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Unum Group
Form 10-Q
May 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2012

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-11294
Unum Group
(Exact name of registrant as specified in its charter)

Delaware 62-1598430
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

1 Fountain Square
Chattanooga, Tennessee 37402
(Address of principal executive offices)
423.294.1011
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

285,849,395 shares of the registrant's common stock were outstanding as of April 27, 2012.

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Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a "safe harbor" to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Quarterly Report on Form 10-Q (including certain statements in the consolidated financial statements and related notes and Management's Discussion and Analysis), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking statements within the meaning of the Act. Forward-looking statements are those not based on historical information, but rather relate to our outlook, future operations, strategies, financial results, or other developments. Forward-looking statements speak only as of the date made. We undertake no obligation to update these statements, even if made available on our website or otherwise. These statements may be made directly in this document or may be made part of this document by reference to other documents filed by us with the SEC, a practice which is known as "incorporation by reference." You can find many of these statements by looking for words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "intends," "projects," "goals," "objectives," or similar expressions in this document or in documents incorporated herein.

These forward-looking statements are subject to numerous assumptions, risks, and uncertainties, many of which are beyond our control. We caution readers that the following factors, in addition to other factors mentioned from time to time, may cause actual results to differ materially from those contemplated by the forward-looking statements:

- Unfavorable economic or business conditions, both domestic and foreign.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- Sustained periods of low interest rates.
- Changes in claim incidence, recovery rates, mortality rates, and offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of claims management operations, and changes in government programs.
- Fluctuation in insurance reserve liabilities.
- Investment results, including, but not limited to, realized investment losses resulting from defaults, contractual terms of derivative contracts, and impairments that differ from our assumptions and historical experience.
- The lack of appropriate investments in the market which can be acquired to match our liability cash flows and duration.
- Changes in interest rates, credit spreads, and securities prices.
- Increased competition from other insurers and financial services companies due to industry consolidation or other factors.
- Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, and consumer confidence.
- Changes in accounting standards, practices, or policies.
- Changes in our financial strength and credit ratings.
- Rating agency actions, state insurance department market conduct examinations and other inquiries, other governmental investigations and actions, and negative media attention.
- Effectiveness in managing our operating risks and the implementation of operational improvements and strategic growth initiatives.
- Actual experience that deviates from our assumptions used in pricing, underwriting, and reserving.
- Actual persistency and/or sales growth that is higher or lower than projected.
- Effectiveness of our risk management program.
- The level and results of litigation.

Currency exchange rates.

- Ability of our subsidiaries to pay dividends as a result of regulatory restrictions.

• Ability and willingness of reinsurers to meet their obligations.

• Changes in assumptions related to intangible assets such as deferred acquisition costs, value of business acquired, and goodwill.

• Ability to recover our systems and information in the event of a disaster or unanticipated event and to protect our systems and information from unauthorized access and deliberate attacks.

• Events or consequences relating to political instability, terrorism, or acts of war, both domestic and foreign.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2011.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

PART I

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Unum Group and Subsidiaries

| | March 31 2012 | December 31 2011 |
|--|--------------------------|---------------------|
| | (in millions of dollars) | |
| | | As Adjusted |
| Assets | | |
| Investments | | |
| Fixed Maturity Securities - at fair value (amortized cost: \$36,888.0; \$36,640.7) | \$42,411.2 | \$42,486.7 |
| Mortgage Loans | 1,615.9 | 1,612.3 |
| Policy Loans | 3,049.0 | 3,051.4 |
| Other Long-term Investments | 635.5 | 639.2 |
| Short-term Investments | 1,441.2 | 1,423.5 |
| Total Investments | 49,152.8 | 49,213.1 |
| Other Assets | | |
| Cash and Bank Deposits | 102.5 | 116.6 |
| Accounts and Premiums Receivable | 1,713.8 | 1,672.2 |
| Reinsurance Recoverable | 4,824.4 | 4,854.6 |
| Accrued Investment Income | 736.9 | 681.8 |
| Deferred Acquisition Costs | 1,699.7 | 1,677.1 |
| Goodwill | 201.5 | 201.2 |
| Property and Equipment | 497.4 | 493.3 |
| Other Assets | 642.8 | 645.3 |
| Total Assets | \$59,571.8 | \$59,555.2 |

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS (UNAUDITED) - Continued

Unum Group and Subsidiaries

| | March 31 2012 | December 31 2011 |
|---|--------------------------|---------------------|
| | (in millions of dollars) | |
| | | As Adjusted |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Policy and Contract Benefits | \$1,470.5 | \$1,494.0 |
| Reserves for Future Policy and Contract Benefits | 42,965.5 | 43,051.9 |
| Unearned Premiums | 490.4 | 433.2 |
| Other Policyholders' Funds | 1,638.4 | 1,625.9 |
| Income Tax Payable | 98.4 | 38.2 |
| Deferred Income Tax | 88.9 | 44.7 |
| Short-term Debt | 372.2 | 312.3 |
| Long-term Debt | 2,552.8 | 2,570.2 |
| Other Liabilities | 1,714.8 | 1,815.1 |
| Total Liabilities | 51,391.9 | 51,385.5 |
| Commitments and Contingent Liabilities - Note 9 | | |
| Stockholders' Equity | | |
| Common Stock, \$0.10 par | | |
| Authorized: 725,000,000 shares | | |
| Issued: 359,304,646 and 358,691,567 shares | 35.9 | 35.9 |
| Additional Paid-in Capital | 2,600.4 | 2,591.1 |
| Accumulated Other Comprehensive Income (Loss) | | |
| Net Unrealized Gain on Securities Not Other-Than-Temporarily Impaired | 584.4 | 614.8 |
| Net Gain on Cash Flow Hedges | 398.0 | 408.7 |
| Foreign Currency Translation Adjustment | (89.4 |) (117.6 |
| Unrecognized Pension and Postretirement Benefit Costs | (437.6 |) (444.1 |
| Retained Earnings | 6,793.5 | 6,611.0 |
| Treasury Stock - at cost: 73,492,245 and 65,975,613 shares | (1,705.3 |) (1,530.1 |
| Total Stockholders' Equity | 8,179.9 | 8,169.7 |
| Total Liabilities and Stockholders' Equity | \$59,571.8 | \$59,555.2 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

