on the group contracts around LTC. As we've looked at it over time and we think about it, we decided to actually curtail that in terms of allowing new employees onto those contracts. That's the decision that we've made as we work our way through that. And so I think that, that's really the dynamic that you're seeing coming through the reserves. These were profitable business. But understand, we go back to our strategy. And our strategy is to reduce the size of our Closed Block. We're doing that through multiple ways, through reinsurance and then this is another way we will reduce ultimately the size of our Closed Block. So these were profitable customers coming on to the rolls given our -- given the fact that our new pricing is much different than the pricing a long time ago but we still made that trade-off decision to stop new lines coming on to these contracts.

Joshua Shanker: So you're foregoing positive cash flows and business because you simply want to make the book smaller?

Richard McKenney: That is correct. I think if you look at the course of this call today, we spent a lot of time talking about our Closed Block. When you think about our company, we are about protecting people during their working lifetime and long-term care is not in tune with that. And so that's why reducing that block and having that out of our strategic focus is important to us. And this is one small piece. It's not actually overly material to the size of the block but we think this is a good action to take something out. So that is a trade-off that we'll make.

Operator: This concludes our Q&A session. I will now turn the call back over to Rick McKenney for closing remarks.

Richard McKenney: Yes. Thank you, Bella, and I appreciate everybody staying on with us today. Certainly a lot to go through in this quarter. And I'd highlight just the underlying operations and what we've got going forward as we look to the end of the year and into 2026. We're excited about it. And we'll be out talking to a number of investors here over the coming weeks. We look forward to seeing you out there at a number of conferences, both Steve and I. And we'll talk to you soon. Thanks. And this concludes our third quarter call.

Operator: Ladies and gentlemen, thank you all for joining and you may now disconnect. Everyone, have a great day.