

Unum Group
Form 10-Q
May 07, 2007
[Table of Contents](#)

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, 2007

☐ **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 1-11834

Unum Group

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

62-1598430
(I.R.S. Employer Identification No.)

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 ☐

Edgar Filing: Unum Group - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

342,802,960 shares of the registrant's common stock were outstanding as of March 31, 2007.

Table of Contents

TABLE OF CONTENTS

	Page
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	1
PART I	
1. Financial Statements (Unaudited):	
<u>Consolidated Balance Sheets at March 31, 2007 and December 31, 2006</u>	3
<u>Consolidated Statements of Income for the three months ended March 31, 2007 and 2006</u>	5
<u>Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2007 and 2006</u>	6
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006</u>	7
<u>Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2007 and 2006</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Report of Ernst & Young LLP, Independent Registered Public Accounting Firm</u>	23
2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	61
4. <u>Controls and Procedures</u>	61
PART II	
1. <u>Legal Proceedings</u>	62
1A. <u>Risk Factors</u>	62
6. <u>Exhibits</u>	62
<u>Signatures</u>	63

Table of Contents

Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 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. We desire to take advantage of these safe harbor provisions. Certain information contained in this discussion, 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. Forward-looking statements are those not based on historical information, but rather relate to future operations, strategies, financial results, or other developments and speak only as of the date made. 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, 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, intentions, 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:

General economic or business conditions, both domestic and foreign, may be less favorable than expected, which may affect premium levels, claims experience, the level of pension benefit costs and funding, and investment results, including credit deterioration of investments.

Competitive pressures in the insurance industry may increase significantly through industry consolidation or otherwise.

Events or consequences relating to terrorism and acts of war, both domestic and foreign, may adversely affect our business and the Company's results of operations in a period and may also affect the availability and cost of reinsurance.

Legislative, regulatory, or tax changes, both domestic and foreign, may adversely affect the businesses in which we are engaged.

Actual experience in connection with implementation of the multistate market conduct regulatory settlement agreements and the California Department of Insurance settlement agreement may deviate from our assumptions.

Rating agency actions, state insurance department market conduct examinations and other inquiries, other governmental investigations and actions, and negative media attention may adversely affect our business and the Company's results of operations in a period.

The level and results of litigation and rulings in the multidistrict litigation or other purported class actions may not be favorable to the Company and may adversely affect our business and the Company's results of operations in a period.

Investment results, including, but not limited to, realized investment losses resulting from impairments, may differ from our assumptions and prior experience and may adversely affect our business and the Company's results of operations in a period.

Changes in the interest rate environment may adversely affect our reserve and policy assumptions and ultimately profit margins and reserve levels.

Edgar Filing: Unum Group - Form 10-Q

Sales growth may be less than planned, which could affect adversely revenue and profitability.

Effectiveness in supporting new product offerings and providing customer service may not meet expectations.

Actual experience in pricing, underwriting, and reserving may deviate from our assumptions.

Actual persistency may be lower than projected persistency, resulting in lower than expected revenue and higher than expected amortization of deferred acquisition costs.

Table of Contents

Incidence and recovery rates may be influenced by, 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 risk management programs, and implementation of the multistate regulatory settlement agreements and the California Department of Insurance settlement agreement.

Insurance reserve liabilities may fluctuate as a result of changes in numerous factors, and such fluctuations can have material positive or negative effects on net income.

Retained risks in our reinsurance operations are influenced primarily by the credit risk of the reinsurers and potential contract disputes. Any material changes in the reinsurers' credit risk or willingness to pay according to the terms of the contract may adversely affect our business and the results of operations in a period.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2006.

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. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS**
CONSOLIDATED BALANCE SHEETS*Unum Group and Subsidiaries*

	March 31 2007 (in millions of dollars) (Unaudited)	December 31 2006
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: \$33,766.5; \$33,414.1)	\$ 35,251.8	\$ 35,001.5
Mortgage Loans	1,006.2	944.0
Real Estate	17.9	17.9
Policy Loans	3,431.5	3,429.5
Other Long-term Investments	106.0	122.0
Short-term Investments	620.7	648.4
Total Investments	40,434.1	40,163.3
Other Assets		
Cash and Bank Deposits	135.5	121.3
Accounts and Premiums Receivable	1,991.9	2,057.1
Reinsurance Recoverable	5,558.1	5,512.2
Accrued Investment Income	660.0	646.8
Deferred Acquisition Costs	2,326.8	2,983.1
Goodwill	204.2	204.1
Property and Equipment	377.9	370.1
Other Assets	615.4	624.5
Other Assets - Discontinued Operations		112.3
Separate Account Assets	20.9	28.5
Total Assets	\$ 52,324.8	\$ 52,823.3

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED BALANCE SHEETS - Continued****Unum Group and Subsidiaries**

	March 31 2007 (in millions of dollars) (Unaudited)	December 31 2006
Liabilities and Stockholders Equity		
Liabilities		
Policy and Contract Benefits	\$ 2,083.3	\$ 2,220.4
Reserves for Future Policy and Contract Benefits	36,040.3	35,689.4
Unearned Premiums	529.7	520.1
Other Policyholders Funds	2,004.4	2,019.1
Income Tax Payable	87.4	44.4
Deferred Income Tax	290.5	567.3
Long-term Debt	2,499.7	2,659.6
Other Liabilities	1,392.0	1,326.7
Other Liabilities - Discontinued Operations		29.0
Separate Account Liabilities	20.9	28.5
Total Liabilities	44,948.2	45,104.5
Commitments and Contingent Liabilities - Note 9		
Stockholders Equity		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 344,754,055 and 344,578,616 shares	34.5	34.4
Additional Paid-in Capital	2,196.6	2,200.0
Accumulated Other Comprehensive Income (Loss)		
Net Unrealized Gain on Securities	490.3	534.8
Net Gain on Cash Flow Hedges	180.5	194.2
Foreign Currency Translation Adjustment	121.7	116.0
Unrecognized Pension and Postretirement Benefit Costs	(248.8)	(232.2)
Retained Earnings	4,656.0	4,925.8
Treasury Stock - at cost: 1,951,095 shares	(54.2)	(54.2)
Total Stockholders Equity	7,376.6	7,718.8
Total Liabilities and Stockholders Equity	\$ 52,324.8	\$ 52,823.3

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)****Unum Group and Subsidiaries**

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars, except share data)	
Revenue		
Premium Income	\$ 1,944.0	\$ 1,970.0
Net Investment Income	589.5	563.8
Net Realized Investment Gain (Loss)	(3.7)	2.5
Other Income	70.8	63.8
Total Revenue	2,600.6	2,600.1
Benefits and Expenses		
Benefits and Change in Reserves for Future Benefits	1,729.3	1,867.5
Commissions	213.0	210.9
Interest and Debt Expense	45.9	53.1
Cost Related to Early Retirement of Debt	2.4	5.3
Deferral of Acquisition Costs	(138.1)	(135.9)
Amortization of Deferred Acquisition Costs	116.6	119.8
Compensation Expense	173.3	165.1
Other Expenses	198.3	206.7
Total Benefits and Expenses	2,340.7	2,492.5
Income from Continuing Operations Before Income Tax	259.9	107.6
Income Tax		
Current	39.2	24.2
Deferred	49.3	12.0
Total Income Tax	88.5	36.2
Income from Continuing Operations	171.4	71.4
Discontinued Operations - Note 3		
Income Before Income Tax	17.8	3.4
Income Tax	10.9	1.4
Income from Discontinued Operations	6.9	2.0
Net Income	\$ 178.3	\$ 73.4
Earnings Per Common Share		
Basic		
Income from Continuing Operations	\$ 0.50	\$ 0.24
Net Income	\$ 0.52	\$ 0.25
Assuming Dilution		

Edgar Filing: Unum Group - Form 10-Q

Income from Continuing Operations	\$	0.49	\$	0.22
Net Income	\$	0.51	\$	0.23
See notes to consolidated financial statements.				

Table of Contents**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)*****Unum Group and Subsidiaries***

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year	\$ 34.4	\$ 30.1
Common Stock Activity	0.1	
Balance at End of Period	34.5	30.1
Additional Paid-in Capital		
Balance at Beginning of Year	2,200.0	1,627.9
Common Stock Activity	(3.4)	6.6
Cumulative Effect of Accounting Principle Change - Note 2		(13.8)
Balance at End of Period	2,196.6	1,620.7
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	612.8	1,163.5
Change During Period	(69.1)	(853.7)
Balance at End of Period	543.7	309.8
Retained Earnings		
Balance at Beginning of Year	4,925.8	4,610.4
Net Income	178.3	73.4
Dividends to Stockholders (\$0.075 per share in 2007 and 2006)	(25.6)	(22.2)
Cumulative Effect of Accounting Principle Changes - Note 2	(422.5)	
Balance at End of Period	4,656.0	4,661.6
Treasury Stock		
Balance at Beginning of Year and End of Period	(54.2)	(54.2)
Deferred Compensation		
Balance at Beginning of Year		(13.8)
Cumulative Effect of Accounting Principle Change - Note 2		13.8
Balance at End of Period		
Total Stockholders' Equity at End of Period	\$ 7,376.6	\$ 6,568.0

See notes to consolidated financial statements.

Table of Contents**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)*****Unum Group and Subsidiaries***

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	\$ 178.3	\$ 73.4
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(0.6)	(5.3)
Change in Deferred Acquisition Costs	(21.5)	(16.1)
Change in Insurance Reserves and Liabilities	199.8	349.7
Change in Income Tax Liabilities	49.2	13.0
Change in Other Accrued Liabilities	(47.6)	(75.3)
Non-cash Adjustments to Net Investment Income	(105.4)	(102.1)
Net Realized Investment (Gain) Loss	3.7	(2.5)
Depreciation	16.9	18.8
Other, Net	7.4	10.1
Net Cash Provided by Operating Activities	280.2	263.7
Cash Flows from Investing Activities		
Proceeds from Sales of Available-for-Sale Securities	746.6	674.8
Proceeds from Maturities of Available-for-Sale Securities	244.9	409.2
Proceeds from Sales and Maturities of Other Investments	54.1	33.7
Purchase of Available-for-Sale Securities	(1,126.0)	(1,141.9)
Purchase of Other Investments	(99.7)	(91.9)
Net Sales of Short-term Investments	28.0	283.8
Disposition of Business	98.8	
Other, Net	(23.9)	(14.1)
Net Cash Provided (Used) by Investing Activities	(77.2)	153.6
Cash Flows from Financing Activities		
Maturities and Benefit Payments from Policyholder Accounts	(4.0)	(4.4)
Long-term Debt Repayments	(160.0)	(400.0)
Issuance of Common Stock	2.4	1.6
Dividends Paid to Stockholders	(25.6)	(22.2)
Other, Net	(1.7)	(1.3)
Net Cash Used by Financing Activities	(188.9)	(426.3)
Effect of Foreign Exchange Rate Changes on Cash	0.1	0.1
Net Increase (Decrease) in Cash and Bank Deposits	14.2	(8.9)
Cash and Bank Deposits at Beginning of Year	121.3	67.1
Cash and Bank Deposits at End of Period	\$ 135.5	\$ 58.2

See notes to consolidated financial statements.

Table of Contents***CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)******Unum Group and Subsidiaries***

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars)	
Net Income	\$ 178.3	\$ 73.4
Other Comprehensive Loss		
Change in Net Unrealized Gain on Securities Before Reclassification Adjustment (net of tax benefit of \$22.5; \$420.3)	(43.2)	(782.5)
Reclassification Adjustment for Net Realized Investment Gain (net of tax benefit of \$0.7; \$1.1)	(1.3)	(2.0)
Change in Net Gain on Cash Flow Hedges (net of tax benefit of \$7.5; \$37.6)	(13.7)	(69.7)
Change in Foreign Currency Translation Adjustment (net of tax benefit of \$0.2; \$ -)	5.7	0.5
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax benefit of \$9.0; \$ -)	(16.6)	
Total Other Comprehensive Loss	(69.1)	(853.7)
Comprehensive Income (Loss)	\$ 109.2	\$ (780.3)

See notes to consolidated financial statements.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unum Group and Subsidiaries

March 31, 2007

Note 1 - Basis of Presentation

The accompanying consolidated financial statements of Unum Group and its subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2006.

During the first quarter of 2007, we closed the sale of our wholly-owned subsidiary GENEX Services, Inc. (GENEX). The financial results of GENEX are reported as discontinued operations in the consolidated financial statements. Except where noted, the information presented in the notes to the consolidated financial statements excludes GENEX. See Note 3 for further discussion.

In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2007, are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

Note 2 - Accounting Pronouncements

Accounting Pronouncements Adopted:

Effective January 1, 2007, we adopted the provisions of Statement of Position 05-1 (SOP 05-1), *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*. SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs (DAC) on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*.

An internal replacement is defined as a modification in product benefits, features, or coverages that occurs by the exchange or replacement of an existing insurance policy for a new policy. If the modification does not substantially change (as defined by SOP 05-1) the policy, we retain the unamortized DAC from the original policy and amortize its remaining balance over the expected life of the new policy, and the costs of replacing the policy are accounted for as policy maintenance costs and expensed as incurred. If the internal replacement results in a policy that is substantially changed, we account for the replacement as an extinguishment of the original policy and the issuance of a new policy. Unamortized DAC on the original policy that was replaced is immediately expensed, and the costs of acquiring the new policy are capitalized and amortized in accordance with our accounting policies for DAC.

The cumulative effect of applying the provisions of SOP 05-1 decreased our 2007 opening balance of retained earnings \$445.2 million.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 2 - Accounting Pronouncements - Continued

Effective January 1, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No. 109 (SFAS 109)*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. Unlike SFAS 109, FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of applying the provisions of FIN 48 increased our 2007 opening balance of retained earnings \$22.7 million.

Effective January 1, 2007, we adopted the provisions of Statement of Financial Accounting Standards No. 155 (SFAS 155), *Accounting for Certain Hybrid Financial Instruments, an amendment of Statement of Financial Accounting Standards Nos. 133 (SFAS 133) and 140 (SFAS 140)*. SFAS 155: (a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (c) establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and, (e) eliminates restrictions on a qualifying special-purpose entity's ability to hold passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. The adoption of SFAS 155 did not have a material effect on our financial position or results of operations.

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123(R)), *Share-Based Payment*, which is a revision to Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation*. SFAS 123(R) focuses primarily on accounting for transactions in which an entity obtains employee service in exchange for share-based payments. Under SFAS 123(R), share-based awards that do not require future service (i.e., vesting awards) are expensed immediately. Share-based employee awards that require future service are amortized over the relevant service period. We adopted SFAS 123(R) using the modified prospective transition method. In accordance with the modified prospective transition method, the provisions are generally applied only to share-based awards granted subsequent to adoption. Prior to adoption of SFAS 123(R), the unrecognized compensation cost related to nonvested stock awards was reported as additional paid-in capital and deferred compensation, a contra equity account. The value of this contra equity account at the adoption of SFAS 123(R) was \$13.8 million. The adoption of SFAS 123(R) did not have a material effect on our financial position or results of operations.

Accounting Pronouncements Outstanding:

Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*, was issued in September 2006. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. We will adopt the provisions of SFAS 157 effective January 1, 2008. The adoption of SFAS 157 will not have a material effect on our financial position or results of operations.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 3 - Discontinued Operations

As discussed in Note 1, the sale of GENEX closed effective March 1, 2007, and we recognized an after-tax gain on the sale of \$6.2 million. We intend to continue to purchase certain disability management services for a period of up to five years from the effective date of the sale. The cost of the services to be purchased was negotiated in an arms-length transaction. Intercompany amounts paid to GENEX for these types of services were \$2.3 million for the two month period ended February 28, 2007, and \$3.8 million for the three month period ended March 31, 2006. The estimated future cost of purchases of these services is not significant to our results of operations.

GENEX was accounted for as an asset held for sale at December 31, 2006. The results of GENEX, which were previously reported in the Other segment, are reported as discontinued operations and excluded from segment results for all periods shown.

Selected results for GENEX are as follows:

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars, except share data)	
Total Revenue	\$ 47.2	\$ 45.8
Income	\$ 6.9	\$ 2.0
Income Per Common Share		
Basic	\$ 0.02	\$ 0.01
Assuming Dilution	\$ 0.02	\$ 0.01

Table of Contents***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued******Unum Group and Subsidiaries*****March 31, 2007****Note 4 - Segment Information**

Premium income by major line of business within each of our segments is presented as follows:

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars)	
Unum US		
Group Income Protection		
Group Long-term Income Protection	\$ 471.4	\$ 485.3
Group Short-term Income Protection	118.7	134.5
Group Life and Accidental Death & Dismemberment		
Group Life	280.8	320.1
Accidental Death & Dismemberment	32.4	38.7
Supplemental and Voluntary		
Individual Income Protection - Recently Issued	113.7	110.2
Long-term Care	128.7	120.6
Voluntary Workplace Benefits	99.2	94.4
	1,244.9	1,303.8
Unum UK		
Group Long-term Income Protection	174.6	147.3
Group Life	38.7	36.7
Individual Income Protection	9.0	7.4
	222.3	191.4
Colonial		
Income Protection	139.7	129.8
Life	35.6	30.0
Cancer and Critical Illness	48.1	42.8
	223.4	202.6
Individual Income Protection - Closed Block	252.3	271.0
Other	1.1	1.2
Total	\$ 1,944.0	\$ 1,970.0

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****March 31, 2007****Note 4 - Segment Information - Continued**

Selected operating statement data by segment is presented as follows:

	Unum US	Unum UK	Colonial	Individual Income Protection - Closed Block (in millions of dollars)	Other	Corporate	Total
Three Months Ended March 31, 2007							
Total Premium Income	\$ 1,244.9	\$ 222.3	\$ 223.4	\$ 252.3	\$ 1.1	\$	\$ 1,944.0
Net Investment Income	276.9	45.8	24.4	204.6	28.1	9.7	589.5
Other Income	34.7	1.7	0.3	25.3	8.2	0.6	70.8
Operating Revenue	\$ 1,556.5	\$ 269.8	\$ 248.1	\$ 482.2	\$ 37.4	\$ 10.3	\$ 2,604.3
Operating Income (Loss)	\$ 142.4	\$ 75.1	\$ 59.6	\$ 22.5	\$ 3.6	\$ (39.6)	\$ 263.6
Three Months Ended March 31, 2006							
Total Premium Income	\$ 1,303.8	\$ 191.4	\$ 202.6	\$ 271.0	\$ 1.2	\$	\$ 1,970.0
Net Investment Income	257.7	38.0	22.6	202.2	28.7	14.6	563.8
Other Income	25.4	0.1	0.3	26.3	8.3	3.4	63.8
Operating Revenue	\$ 1,586.9	\$ 229.5	\$ 225.5	\$ 499.5	\$ 38.2	\$ 18.0	\$ 2,597.6
Operating Income (Loss)	\$ 28.5	\$ 54.4	\$ 46.2	\$ 14.7	\$ 4.8	\$ (43.5)	\$ 105.1

A reconciliation of total operating revenue and operating income by segment to revenue and net income as reported in our consolidated statements of income is as follows:

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars)	
Operating Revenue by Segment	\$ 2,604.3	\$ 2,597.6
Net Realized Investment Gain (Loss)	(3.7)	2.5
Revenue	\$ 2,600.6	\$ 2,600.1
Operating Income by Segment	\$ 263.6	\$ 105.1
Net Realized Investment Gain (Loss)	(3.7)	2.5

Edgar Filing: Unum Group - Form 10-Q

Income Tax	88.5	36.2
Income from Discontinued Operations	6.9	2.0
Net Income	\$ 178.3	\$ 73.4

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****March 31, 2007****Note 4 - Segment Information - Continued**

Assets by segment are as follows:

	March 31 2007	December 31 2006
	(in millions of dollars)	
Unum US	\$ 20,402.6	\$ 20,900.8
Unum UK	3,871.1	3,904.2
Colonial	2,416.0	2,355.0
Individual Income Protection - Closed Block	15,624.8	15,609.5
Other	9,022.4	8,998.8
Corporate	987.9	942.0
Discontinued Operations		113.0
Total	\$ 52,324.8	\$ 52,823.3

Note 5 - Pensions and Other Postretirement Benefits

The components of net periodic benefit cost related to the Company sponsored defined benefit pension and postretirement plans for our employees are as follows:

	Pension Benefits					
	U.S. Plans		Non U.S. Plans		Postretirement Benefits	
	Three Months Ended March 31					
	2007	2006	2007	2006	2007	2006
	(in millions of dollars)					
Service Cost	\$ 8.3	\$ 8.9	\$ 2.3	\$ 2.2	\$ 0.9	\$ 1.0
Interest Cost	13.5	12.1	2.5	1.9	2.7	2.5
Expected Return on Plan Assets	(14.6)	(10.2)	(3.1)	(1.8)	(0.2)	(0.1)
Amortization of:						
Net Actuarial Loss	4.6	5.6	0.7	0.6		
Prior Service Credit	(0.8)	(0.7)			(0.9)	(1.0)
Curtailment	0.2					
Net Periodic Benefit Cost	\$ 11.2	\$ 15.7	\$ 2.4	\$ 2.9	\$ 2.5	\$ 2.4

As a result of the sale of GENEX, we froze the pension plan benefits for the employees of GENEX during the first quarter of 2007, which resulted in the recognition of a curtailment loss of \$0.2 million and a \$7.2 million reduction in our pension liability. The curtailment loss was comprised of a \$0.6 million increase in our pension liability related to a termination benefit and a \$0.4 million recognition of unamortized prior service credits. As of the date of the curtailment, we remeasured our U.S. pension plan obligation. The weighted average discount rate assumption used in the measurement of our U.S. pension plan benefit obligation changed from 6.10 percent as of our December 31, 2006 measurement date to 5.90 percent as of the measurement date of March 1, 2007. No other assumptions were materially changed. As a result of the remeasurement, our pension plan liability increased \$35.6 million.

Edgar Filing: Unum Group - Form 10-Q

The net effect of the curtailment and remeasurement was an increase in our pension plan liability of \$29.0 million, a decrease in deferred income tax of \$10.1 million, a decrease in income from discontinued operations of \$0.2 million, and a decrease in accumulated other comprehensive income of \$18.7 million.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****March 31, 2007****Note 6 - Debt**

In May 2004, Unum Group issued 12.0 million 8.25% adjustable conversion-rate equity security units (units) in a private offering for \$300.0 million. We subsequently registered the privately placed securities for resale by the private investors. Each unit had a stated amount of \$25 and initially consisted of (a) a contract pursuant to which the holder agrees to purchase, for \$25, shares of Unum Group's common stock on May 15, 2007 and which entitles the holder to contract adjustment payments at the annual rate of 3.165 percent, payable quarterly, and (b) a 1/40 or 2.5 percent ownership interest in a senior note issued by Unum Group due May 15, 2009 with a principal amount of \$1,000, on which we paid interest at the initial annual rate of 5.085 percent, payable quarterly.

The scheduled remarketing of the senior note element of these units occurred in February 2007, as stipulated by the terms of the original offering, and we reset the interest rate on \$300.0 million of senior notes due May 15, 2009 to 5.859%. We purchased \$150.0 million of the senior notes in the remarketing which were subsequently retired. The associated write-off of deferred debt costs decreased first quarter 2007 income by \$2.4 million before tax, or \$1.6 million after tax.

Upon settlement of the common stock purchase contract, we will receive proceeds of approximately \$300.0 million and will issue between 17.7 million and 20.4 million shares of common stock. Based on our closing stock price on May 4, 2007, we expect to issue approximately 17.7 million shares of common stock.

During February 2007, we repaid \$10.0 million of the senior secured non-recourse notes due 2036 which were issued by Tailwind Holdings, LLC.

Note 7 - Stockholders' Equity and Earnings Per Common Share

Net income per common share is determined as follows:

	Three Months Ended March 31	
	2007	2006
	(in millions of dollars, except share data)	
Numerator		
Net Income	\$ 178.3	\$ 73.4
Denominator (000s)		
Weighted Average Common Shares - Basic	341,208.0	296,560.4
Dilution for the Purchase Contract Element of the Adjustable Conversion-Rate Equity Security Units	3,787.1	20,349.2
Dilution for Assumed Exercises of Stock Options and Other Dilutive Securities	1,385.2	2,727.2
Weighted Average Common Shares - Assuming Dilution	346,380.3	319,636.8
Net Income Per Common Share		
Basic	\$ 0.52	\$ 0.25
Assuming Dilution	\$ 0.51	\$ 0.23

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 7 - Stockholders' Equity and Earnings Per Common Share - Continued

We use the treasury stock method to account for the effect of the purchase contract element of the units, outstanding stock options, and other dilutive securities on the number of weighted average common shares, assuming dilution. Under this method, the purchase contract element of the units and outstanding stock options will have a dilutive effect only when the average market price of Unum Group's common stock during the period exceeds the threshold appreciation price of the purchase contract element of the units or the exercise price of the stock options. The purchase contract elements of the units issued in 2004 have a threshold appreciation price of \$16.95 per share. The units issued in 2003 had a threshold appreciation price of \$13.27. The outstanding stock options have exercise prices ranging from \$12.23 to \$58.56.

Options to purchase approximately 6.7 million and 8.2 million shares of common stock for the three month periods ended March 31, 2007 and 2006, respectively, were outstanding but were not included in the computation of earnings per common share, assuming dilution, because the exercise prices of the options were greater than the average market price of Unum Group's common stock.

Unum Group has 25,000,000 shares of preferred stock authorized with a par value of \$0.10 per share. No preferred stock has been issued to date.

Note 8 - Income Tax

The cumulative effect of applying the provisions of FIN 48 resulted in a \$22.7 million decrease in our liability for unrecognized tax benefits, net of associated deferred tax assets. The balance in our liability for unrecognized tax benefits as of January 1, 2007, subsequent to adoption, was \$67.4 million. Included in this amount is a liability of approximately \$19.2 million that, if recognized, would impact our effective tax rate. We recognize interest expense and penalties related to unrecognized tax benefits in tax expense. The total amount of accrued interest and penalties as of the date of adoption was \$5.5 million. There were no material changes in unrecognized tax benefits during the first quarter of 2007.

We file federal and state income tax returns in the United States and in foreign jurisdictions. We are under continuous examination by the Internal Revenue Service (IRS) with regard to our U.S. federal income tax returns. The current IRS examination covers our tax years 2002 through 2004. Tax years subsequent to 2004 remain subject to examination by tax authorities in all major jurisdictions.

We believe it is reasonably possible that within the next 12 months a foreign subsidiary's tax return for tax year 2005 will either be accepted without examination or will be examined and closed, resulting in a reduction in our liability for unrecognized tax benefits of as much as \$4.2 million.

We believe sufficient provision has been made for all proposed and potential adjustments for all years that are not closed by the statute of limitations in all major tax jurisdictions, and that any such adjustment would not have a material adverse effect on our financial position, liquidity, or results of operations. However, it is possible that the resolution of a proposed adjustment by a taxing authority could impact our results of operations for a future period.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities

We are a defendant in a number of litigation matters. In some of these matters, no specified amount is sought. In others, very large or indeterminate amounts, including punitive and treble damages, are asserted. There is a wide variation of pleading practice permitted in the United States courts with respect to requests for monetary damages, including some courts in which no specified amount is required and others which allow the plaintiff to state only that the amount sought is sufficient to invoke the jurisdiction of that court. Further, some jurisdictions permit plaintiffs to allege damages well in excess of reasonably possible verdicts. Based on our extensive experience and that of others in the industry with respect to litigating or resolving claims through settlement over an extended period of time, we believe that the monetary damages asserted in a lawsuit or claim bear little relation to the merits of the case, or the likely disposition value. Therefore, the specific monetary relief sought is not stated.

The lawsuits described below are for the most part in very preliminary stages, and the outcome of the matters is uncertain. An estimated loss is accrued when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Unless indicated otherwise, reserves have not been established for these matters.

Claims Handling Matters

Multidistrict Litigation

On September 2, 2003, the Judicial Panel on the Multidistrict Litigation entered an order transferring more than twenty putative class actions and derivative suits, described below, filed in various courts against the Company, several of its subsidiaries, and some of our officers, to the U.S. District Court for the Eastern District of Tennessee for coordinated or consolidated pretrial proceedings. The defendants strongly deny the allegations in each of these actions and will vigorously defend the substantive and procedural aspects of the litigations, except as noted below with respect to settlement discussions in the Plan Beneficiary Class Actions.

Shareholder Derivative Actions

On November 22, 2002, the first of five purported shareholder derivative actions was filed in the Tennessee Chancery Court. Between December 27, 2002 and March 11, 2003, four additional purported derivative actions were filed in state and federal courts in Tennessee. The defendants removed each of the actions that were filed in Tennessee state court to the U.S. District Court for the Eastern District of Tennessee.

Each of these actions purports to be brought on behalf of the Company against certain current and past members of our Board of Directors and certain executive officers alleging breaches of fiduciary duties and other violations of claims paying law by defendants. Plaintiffs allege, among other things, that the individual defendants breached their duties of good faith and loyalty by establishing or permitting to be established an unlawful policy of denying legitimate disability claims and improper financial reporting, and that certain defendants engaged in insider trading.

The district court consolidated these actions under the caption In re UnumProvident Corporation Derivative Actions. The plaintiffs then filed a single consolidated amended complaint. We deny the allegations of the complaint and will vigorously contest them.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities - Continued

Federal Securities Law Class Actions

On February 12, 2003, the first of six virtually identical putative securities class actions was filed in the U.S. District Court for the Eastern District of Tennessee. In two orders dated May 21, 2003, and January 22, 2004, the district court consolidated these actions under the caption In re UnumProvident Corp. Securities Litigation.

The Lead Plaintiff filed a consolidated amended complaint on behalf of a putative class of purchasers of UnumProvident stock between March 30, 2000 and April 24, 2003. The amended complaint alleges, among other things, that we issued misleading financial statements, improperly accounted for certain impaired investments, failed to properly estimate our disability claim reserves, and pursued certain improper claims handling practices. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5.

A motion to dismiss was filed, and the court ultimately issued a Memorandum and Order denying in part, and granting in part, the motion. The court granted the motion with respect to Lead Plaintiff's claims concerning our investments and denied the motion challenging the other alleged misstatements. Discovery, which had been stayed in this action pursuant to the Private Securities Litigation Reform Act of 1995, has now begun.

Policyholder Class Actions

On July 15, 2002, Rombeiro v. Unum Life Insurance Company of America, et al., was filed in the Superior Court of California and subsequently was removed to federal court, alleging that the plaintiff was wrongfully denied disability benefits under a group long-term disability plan. On January 21, 2003, an Amended Complaint was filed on behalf of a putative class of individuals that were denied or terminated from benefits under group long-term disability plans, seeking injunctive and declaratory relief and payment of benefits. On April 30, 2003, the court granted in part and denied in part the defendants' motion to dismiss the complaint. On May 14, 2003, the plaintiff filed a Second Amended Complaint seeking similar relief.

Between November 2002 and November 2003, six additional similar putative class actions were filed in (or later removed to) federal district courts in Illinois, Massachusetts, New York, Pennsylvania, and Tennessee. The complaints alleged that the putative class members' claims were evaluated improperly and allege that the Company and its insurance subsidiaries breached certain fiduciary duties owed to the class members under the Employee Retirement Income Security Act (ERISA), Racketeer Influenced Corrupt Organizations Act (RICO), and/or various state laws. The complaints sought various forms of equitable relief and money damages, including punitive damages.

These actions all were transferred to the Eastern District of Tennessee multidistrict litigation. On December 22, 2003, the Tennessee Federal District Court entered an order consolidating all of the above actions for all pretrial purposes under the caption In re UnumProvident Corp. ERISA Benefit Denial Actions and appointed a lead plaintiff. A consolidated amended complaint was filed on February 20, 2004. Several motions remain pending before the court in this matter.

On April 30, 2003, a separate putative class action, Taylor v. UnumProvident Corporation, et al., was filed in the Tennessee Circuit Court and subsequently removed to federal court. The complaint alleges claims against UnumProvident and certain subsidiaries on behalf of a putative class of long-term disability insurance policyholders who did not obtain their coverage through employer sponsored plans and who had a claim denied, terminated, or suspended by a UnumProvident subsidiary after January 1, 1995, seeking equitable and monetary relief. Plaintiff

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities - Continued

alleges that the defendants violated various state laws by engaging in unfair claim practices and improperly denying claims.

The court subsequently granted in part our motion for summary judgment in Taylor, dismissing plaintiff's request for equitable relief on her breach of contract claim and dismissing any claim plaintiff may make for punitive damages under the Tennessee Consumer Protection Act. The former claim is the principal claim upon which class certification is sought. The court reserved ruling on the remainder of the pending motion for summary judgment pending further mediation of the Taylor and ERISA Benefit actions.

Court ordered mediation has concluded with the settlement of all individual claims brought by seven of the fifteen named plaintiffs in the ERISA Benefit Denial Actions. An eighth plaintiff has subsequently resolved her claims through the process established under the regulatory settlement agreements.

Plan Beneficiary Class Actions

During the first quarter of 2007, we executed a settlement agreement resolving the plan beneficiary class action, or 401(k) Retirement Plan case, entitled Gee v. UnumProvident Corporation, et al. The settlement agreement, the net cost of which is immaterial, is subject to review by an independent fiduciary, notice to the proposed settlement class, and Court approval following a fairness hearing.

Examinations and Investigations

During 2004 and 2005, certain of our insurance subsidiaries entered into settlement agreements with various state regulators related to disability claims handling practices. The agreements provide for changes in certain of our claims handling procedures and a claim reassessment process available to certain claimants whose claims were denied or closed during specified periods. The agreements will remain in place until the later of January 1, 2007, or the completion of an examination of claims handling practices and an examination of the reassessment process, both of which will be conducted by the lead state regulators. The settlement agreements also provide for a contingent fine of up to \$145.0 million on our U.S. insurance subsidiaries in the event that we fail to satisfactorily meet the performance standards in the settlement agreements relating to the examinations referred to above. The parties to the agreements have subsequently agreed to extend the reassessment process until December 31, 2007, and we expect to conclude the claim reassessment process by that time. The examinations will commence before or after that date and are expected to be completed by mid-year 2008. We believe that due to the changes we have made to our claims operations to enhance our oversight functions, it is not probable that we will fail to meet the performance standards in the agreements when these examinations are concluded.

In the first quarter of 2006, we completed an analysis of our assumptions related to the reserves we established for the claim reassessment process. Our analysis was based on preliminary data as of the end of the first quarter of 2006, when actual results to date were considered credible enough to enable us to update our initial expectations of costs related to the reassessment process. We concluded that a change in our initial assumptions, primarily related to the number of claimants for whom payments will continue because the claimant remains eligible for disability payments, was warranted. We based our conclusion and our revised estimate on the information that existed at that time, which was the actual cost related to approximately 20 percent of the projected ultimate total number of claims expected to be reassessed. The characteristics, profile, and cost of those initial 20 percent of claims were more statistically credible than the information on which we based the initial charges in 2004 and 2005. Based on our analysis, in the first quarter of 2006 we recorded a charge of \$86.0 million before tax, or \$55.9 million after tax, to reflect our then current estimate of future obligations for benefit costs for claims reopened in the reassessment.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities - Continued

In the third quarter of 2006 we increased our provision for the cost of the reassessment process \$325.4 million before tax and \$211.5 million after tax based on changes in our emerging experience for the number of decisions being overturned by the reassessment process and the average cost per reassessed claim. The revised third quarter estimate was based on the cost of approximately 55 percent of the projected ultimate total number of claims expected to be reassessed. The third quarter charge was comprised of \$310.4 million to reflect our revised estimate of future obligations for benefit costs for claims reopened in the reassessment and \$15.0 million for additional incremental direct claim reassessment operating expenses because of the additional time now estimated to complete the process. Our best estimate of \$310.4 million for the reopened claims assumed that the nature and characteristics of the approximately 45 percent remaining claims estimated to be reassessed at that time would be similar to the average profile of the 55 percent already reviewed at that time.

As of the end of the first quarter of 2007, we had completed our review of approximately 74 percent of the total claims expected to be reassessed and had information on an additional 17 percent for which we had not yet finalized our review. Based on current information, we believe that our ultimate claim reassessment costs could be lower or higher by approximately \$60.0 million relative to the best estimate upon which our accruals are currently based. The estimate of the lower and upper end of the range of reasonably possible additional costs is much less certain than our best estimate and uses assumptions, among the range of reasonably possible outcomes, which are more favorable to us at the lower end of the cost range and less favorable to us at the upper end of the range. We continue to monitor our claim reassessment experience and review the adequacy of the associated reserves on a quarterly basis. Unfavorable experience relative to our revised assumptions could result in additional claim reassessment costs above our current accrual and in excess of our reasonably possible range.

Other Claim Litigation

We and our insurance company subsidiaries, as part of our normal operations in managing disability claims, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Most typically these lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of operations for the particular period. We are unable to estimate a range of reasonably possible punitive losses.

From time to time class action allegations are pursued where the claimant or policyholder purports to represent a larger number of individuals who are similarly situated. Since each insurance claim is evaluated based on its own merits, there is rarely a single act or series of actions, which can properly be addressed by a class action. Nevertheless, we monitor these cases closely and defend ourselves appropriately where these allegations are made.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities - Continued

Broker Compensation, Quoting Process, and Related Matters

Examinations and Investigations

In 2006, we resolved a previously disclosed investigation by the Office of the New York Attorney General (NYAG) relating to compensation arrangements between insurance brokers or intermediaries and us and our subsidiaries. We made payment to a restitution fund and paid a fine, the costs of which were recorded in the third quarter of 2006. That restitution fund should be fully distributed by year end 2007.

Since October 2004, we and/or our insurance subsidiaries have also received subpoenas or information requests from a Federal Grand Jury in San Diego, the District Attorney for the County of San Diego, and the U.S. Department of Labor, as well as insurance departments and/or other state regulatory or investigatory agencies of at least seven additional states including Connecticut, Florida, Maine, Massachusetts, North Carolina, South Carolina, and Tennessee. The subpoenas and/or information requests relate to, among other things, compliance with ERISA relating to our interactions with insurance brokers and to regulations concerning insurance information provided by us to plan administrators of ERISA plans, as well as compliance with state and federal laws with respect to quoting processes, producer compensation, solicitation activities, policies sold to state or municipal entities, and information regarding compensation arrangements with brokers. We will continue to cooperate fully with all investigations.

Broker-Related Litigation

We and certain of our subsidiaries, along with many other insurance brokers and insurers, have been named as defendants in a series of putative class actions that have been transferred to the U.S. District Court for the District of New Jersey for coordinated or consolidated pre-trial proceedings as part of multidistrict litigation (MDL) No. 1663, In re Insurance Brokerage Antitrust Litigation. The plaintiffs in MDL No. 1663 filed a consolidated amended complaint in August 2005, which alleges, among other things, that the defendants violated federal and state antitrust laws, RICO, ERISA, and various state common law requirements by engaging in alleged bid rigging and customer allocation and by paying undisclosed compensation to insurance brokers to steer business to defendant insurers. Defendants filed a motion to dismiss the complaint on November 29, 2005. On April 5, 2007, defendants' motion to dismiss was granted without prejudice as to all counts except the ERISA counts. Plaintiffs were granted 45 days within which to file an amended complaint, at which time defendants will likely either move to dismiss and/or move for summary judgment on all counts. All further discovery in these actions has been stayed pending the resolution of motions to dismiss any revised complaints.

We are a defendant in an action styled, Palm Tree Computers Systems, Inc. v. ACE USA, et al., which was filed in the Florida state Circuit Court on February 16, 2005. The complaint contains allegations similar to those made in the multidistrict litigation referred to above. The case was removed to federal court and, on October 20, 2005, the case was transferred to the District of New Jersey multidistrict litigation. A motion to remand the case to the state court in Florida remains pending, but no further action has been taken in the case subsequent to the transfer.

During the first quarter of 2007, we reached an agreement in principle to resolve the claims asserted in the putative derivative action styled Leonard v. UnumProvident Corporation, et al. The proposed settlement is not expected to be material to us and is contingent upon, among other things, the execution of definitive documentation and court approval.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

March 31, 2007

Note 9 - Commitments and Contingent Liabilities - Continued

Miscellaneous Matters

In September 2003, United States of America ex. rel. Patrick J. Loughren v. UnumProvident Corporation and GENEX Services, Inc., was filed in the United States District Court for the District of Massachusetts. This is a qui tam action to recover damages and civil penalties on behalf of the United States of America alleging violations of the False Claims Act by us and our GENEX subsidiary. In accordance with the False Claims Act, the action was originally filed under seal to provide the government the opportunity to investigate the allegations and prosecute the action if they believed that the case had merit and warranted their attention. The government declined to prosecute the case and the case became a matter of public record on December 23, 2004. The complaint alleges that we defrauded the government by inducing and or assisting disability claimants to apply for disability benefits from the Social Security Administration (SSA) when we allegedly knew that the claimants were not disabled under SSA criteria. A motion to dismiss the complaint was unsuccessful. We intend to vigorously defend the action.

Summary

Various lawsuits against us, in addition to those discussed above, have arisen in the normal course of business. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations.

Given the complexity and scope of our litigation and regulatory matters, it is not possible to predict the ultimate outcome of all pending investigations or legal proceedings or provide reasonable estimates of potential losses, except where noted in connection with specific matters. It is possible that our results of operations or cash flows in a particular period could be materially affected by an ultimate unfavorable outcome of pending litigation or regulatory matters depending, in part, on our results of operations or cash flows for the particular period. We believe, however, that the ultimate outcome of all pending litigation and regulatory matters, after consideration of applicable reserves and rights to indemnification, should not have a material adverse effect on our financial position.

Table of Contents

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Unum Group and Subsidiaries

We have reviewed the consolidated balance sheet of Unum Group and subsidiaries as of March 31, 2007, and the related consolidated statements of income for the three month periods ended March 31, 2007 and 2006, and the consolidated statements of stockholders' equity and cash flows for the three month periods ended March 31, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Unum Group changed its method of accounting for deferred acquisition costs and income taxes as of January 1, 2007 in accordance with adoption of Statement of Position 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*, and Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No. 109*.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Unum Group and subsidiaries as of December 31, 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended not presented herein, and in our report dated February 26, 2007, we expressed an unqualified opinion on those consolidated financial statements.

/s/ ERNST & YOUNG LLP

Chattanooga, Tennessee

May 2, 2007

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Unum Group, a Delaware general business corporation, and its insurance and non-insurance companies, which collectively with Unum Group we refer to as the Company, operate in the United States, the United Kingdom, and, to a limited extent, in certain other countries around the world. The principal operating subsidiaries in the United States are Unum Life Insurance Company of America (Unum America), Provident Life and Accident Insurance Company (Provident), The Paul Revere Life Insurance Company (Paul Revere Life), and Colonial Life & Accident Insurance Company (Colonial), and in the United Kingdom, Unum Limited. We are the largest provider of group and individual income protection insurance products in the United States and the United Kingdom. We also provide a complementary portfolio of other insurance products, including long-term care insurance, life insurance, employer- and employee-paid group benefits, and other related services.

We have three major business segments: Unum US, Unum UK, and Colonial. Our other segments are the Individual Income Protection Closed Block segment, the Other segment, and the Corporate segment. These segments are discussed more fully under Segment Results included herein in Item 2.

As one of the leading providers of employee benefits, we offer a comprehensive portfolio of products and services to meet the diverse needs of the marketplace. We try to achieve a competitive advantage by offering group, individual, and voluntary workplace products that can be offered as stand alone products or that can be combined with other coverages to provide integrated and individualized product solutions for customers. We offer businesses of all sizes competitive benefit plans to protect the incomes and lifestyles of employees and their families in the event of illness or injury. We believe that our benefit programs can help businesses attract and retain quality employees, reduce the cost of absenteeism, and return employees to work after an illness or injury, thereby creating a more satisfied and productive workforce.

We believe that we are a well positioned and competitive force in our sector. However, due to the nature of our business, we are sensitive to economic and financial market movements, including consumer confidence, employment levels, and the level of interest rates.

This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 contained in this Form 10-Q and with the discussion, analysis, and consolidated financial statements and notes thereto in Part I, Items 1 and 1A, and Part II, Items 6, 7, 7A, and 8 of our annual report on Form 10-K for the year ended December 31, 2006.

Executive Summary

We believe that the actions we have taken during the past several years have improved the effectiveness of the basic functions of our businesses, reduced our business volatility, and led to a greater consistency in the execution of our business plan. Our goal is to build further momentum by focusing on our strengths and serving our customers well.

Our four primary objectives for 2007 are as follows:

Continue to improve the profitability of our Unum US group income protection line of business;

Ensure that all of our other product lines and businesses that are performing well continue to do so;

Continue to execute our capital management strategy; and

Successful completion of the claim reassessment process in preparation for the 2008 regulatory examination.

In commenting on our results for the first quarter of 2007, we will discuss three major topics: operating performance of our three major business segments, our capital management strategy, and our outstanding legal and regulatory issues, including the claim reassessment process.

Table of Contents

Operating Performance of our Major Business Segments

For the first quarter of 2007, we reported solid operating results in all of our Unum US segment lines of business and, in general, our results met our expectations. Our primary focus for Unum US during 2007 is continued improvement of our claims management performance in our group income protection line of business, and we are pleased with the progress made during the first quarter of the year. We reported a group income protection benefit ratio of 93.4 percent, consistent with the goals we established for improved claim operational effectiveness. Our 2007 priorities also include improved profitability in certain of our supplemental products and the maintenance of current performance levels in our other lines, and our first quarter operating results reflect achievement of these priorities. Our supplemental and voluntary product lines operating income improved over 14 percent relative to the first quarter of last year, and our group life and accidental death and dismemberment product lines improved over 12 percent. Positive trends for our Unum US group lines of business include favorable pricing trends, renewal profit improvement, and the management of case persistency. For all of our Unum US lines of business, we are aggressively managing our operating expenses and are continuing to make improvements in our operating effectiveness. Sales for Unum US in the first quarter of 2007 were lower than that of the prior year comparable period, but we maintained our disciplined pricing, and our overall sales mix was generally in line with our target mix. We anticipate that our sales growth rate for our group core market segment, which we define for Unum US as employee groups with less than 2,000 lives, and our supplemental lines will increase relative to the prior year comparable quarters during the remaining quarters of 2007. We attribute our sales expectation, in part, to the benefits we believe will be realized from the improvements in our distribution system.

Our Unum UK segment continues to produce excellent operating results, with an increase in segment operating income of over 23 percent, as measured in Unum UK's local currency, compared to the first quarter of 2006. Sales in Unum UK, which were challenging throughout 2006, improved in the first quarter of 2007 relative to the first quarter of the prior year. This improvement was most apparent in the core market segment, which we now define for Unum UK as employee groups with less than 500 lives. Changes in pension legislation created a distraction in the market for employee benefits and negatively impacted sales during 2006. However, other U.K. legislative changes that became effective in October 2006 extended the legal retirement age and made it illegal for employers to discriminate on the basis of age, thereby encouraging the extension of insurance coverage. As a result and as expected, Unum UK sales increased during the first quarter of 2007 from the early 2006 levels, and we expect this trend to continue. We are focused on increasing market awareness and demand for income protection products in the U.K. market.

Our Colonial segment also had excellent operating results for the first quarter of 2007, with an increase in segment operating income of 29 percent compared to the prior year. Colonial's sales in the first quarter of 2007 were essentially level with the prior year's first quarter. The number of new accounts increased over the prior year first quarter, but the average new case size was smaller than expected. We anticipate that our sales growth will increase year over year for the remainder of 2007, as positive trends are already emerging in our agency sales force recruiting and productivity levels. We are focused on maintaining profitable and sustainable sales growth for this segment.

Capital Management Strategy

Our capital planning objectives are: maintain our risk-based capital (RBC) ratio for our traditional U.S. insurance subsidiaries, calculated on a weighted average basis using the National Association of Insurance Commissioners (NAIC) Company Action Level formula, at its current level of approximately 300 percent; maintain our leverage ratio at current levels while exploring the potential benefits of further reductions; maintain holding company liquidity to cover at least one year of fixed charges; and evaluate opportunities for the effective use of any holding company liquidity in excess of our target.

The RBC ratio for our traditional U.S. insurance subsidiaries remains consistent with our target level for the combined RBC ratio, and our holding company liquidity also meets our planning objectives.

Table of Contents

In the first quarter of 2007, we purchased and retired \$150.0 million of our adjustable conversion-rate equity security units and made a principal payment of \$10.0 million on our senior secured non-recourse notes issued by our wholly-owned subsidiary Tailwind Holdings, LLC (Tailwind Holdings). This reduced our debt to total capital ratio to 27.2 percent at the end of the first quarter of 2007. This compares to 28.8 percent at the beginning of the quarter, subsequent to our cumulative effect adjustment to equity for the adoption of the new accounting policies related to deferred acquisition costs and income taxes.

The debt to total capital ratio, when calculated excluding the debt and associated equity of Tailwind Holdings and allowing 50 percent equity credit for the adjustable conversion-rate equity security units that were still outstanding at the beginning of the quarter, was 25.5 percent at the end of the first quarter of 2007, compared to 26.2 percent at the beginning of the quarter.

We continue to examine strategies to improve the capital efficiency of our closed block of individual income protection business. Because we cannot reprice this closed block of business, our focus has been on how we can more effectively manage the capital supporting this business. With the successful completion of the securitization of a small block of our group long-term income protection claim reserves in 2006, we are analyzing the feasibility of a similar transaction for our closed block of individual income protection claim reserves, although any such transaction is subject to regulatory, market, and other conditions. We believe that a transaction of this nature would allow us to divert some of the capital currently supporting this block of business to support other initiatives and therefore enhance the financial profile of Unum Group.

Outstanding Legal and Regulatory Issues

During the first quarter of 2007, we continued to make progress in resolving some of our outstanding legal and regulatory issues as described in Note 9 of the Notes to Consolidated Financial Statements contained herein in Item 1. We executed a settlement agreement resolving the plan beneficiary class action, or 401(k) case, which is one of the multidistrict litigation matters discussed in our litigation footnote. The settlement agreement, the net cost of which is immaterial, is subject to further court approval.

Also, during the first quarter of 2007, we received a favorable ruling dismissing all counts except the ERISA counts in the case entitled In re Insurance Brokerage Antitrust Litigation. The court allowed the plaintiffs the opportunity to amend their complaint which they have indicated they will do. In the meantime, discovery in the case has been stayed. In a separate matter related to broker compensation issues, we reached an agreement in principle to resolve the putative derivative action in Leonard v. UnumProvident Corporation, et. al. which asserts claims against us and various members of our board of directors. The proposed settlement amount is not expected to be material to us and is contingent upon, among other things, the execution of definitive documentation and court approval.

We believe that we removed substantial regulatory uncertainty surrounding our claims practices through the regulatory settlement agreements entered into during 2004 and 2005 and continue to focus significant resources on meeting the requirements of these agreements. We meet periodically with regulators and maintain an ongoing dialogue with them to communicate the progress we are making. Additionally, we routinely engage in discussions related to other issues which could impact any of our companies.

We have completed the mailing of virtually all of the required claim reassessment notices. Those individuals who want their claims reviewed have the opportunity to request a claim reassessment information form and have 60 days to complete the form once it is received. Through mid-April of 2007, approximately 27 percent of the recipients of the reassessment notice had requested claim reassessment information forms, and thus far we have sent the claim reassessment information forms to over 99 percent of these individuals. Of those to whom we have sent the claim reassessment information forms, 27 percent of the recipients of the forms have completed them and returned them to us for review. We expect that the rate of response for reassessment will increase over time as many of the individuals have unexpired time remaining to request and complete the necessary information forms.

Table of Contents

As of the end of the first quarter of 2007, we had completed our review of approximately 74 percent of the total claims we now expect to be reassessed and had information on an additional 17 percent for which we had not yet finalized our review. Our review indicated the following regarding our assumptions:

1. From January through March 2007, the overturn rate averaged 42 percent.
2. The average overturn rate was 38 percent at March 2007 from inception to date, compared to 37 percent at December 2006, and remains consistent with the assumptions we used for our third quarter 2006 revision.
3. The average incurred cost during the period January through March 2007 also remains consistent with the assumption we used for our third quarter 2006 revision.
4. Our assumption concerning the total number of claims projected to be reassessed is now approximately 23,000 compared to 25,000 originally assumed.

Our best estimate remains consistent with that supporting the additional charges we recorded in 2006. Based on current information, we believe that our ultimate claim reassessment costs could be lower or higher by approximately \$60.0 million relative to the best estimate upon which our accruals are currently based, compared to a range of +/- \$90.0 million at the end of 2006. The estimate of the lower and upper end of the range of reasonably possible additional costs is much less certain than our best estimate and uses assumptions, among the range of reasonably possible outcomes, which are more favorable to us at the lower end of the cost range and less favorable to us at the upper end of the range. We continue to monitor our claim reassessment experience and review the adequacy of the associated reserves on a quarterly basis. Unfavorable experience relative to our revised assumptions could result in additional claim reassessment costs above our current accrual and in excess of our reasonably possible range. We expect to conclude our claim reassessment process by the end of 2007, and we anticipate that the regulatory examination of the claim reassessment process will be completed by mid-year 2008. See Item 7 of our annual report on Form 10-K for the year ended December 31, 2006 for a complete discussion of these settlement agreements.

First Quarter 2007 Significant Transactions and Events

Financing

In May 2004, Unum Group issued 12.0 million 8.25% adjustable conversion-rate equity security units (units) in a private offering for \$300.0 million. We subsequently registered the privately placed securities for resale by the private investors. Each unit had a stated amount of \$25 and initially consisted of (a) a contract pursuant to which the holder agrees to purchase, for \$25, shares of Unum Group's common stock on May 15, 2007 and which entitles the holder to contract adjustment payments at the annual rate of 3.165 percent, payable quarterly, and (b) a 1/40 or 2.5 percent ownership interest in a senior note issued by Unum Group due May 15, 2009 with a principal amount of \$1,000, on which Unum Group paid interest at the initial annual rate of 5.085%, payable quarterly.

The scheduled remarketing of the senior note element of these units occurred in February 2007, as stipulated by the terms of the original offering, and we reset the interest rate on \$300.0 million of senior notes due May 15, 2009 to 5.859%. We purchased \$150.0 million of the senior notes in the remarketing which were subsequently retired. The associated write-off of deferred debt costs decreased first quarter of 2007 income by \$2.4 million before tax, or \$1.6 million after tax.

Upon settlement of the common stock purchase contract in May, we will receive proceeds of approximately \$300.0 million and will issue between 17.7 million and 20.4 million shares of common stock. Based on our closing stock price on May 4, 2007, we expect to issue approximately 17.7 million shares of common stock.

In the first quarter of 2007, we made a principal payment of \$10.0 million on our senior secured non-recourse notes due 2036 which were issued by Tailwind Holdings.

Table of Contents

Dispositions

During the first quarter of 2007, we completed the sale of our wholly-owned subsidiary, GENEX Services, Inc. (GENEX), a leading workers compensation and medical cost containment services provider. Our growth strategy is focused on the development of our primary markets, and GENEX's specialty role in case management and medical cost containment related to the workers' compensation market was no longer consistent with our overall strategic direction. We recognized an after-tax gain on the transaction of approximately \$6.2 million. See Note 3 of the Notes to Consolidated Financial Statements contained herein in Item 1 for additional information.

Accounting Pronouncements

Effective January 1, 2007, we adopted the provisions of Statement of Position 05-1 (SOP 05-1), *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*. SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs (DAC) on internal replacements of insurance and investment contracts other than those specifically described in Statement of Financial Accounting Standards No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*. The cumulative effect of applying the provisions of SOP 05-1 decreased our 2007 opening balance of retained earnings \$445.2 million.

Effective January 1, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No. 109 (SFAS 109)*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. Unlike SFAS 109, FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of applying the provisions of FIN 48 increased our 2007 opening balance of retained earnings \$22.7 million.

Effective January 1, 2007, we adopted the provisions of Statement of Financial Accounting Standards No. 155 (SFAS 155), *Accounting for Certain Hybrid Financial Instruments, an amendment of Statement of Financial Accounting Standards Nos. 133 (SFAS 133) and 140 (SFAS 140)*. SFAS 155: (a) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (b) clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS 133; (c) establishes a requirement to evaluate beneficial interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (d) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and, (e) eliminates restrictions on a qualifying special-purpose entity's ability to hold passive derivative financial instruments that pertain to beneficial interests that are or contain a derivative financial instrument. The adoption of SFAS 155 did not have a material effect on our financial position or results of operations.

First Quarter 2006 Significant Transactions and Events

Revised Claim Reassessment Reserve Estimate

In the first quarter of 2006, we completed an analysis of our assumptions related to the reserves we established for the claim reassessment process implemented as a result of the settlement agreements we entered into with various state insurance regulators in 2004 and the settlement agreement we entered into with the California Department of Insurance (DOI) in 2005.

Included in our analysis was a review of (1) the number of claimants who would ultimately choose to participate in the process, (2) the number of claimants for whom payments would be made and then closed because the claimant is no longer disabled, (3) the number of claimants for whom payments will continue because the claimant remains eligible for disability payments, and (4) the average incurred cost per claimant. Our analysis was based on preliminary data as of the end of the first quarter of 2006, when actual results to date were considered credible enough to enable us to update our initial expectations of costs related to the reassessment process. We concluded

Table of Contents

that a change in our initial assumptions, primarily related to the number of claimants for whom payments will continue because the claimant remains eligible for disability payments, was warranted. We based our conclusion and our revised estimate on the information that existed at that time, which was the actual cost related to approximately 20 percent of the projected ultimate total number of claims expected to be reassessed. The characteristics, profile, and cost of those initial 20 percent of claims were more statistically credible than the information on which we based the initial charges in 2004 and 2005.

Based on our analysis, in the first quarter of 2006 we recorded a charge of \$86.0 million before tax, or \$55.9 million after tax, to reflect our then current estimate of future obligations for benefit costs for claims reopened in the reassessment. The charge decreased first quarter of 2006 before-tax operating results for our Unum US group income protection line of business \$72.8 million and our Individual Income Protection Closed Block segment \$13.2 million.

Financing

The scheduled remarketing of the senior note element of our 2003 adjustable conversion-rate equity security units occurred in February 2006, as stipulated by the terms of the original offering, and we reset the interest rate on \$575.0 million of senior notes due May 15, 2008 to 5.997%. We purchased \$400.0 million of the senior notes in the remarketing which were subsequently retired. The associated write-off of deferred debt costs decreased 2006 income by \$5.3 million before tax, or \$3.4 million after tax.

Accounting Pronouncements

Effective January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004) (SFAS 123(R)), *Share-Based Payment*, which is a revision to Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation*. SFAS 123(R) focuses primarily on accounting for transactions in which an entity obtains employee service in exchange for share-based payments. Under SFAS 123(R), share-based awards that do not require future service (i.e. vesting awards) are expensed immediately. Share-based employee awards that require future service are amortized over the relevant service period. We adopted SFAS 123(R) using the modified prospective transition method. Under this method, the provisions are generally applied only to share-based awards granted after adoption. The adoption of SFAS 123(R) did not have a material effect on our financial position or results of operations.

Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in our financial statements and accompanying notes. Estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed in our financial statements.

The accounting estimates deemed to be most critical to our results of operations and financial condition are those related to reserves for policy and contract benefits, DAC, valuation of fixed maturity investment securities, and income taxes. There have been no significant changes in our critical accounting estimates during the first quarter of 2007, other than those resulting from the January 1, 2007 adoption of SOP 05-1 and FIN 48, which were disclosed in our Critical Accounting Estimates in our 2006 Form 10-K and are also discussed in Notes 2 and 8 of the Notes to Consolidated Financial Statements included herein in Item 1.

For additional information concerning our accounting policies and critical accounting estimates, see Note 1 of the Notes to Consolidated Financial Statements in Part II, Item 8 and Critical Accounting Estimates in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2006.

Table of Contents**Consolidated Operating Results***(in millions of dollars)*

	Three Months Ended March 31		
	2007	% Change	2006
Revenue			
Premium Income	\$ 1,944.0	(1.3)%	\$ 1,970.0
Net Investment Income	589.5	4.6	563.8
Net Realized Investment Gain (Loss)	(3.7)	(248.0)	2.5
Other Income	70.8	11.0	63.8
Total	2,600.6		2,600.1
Benefits and Expenses			
Benefits and Change in Reserves for Future Benefits	1,729.3	(7.4)	1,867.5
Commissions	213.0	1.0	210.9
Interest and Debt Expense	45.9	(13.6)	53.1
Cost Related to Early Retirement of Debt	2.4	(54.7)	5.3
Deferral of Acquisition Costs	(138.1)	1.6	(135.9)
Amortization of Deferred Acquisition Costs	116.6	(2.7)	119.8
Compensation Expense	173.3	5.0	165.1