| | Three Months Ended March 31 | |
|---|---|-------------|
| | 2012 | 2011 |
| | (in millions of dollars, except share data) | |
| | | As Adjusted |
| Revenue | | |
| Premium Income | \$1,921.9 | \$1,869.5 |
| Net Investment Income | 619.5 | 618.7 |
| Realized Investment Gain (Loss) | | |
| Other-Than-Temporary Impairment Loss on Fixed Maturity Securities | — | (2.3) |
| Other Net Realized Investment Gain | 12.4 | 17.5 |
| Net Realized Investment Gain | 12.4 | 15.2 |
| Other Income | 57.5 | 59.7 |
| Total Revenue | 2,611.3 | 2,563.1 |
| Benefits and Expenses | | |
| Benefits and Change in Reserves for Future Benefits | 1,662.9 | 1,593.0 |
| Commissions | 232.3 | 224.3 |
| Interest and Debt Expense | 35.5 | 37.9 |
| Deferral of Acquisition Costs | (117.4) | (112.2) |
| Amortization of Deferred Acquisition Costs | 99.4 | 95.0 |
| Compensation Expense | 206.9 | 201.9 |
| Other Expenses | 181.7 | 195.8 |
| Total Benefits and Expenses | 2,301.3 | 2,235.7 |
| Income Before Income Tax | 310.0 | 327.4 |
| Income Tax | | |
| Current | 37.3 | 65.3 |
| Deferred | 58.8 | 38.5 |
| Total Income Tax | 96.1 | 103.8 |
| Net Income | \$213.9 | \$223.6 |
| Net Income Per Common Share | | |
| Basic | \$0.74 | \$0.72 |
| Assuming Dilution | \$0.73 | \$0.71 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

| | Three Months Ended March 31 | |
|---|-----------------------------|-------------|
| | 2012 | 2011 |
| | (in millions of dollars) | |
| | | As Adjusted |
| Net Income | \$213.9 | \$223.6 |
| Other Comprehensive Income (Loss) | | |
| Change in Net Unrealized Gain on Securities Before Reclassification Adjustment: | | |
| Change in Net Unrealized Gain on Securities Not Other-Than-Temporarily Impaired (net of tax benefit of \$110.2; \$40.7) | (196.5) | (77.3) |
| Change in Net Unrealized Gain on Securities Other-Than-Temporarily Impaired (net of tax benefit of \$ - ; \$1.1) | — | (2.1) |
| Total Change in Net Unrealized Gain on Securities Before Reclassification Adjustment (net of tax benefit of \$110.2; \$41.8) | (196.5) | (79.4) |
| Reclassification Adjustment for Net Realized Investment Gain (net of tax expense of \$0.3; \$0.5) | (0.7) | (0.6) |
| Change in Net Gain on Cash Flow Hedges (net of tax benefit of \$5.9; \$5.4) | (10.7) | (9.9) |
| Change in Adjustment to Reserves for Future Policy and Contract Benefits, Net of Reinsurance and Other (net of tax expense of \$97.2; \$59.8) | 166.8 | 113.2 |
| Change in Foreign Currency Translation Adjustment | 28.2 | 26.5 |
| Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of \$3.5; \$1.6) | 6.5 | 5.1 |
| Total Other Comprehensive Income (Loss) | (6.4) | 54.9 |
| Comprehensive Income | \$207.5 | \$278.5 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

| | Three Months Ended March 31 | |
|--|-----------------------------|------------------|
| | 2012 | 2011 |
| | (in millions of dollars) | |
| | | As Adjusted |
| Common Stock | | |
| Balance at Beginning of Year | \$35.9 | \$36.5 |
| Common Stock Activity | — | 0.1 |
| Retirement of Repurchased Common Shares | — | (0.8) |
| Balance at End of Period | 35.9 | 35.8 |
| Additional Paid-in Capital | | |
| Balance at Beginning of Year | 2,591.1 | 2,615.4 |
| Common Stock Activity | 9.3 | 12.2 |
| Retirement of Repurchased Common Shares | — | (55.2) |
| Balance at End of Period | 2,600.4 | 2,572.4 |
| Accumulated Other Comprehensive Income (Loss) | | |
| Balance at Beginning of Year | 461.8 | 351.4 |
| Change During Period | (6.4) | 54.9 |
| Balance at End of Period | 455.4 | 406.3 |
| Retained Earnings | | |
| Balance at Beginning of Year | 6,611.0 | 6,591.8 |
| Net Income | 213.9 | 223.6 |
| Dividends to Stockholders (per common share: \$0.1050; \$0.0925) | (31.4) | (29.9) |
| Retirement of Repurchased Common Shares | — | (144.0) |
| Balance at End of Period | 6,793.5 | 6,641.5 |
| Treasury Stock | | |
| Balance at Beginning of Year | (1,530.1) | (1,110.2) |
| Purchases of Treasury Stock | (175.2) | (23.6) |
| Balance at End of Period | (1,705.3) | (1,133.8) |
| Total Stockholders' Equity at End of Period | \$8,179.9 | \$8,522.2 |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries