

Unum Group
Form 10-K
February 24, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2008

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

(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)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.10 par value	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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The aggregate market value of the shares of the registrant's common stock held by non-affiliates (based upon the closing price of these shares on the New York Stock Exchange) as of the last business day of the registrant's most recently completed second fiscal quarter was \$7.1 billion. As of February 23, 2009, there were 331,163,356 shares of the registrant's common stock outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information required by Part III of this Form 10-K are incorporated herein by reference from the registrant's definitive proxy statement for its 2009 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, within 120 days after the end of the registrant's fiscal year ended December 31, 2008.

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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. Certain information contained in this Annual Report on Form 10-K (including certain statements in the business description in Item 1, Management's Discussion and Analysis, and the consolidated financial statements and related notes), 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. 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, 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, including the continued financial market disruption.
- Investment results, including but not limited to, realized investment losses resulting from impairments that differ from our assumptions and historical experience.
- Rating agency actions, state insurance department market conduct examinations and other inquiries, other governmental investigations and actions, and negative media attention.
- Changes in interest rates, credit spreads, and securities prices.
- Currency exchange rates.
- Changes in our financial strength and credit ratings.
- Changes in claim incidence and recovery rates 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, and the effectiveness of claims management operations.
- Increased competition from other insurers and financial services companies due to industry consolidation or other factors.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- Effectiveness of our risk management program.
- The level and results of litigation.
- Effectiveness in supporting new product offerings and providing customer service.
- Actual experience in pricing, underwriting, and reserving may deviate from our assumptions.
- Lower than projected persistency and lower sales growth.
- Fluctuation in insurance reserve liabilities.
- 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 of our subsidiaries to pay dividends as a result of regulatory restrictions.
- Events or consequences relating to terrorism and acts of war, both domestic and foreign.
- Changes in accounting standards, practices, or policies.
- Ability to recover our systems and information in the event of a disaster or unanticipated event.

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.

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PART I

ITEM 1. BUSINESS

General

Unum Group, a Delaware general business corporation, and its insurance and non-insurance subsidiaries, 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, and in the United Kingdom, Unum Limited. We are the largest provider of disability 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 Life. Our other segments are the Individual Disability Closed Block segment and the Corporate and Other segment. These segments are discussed more fully under Reporting Segments included herein in Item 1.

Business Strategies

As one of the leading providers of employee benefits, we offer a broad 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 benefits products that can be offered as stand alone products or that can be combined with other coverages to provide comprehensive benefits solutions for customers. We offer competitive benefit plans to businesses of all sizes to help them attract and retain a stronger workforce and protect the incomes and lifestyles of employees and their families. Through a variety of technological tools and trained professionals, we offer services which are designed to meet the evolving needs of our customers. We strive to provide the highest level of service excellence.

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.

During the last few years, we have successfully developed an overall risk management structure that focuses on risk at all levels of our organization. Through our capital management risk strategy, we have strengthened our balance sheet and maintained financial flexibility which we believe will support our operations over various economic cycles. Through our insurance risk strategy, we improved our risk profile through disciplined growth and the development of a more balanced business mix which we believe will continue to reduce our business volatility. Through our investment strategy, we have managed our claim reserve discount rates relative to investment portfolio yield rates, reduced our exposure to high risk securities holdings, and avoided certain asset class problems.

During 2009, we intend to continue our focus on a number of key areas. Objectives for 2009 include:

Consistent execution of our operating plans. We will continue our emphasis on disciplined, profitable growth.

Maintain a strong investment portfolio. We will maintain disciplined credit analysis in our selection of investment assets and continue to be conservative within our investment risk tolerances.

Build and effectively use capital. We intend to continue to build capital and manage it effectively within our stated capital management strategy objectives.

Professional development of our employees. We will continue our focus on employee training and development as well as talent management.

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Reporting Segments

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Individual Disability Closed Block, and Corporate and Other. Effective with the fourth quarter of 2008, we made slight modifications to our reporting segments to better align the debt of our securitizations with the business segments and to align the allocation of capital for Unum UK similar to that of Unum US and Colonial Life. Specifically, we transferred the assets, non-recourse debt, and associated capital of Tailwind Holdings, LLC (Tailwind Holdings) and Northwind Holdings, LLC (Northwind Holdings) from our former Corporate segment to Unum US group disability and Individual Disability Closed Block, respectively. We transferred excess assets, capital in excess of target, and the associated investment income from Unum UK to our Corporate and Other segment. We also modified the investment income allocation on capital supporting certain of our group disability and long-term care product lines within Unum US and have also aggregated our former Other segment and Corporate segment into one reporting segment. Financial results previously reported have been revised to reflect these reclassifications.

Measured as a percentage of consolidated premium income for the year ended December 31, 2008, premium income was approximately 63.8 percent for the Unum US segment, 11.4 percent for Unum UK, 12.6 percent for Colonial Life, and 12.2 percent for the Individual Disability Closed Block and Corporate and Other segments combined.

Financial information is provided in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7 and Note 13 of the Notes to Consolidated Financial Statements contained herein in Item 8.

Unum US Segment

The Unum US segment includes group long-term and short-term disability insurance, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business, comprised of individual disability recently issued, group and individual long-term care, and brokerage voluntary benefits products, issued primarily by Unum America, Provident, and Paul Revere Life. Paul Revere Life no longer actively markets new business but continues to service its existing business. Premium income for this segment totaled \$4,963.0 million in 2008. These products are marketed through our field sales personnel who work in conjunction with independent brokers and consultants. Effective in 2009, we will discontinue selling individual long-term care insurance on an active basis.

Group Long-term and Short-term Disability

Group long-term and short-term disability products contributed approximately 45.8 percent of the Unum US segment premium income in 2008. We sell group long-term and short-term disability products to employers for the benefit of employees. Group long-term disability provides employees with insurance coverage for loss of income in the event of extended work absences due to sickness or injury. We offer services to employers and insureds to encourage and facilitate rehabilitation, retraining, and re-employment. Most policies begin providing benefits following 90 or 180 day waiting periods and continue providing benefits until the employee reaches a certain age, generally between 65 and 70. The benefits are limited to specified maximums as a percentage of income.

Group short-term disability insurance generally provides coverage from loss of income due to injury or sickness, effective immediately for accidents and after one week for sickness, for up to 26 weeks, limited to specified maximums as a percentage of income.

Premiums for group long-term and short-term disability are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses and profit. Some cases carry experience rating provisions. Premiums for experience rated group long-term and short-term disability business are based on the expected experience of the client given their industry group, adjusted for the credibility of the specific claim experience of the client. We also offer accounts handled on an administrative services only (ASO) basis, with the responsibility for funding claim payments remaining with the customer. Both group long-term and short-term disability are sold primarily on a basis permitting periodic repricing to address the underlying claims experience.

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We have defined underwriting practices and procedures. If the coverage amount exceeds certain prescribed age and amount limits, we may require a prospective insured to submit evidence of insurability. Policies are typically issued, both at inception and renewal, with rate guarantees. For new group policyholders, the usual rate guarantee is one to three years. For group policies being renewed, the rate guarantee is generally one year, but may be longer. The profitability of the policy depends on the adequacy of the rate during the rate guarantee period. The contracts provide for certain circumstances in which the rate guarantees can be overridden.

Profitability of group long-term and short-term disability insurance is affected by claims experience, investment returns, persistency, and the level of administrative expenses. Morbidity is an important factor in disability claims experience. Also important is the general state of the economy; for example, during a recession the incidence of claims tends to increase under this type of insurance. In general, experience rated disability coverage for large groups has narrower profit margins and represents less risk to us than business of this type sold to small employers because we bear all of the risk of adverse claims experience in small case fully-insured coverages while larger employers often bear much of this risk themselves. We routinely make pricing adjustments, when contractually permitted, which take into account the emerging experience on our group insurance products.

Group Life and Accidental Death and Dismemberment

Group life and accidental death and dismemberment products contributed approximately 24.0 percent of the Unum US segment premium income in 2008. Group life and accidental death and dismemberment products are sold to employers as employee benefit products. Group life consists primarily of renewable term life insurance with the coverages frequently linked to employees' wages. Accidental death and dismemberment consists primarily of travel accident and other specialty risk products. Premiums are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses and profit. Underwriting and rate guarantees are similar to those used for group disability products.

Profitability of group life and accidental death and dismemberment insurance is affected by claims experience, investment returns, persistency, and the level of administrative expenses.

Individual Disability - Recently Issued

Individual disability - recently issued products generated approximately 9.5 percent of the Unum US segment premium income in 2008. Individual disability is offered primarily to multi-life employer groups, but also on a single-life customer basis. Individual disability insurance provides the insured with a portion of earned income lost as a result of sickness or injury. Under an individual disability policy, monthly benefits generally are fixed at the time the policy is written. The benefits typically range from 30 percent to 75 percent of the insured's monthly earned income. We provide various options with respect to length of benefit periods and waiting periods before benefit payments begin, which permits tailoring of the policy to a specific policyholder's needs. We also market individual disability policies which include payments for the transfer of business ownership between partners and payments for business overhead expenses. Individual disability products do not provide for the accumulation of cash values.

Premium rates for individual disability products vary by age, gender, and occupation based on assumptions concerning morbidity, persistency, administrative expenses, and investment income. We develop our assumptions based on our own claims experience and published industry tables. Our underwriters evaluate the medical and financial condition of prospective policyholders prior to the issuance of a policy. For larger multi-life groups, some underwriting requirements may be waived.

Profitability of individual disability insurance is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

Group and Individual Long-term Care

Long-term care products generated approximately 11.7 percent of the Unum US segment premium income in 2008. Long-term care insurance is offered to employers for the benefit of employees and also sold to individuals on a single-life customer basis. During 2009, we will discontinue selling individual long-term care. Long-term care

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insurance pays a benefit upon the loss of two or more activities of daily living and the insured's requirement of standby assistance or cognitive impairment. Payment is made on an indemnity basis, regardless of expenses incurred, up to a lifetime maximum. A reimbursement model payment option is also available for individual long-term care policies. Benefits begin after a waiting period, generally 90 days or less.

Premium rates for long-term care vary by age and gender and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, and investment income. We develop our assumptions based on our own claims experience and published industry tables. Our underwriters evaluate the medical condition of prospective policyholders prior to the issuance of a policy. For larger groups, some underwriting requirements may be waived. Long-term care insurance is offered on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval.

Profitability is affected by claims experience, investment returns, persistency, and the level of administrative expenses.

Voluntary Benefits

Voluntary benefits products generated approximately 9.0 percent of the Unum US segment premium income in 2008. Voluntary benefits products include individual universal life and interest-sensitive life, individual disability, group and individual critical illness, and individual cancer products. These products are sold to groups of employees through payroll deduction at the workplace.

Premium rates for voluntary benefits products are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, and investment income. We develop our assumptions based on our own claims experience and published industry tables. Our underwriters evaluate the medical condition of prospective policyholders prior to the issuance of a policy. For larger groups with high participation rates, some underwriting requirements may be waived. Voluntary benefits products other than life insurance are offered on a guaranteed renewable basis which allows us to re-price in-force policies, subject to regulatory approval.

Profitability of voluntary benefits products is affected by the level of employee participation, persistency, investment returns, claims experience, and the level of administrative expenses.

Unum UK Segment

The Unum UK segment includes group long-term disability insurance, group life products, and individual disability products issued by Unum Limited and sold primarily in the United Kingdom through field sales personnel and independent brokers and consultants. Premium income for this segment totaled \$889.3 million in 2008, or £478.6 million in local currency.

Group Long-term Disability

Group long-term disability products contributed approximately 76.1 percent of the Unum UK segment premium income in 2008. Group long-term disability products are sold to employers for the benefit of employees. Group long-term disability provides employees with insurance coverage for loss of income in the event of extended work absences due to sickness or injury. Services are offered to employers and insureds to encourage and facilitate rehabilitation, retraining, and re-employment. Most policies begin providing benefits following 90 or 180 day waiting periods and continue providing benefits until the employee reaches a certain age, generally between 60 and 65. The benefits are limited to specified maximums as a percentage of income.

Premiums for group long-term disability are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses and profit. Some cases carry experience rating provisions. Premiums for experience rated group long-term disability business are based on the expected experience of the client given its industry group, adjusted for the credibility of the specific claim experience of the client.

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We have defined underwriting practices and procedures. If the coverage amount exceeds certain prescribed age and amount limits, we may require a prospective insured to submit evidence of insurability. Policies are typically issued, both at inception and renewal, with rate guarantees. In both cases the usual rate guarantee is two years. Guarantees of one year may be offered either at the request of the client or as required by us to manage risk. In a very limited number of circumstances guarantees of three years may be offered, but this will be at an additional cost. The profitability of the policy is dependent upon the adequacy of the rate during the rate guarantee period. The contracts provide for certain circumstances in which the rate guarantees can be overridden.

Profitability of group long-term disability insurance is affected by claims experience, investment returns, persistency, and the level of administrative expenses. Morbidity is an important factor in disability claims experience.

Group Life

Group life products contributed approximately 19.5 percent of the Unum UK segment premium income in 2008. Group life products are sold to employers as employee benefit products. Group life consists primarily of renewable term life insurance with the coverages frequently linked to employees' wages. Premiums for group life are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses and profit. Underwriting and rate guarantees are similar to those utilized for group long-term disability products.

Profitability of group life is affected by claims experience, investment returns, persistency, and the level of administrative expenses.

Individual Disability

Individual disability products generated approximately 4.4 percent of the Unum UK segment premium income in 2008. Individual disability is offered primarily to individual retail customers. Individual disability insurance provides the insured with a portion of earned income lost as a result of sickness or injury. Under an individual disability policy, monthly benefits generally are fixed at the time the policy is written. The benefits typically range from 30 percent to 50 percent of the insured's monthly earned income. Various options with respect to length of benefit periods and waiting periods before payment begins are available and permit tailoring of the policy to a specific policyholder's needs. Individual disability products do not provide for the accumulation of cash values.

Premium rates for individual disability products vary by age, gender, and occupation based on assumptions concerning morbidity, persistency, administrative expenses, and investment income. We develop our assumptions based on our own claims experience and published industry tables. Our underwriters evaluate the medical and financial condition of prospective policyholders prior to the issuance of a policy.

Profitability of individual disability insurance is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

Colonial Life Segment

The Colonial Life segment includes insurance for accident, sickness, and disability products, life products, and cancer and critical illness products issued primarily by Colonial Life & Accident Insurance Company and marketed to employees at the workplace through an agency sales force and brokers. Premium income for this segment totaled \$977.3 million in 2008.

Accident, Sickness, and Disability

The accident, sickness, and disability product line, which generated approximately 62.1 percent of the Colonial Life premium income in 2008, consists of short-term disability plans as well as accident-only plans providing benefits for injuries on a specified loss basis. It also includes accident and health plans covering hospital admissions, confinement, and surgeries on an indemnity basis and group limited benefit medical plans which provide limited indemnity benefits for basic healthcare expenses.

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Premiums for accident, sickness, and disability products are generally based on our experience for morbidity, mortality, persistency, and expenses. Premiums are primarily individual guaranteed renewable wherein we have the ability to change premiums on a state by state basis. A small percentage of the policies are written on a group basis wherein we retain the right to change premiums at the individual account level. We have defined underwriting practices and procedures for each of our products. Most policies are issued on a simplified issue basis, based on answers to simple health and employment questions. If the amount applied for exceeds certain levels, the applicant may be asked to answer additional health questions or submit to additional medical examinations.

Profitability is affected by the level of employee participation, persistency, claims experience, investment returns, and the level of administrative expenses.

The accident and health products qualify as fringe benefits that can be purchased with pre-tax employee dollars as part of a flexible benefits program pursuant to Section 125 of the Internal Revenue Code. Flexible benefits programs assist employers in managing benefit and compensation packages and provide policyholders the ability to choose benefits that best meet their needs. Congress could change the laws to limit or eliminate fringe benefits available on a pre-tax basis, eliminating our ability to continue marketing our products this way. However, we believe our products provide value to our policyholders which will remain even if the tax advantages offered by flexible benefits programs are modified or eliminated.

Life

Group and individual life products contributed approximately 16.1 percent of the 2008 premium income for Colonial Life and are primarily comprised of universal life, whole life, level term life, and a small block of group term life policies. Premiums for the whole life and level term products are guaranteed for the life of the contract. Premiums for the universal life products are flexible and may vary at the individual policyholder level. For the group term life product, we retain the right to change premiums at the account level based on the experience of the account.

Profitability is affected by the level of employee participation, persistency, claims experience, investment returns, and the level of administrative expenses.

Cancer and Critical Illness

Cancer and critical illness policies generated approximately 21.8 percent of the 2008 premium income for the Colonial Life segment. Cancer policies provide various benefits for the treatment of cancer including hospitalization, surgery, radiation, and chemotherapy. Critical illness policies provide a lump-sum benefit on the occurrence of a covered critical illness event.

Premiums are generally based on our experience for morbidity, mortality, persistency, and expenses. Premiums are primarily individual guaranteed renewable wherein we have the ability to change premiums on a state by state basis.

Profitability of these products is affected by the level of employee participation, persistency, claims experience, investment returns, and the level of administrative expenses.

Individual Disability Closed Block Segment

Generally, the insurance policies included in the Individual Disability Closed Block segment are individual disability insurance policies that were designed to be distributed to individuals in a non-workplace setting and that were written or assumed prior to the restructuring of our individual disability business. This restructuring principally occurred during the period from 1994 through 1998 and included changes in product offerings, pricing, distribution, and underwriting. During this period we gradually changed our distribution focus for individual disability insurance to workplace distribution as opposed to individual setting distribution, resulting in many of these changes. A minimal amount of new business continued to be sold subsequent to these changes, but we stopped selling new policies in this segment at the beginning of 2004 other than update features contractually allowable on existing policies. Premium income for this segment totaled \$952.3 million in 2008.

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The majority of the policies included in this segment represent individual disability insurance which was written on a noncancelable basis and issued or assumed by Unum America, Provident, and Paul Revere Life. Under a noncancelable policy, as long as the insured continues to pay the fixed annual premium for the policy's duration, we cannot cancel the policy or raise the premium.

Profitability is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

We have reinsurance agreements which effectively provide approximately 60 percent reinsurance coverage for our overall consolidated risk above a specified retention limit, which at December 31, 2008, equaled approximately \$7.8 billion. The maximum risk limit for the reinsurer grows to approximately \$2.3 billion over time, after which any further losses, if any, will revert to us.

Corporate and Other Segment

The Corporate and Other segment includes investment income on corporate assets not specifically allocated to a line of business, interest expense on corporate debt other than non-recourse debt, and certain other corporate income and expense not allocated to a line of business. The Corporate and Other segment also includes results from certain Unum US insurance products not actively marketed, including individual life and corporate-owned life insurance, reinsurance pools and management operations, group pension, health insurance, and individual annuities.

Premium income for the insurance products in this segment totaled \$1.4 million in 2008. It is expected that revenue and income from these insurance products will decline over time as these business lines wind down.

Discontinued Operations

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.

During 2003, we entered into an agreement to sell our Canadian branch. The transaction closed April 30, 2004.

See Selected Financial Data contained herein in Item 6 and Note 2 of the Notes to Consolidated Financial Statements contained herein in Item 8 for further information on our discontinued operations.

Reinsurance

In the normal course of business, we assume reinsurance from and cede reinsurance to other insurance companies. In a reinsurance transaction a reinsurer agrees to indemnify another insurer for part or all of its liability under a policy or policies it has issued for an agreed upon premium. The primary purpose of ceded reinsurance is to limit losses from large exposures. However, if the assuming reinsurer is unable to meet its obligations, we remain contingently liable. We evaluate the financial condition of reinsurers to whom we cede business and monitor concentration of credit risk to minimize our exposure. We may also require assets to be held in trust, letters of credit, or other acceptable collateral to support reinsurance recoverable balances.

In general, the maximum amount of risk retained by our U.S. insurance subsidiaries and not ceded is \$0.6 million per covered life per policy under a group or individual life policy or a group or individual accidental death and dismemberment policy. For Unum Limited, we generally retain £1.0 million per covered life per policy. The amount of risk retained on individual disability products varies by policy type and year of issue. Other than catastrophic reinsurance coverage, we generally do not reinsure group or individual disability policies issued subsequent to 1999.

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We have catastrophic reinsurance coverage which includes five layers of coverage to limit our exposure under life, accidental death and dismemberment, long-term care, and disability policies. We have 80 percent reinsurance coverage in each of the first four layers and 60 percent coverage in the fifth layer for a total of \$174.0 million of catastrophic reinsurance coverage, after a \$20.0 million deductible. The first \$30.0 million layer includes terrorism coverage other than that resulting from biological, chemical, and nuclear terrorism, whereas the second, third, fourth, and fifth layers each provide \$50.0 million of coverage for all catastrophic events, including acts of war and any type of terrorism. Events may occur which limit or eliminate the availability of catastrophic reinsurance coverage in future years.

The reinsurance recoverable of \$4,974.2 million at December 31, 2008 relates to 88 companies. Thirteen major companies account for approximately 91 percent of the reinsurance recoverable at December 31, 2008, and all of these companies are rated A or better by A.M. Best Company (AM Best) or are fully securitized by letters of credit or investment-grade fixed maturity securities held in trust. Virtually all of the remaining nine percent of the reinsurance recoverable relates to business reinsured either with companies rated A- or better by AM Best, with overseas entities with equivalent ratings or backed by letters of credit or trust agreements, or through reinsurance arrangements wherein we retain the assets in our general account. Less than one percent of the reinsurance recoverable is held by companies either rated below A- by AM Best or not rated.

The collectibility of our reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. Although we have controls to minimize our exposure, the insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract could have a material adverse effect on our results of operations.

For further discussion of our reinsurance activities, refer to Risk Factors contained herein in Item 1A and Note 12 of the Notes to Consolidated Financial Statements contained herein in Item 8.

Reserves

The applicable insurance laws under which insurance companies operate require that they report, as liabilities, policy reserves to meet future obligations on their outstanding policies. These reserves are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the reserves shall not be less than reserves calculated using certain specified mortality and morbidity tables, interest rates, and methods of valuation.

The reserves reported in our financial statements contained herein are calculated in conformity with U.S. generally accepted accounting principles (GAAP) and differ from those specified by the laws of the various states and reported in the statutory financial statements of our life insurance subsidiaries. These differences result from the use of mortality and morbidity tables and interest assumptions which we believe are more representative of the expected experience for these policies than those required for statutory accounting purposes and also result from differences in actuarial reserving methods.

The assumptions we use to calculate our reserves are intended to represent an estimate of experience for the period that policy benefits are payable. If actual experience is not less favorable than our reserve assumptions, then reserves should be adequate to provide for future benefits and expenses. If experience is less favorable than the reserve assumptions, additional reserves may be required. The key experience assumptions include disability claim incidence rates, disability claim recovery rates, mortality rates, policy persistency, and interest rates. We periodically review our experience and update our policy reserves for new issues and reserves for all claims incurred, as we believe appropriate.

The consolidated statements of income include the annual change in reserves for future policy and contract benefits. The change reflects a normal accretion for premium payments and interest buildup and decreases for policy terminations such as lapses, deaths, and benefit payments.

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For further discussion of reserves, refer to Risk Factors contained herein in Item 1A and to Critical Accounting Estimates and the discussion of segment operating results included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7.

Investments

Investment activities are an integral part of our business, and profitability is significantly affected by investment results. We segment our invested assets into portfolios that support our various product lines. Generally, our investment strategy for our portfolios is to match the effective asset cash flows and durations with related expected liability cash flows and durations to consistently meet the liability funding requirements of our businesses. We try to maximize investment income and assume credit risk in a prudent and selective manner, subject to constraints of quality, liquidity, diversification, and regulatory considerations. Our overall investment philosophy is to invest in a portfolio of high quality assets that provide investment returns consistent with that assumed in the pricing of our insurance products. Assets are invested predominately in fixed maturity securities, and the portfolio is matched with liabilities so as to eliminate as much as possible our exposure to changes in the overall level of interest rates. Changes in interest rates may affect the amount and timing of cash flows.

We actively manage our asset and liability cash flow match and our asset and liability duration match to minimize interest rate risk. We may redistribute investments between our different lines of business, when necessary, to adjust the cash flow and/or duration of the asset portfolios to better match the cash flow and duration of the liability portfolios. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. Cash flows from the inforce asset and liability portfolios are projected at current interest rate levels and also at levels reflecting an increase and a decrease in interest rates to obtain a range of projected cash flows under the different interest rate scenarios. These results enable us to assess the impact of projected changes in cash flows and duration resulting from potential changes in interest rates. Testing the asset and liability portfolios under various interest rate scenarios enables us to choose the most appropriate investment strategy as well as to minimize the risk of disadvantageous outcomes. This analysis is a precursor to our activities in derivative financial instruments, which are used to hedge interest rate risk and to manage duration match. We do not use derivatives for speculative purposes.

Refer to Risk Factors contained herein in Item 1A and the discussion of investments in Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 4 and 5 of the Notes to Consolidated Financial Statements contained herein in Items 7 and 8, respectively, for information on our investments and derivative financial instruments.

Ratings

AM Best, Fitch Ratings (Fitch), Moody's Investors Service (Moody's), and Standard & Poor's Corporation (S&P) are among the third parties that assign issuer credit ratings to Unum Group and financial strength ratings to our insurance subsidiaries. Issuer credit ratings reflect an agency's opinion of the overall financial capacity of a company to meet its senior debt obligations. Financial strength ratings are specific to each individual insurance subsidiary and reflect each rating agency's view of the overall financial strength (capital levels, earnings, growth, investments, business mix, operating performance, and market position) of that insuring entity and its ability to meet its obligations to policyholders. Both the issuer credit ratings and financial strength ratings incorporate quantitative and qualitative analyses by rating agencies and are routinely reviewed and updated on an ongoing basis.

Rating agencies assign an outlook statement of positive, negative, or developing to indicate an intermediate-term trend in credit fundamentals which could lead to a rating change. Positive means that a rating may be raised, negative means that a rating may be lowered, and developing means that a rating may be raised or lowered with equal probability. Alternatively, a rating may have a stable outlook to indicate that the rating is not expected to change.

Credit watch or under review highlights the potential direction of a short-term or long-term rating. It focuses on identifiable events and short-term trends that cause a rating to be placed under heightened surveillance by a rating agency. Events that may trigger this action include mergers, acquisitions, recapitalizations, or anticipated operating developments. Ratings may be placed on credit watch or under review when an event or a change in an expected

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trend occurs and additional information is needed to evaluate the current rating level. This status does not mean that a rating change is inevitable, and ratings may change without first being placed on a watch list.

Our financial strength ratings as of February 2009 for our principal U.S. domiciled insurance company subsidiaries were:

- A- (Excellent) by AM Best 4th of 15 rankings
- A- (Strong) by Fitch 7th of 23 rankings
- Baa1 (Adequate) by Moody's 8th of 21 rankings
- A- (Strong) by S&P 7th of 21 rankings

Our issuer credit ratings as of February 2009 were:

- bbb- (Good) by AM Best 10th of 22 rankings
- BBB- (Good) by Fitch 9th of 23 rankings
- Ba1 (Speculative) by Moody's 11th of 21 rankings
- BBB- (Good) by S&P 10th of 22 rankings

At present, our ratings from AM Best, Moody's, and S&P have a stable outlook, and our rating from Fitch has a positive outlook. None of the ratings are currently under review or on credit watch. See further discussion in Risk Factors contained herein in Item 1A and in Management's Discussion and Analysis of Financial Condition and Results of Operations Ratings contained herein in Item 7. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time by the rating agency. Each rating should be evaluated independently of any other rating.

Competition

There is intense competition among insurance companies for the types of products we sell. We believe that the principal competitive factors affecting our business are integrated product choices, price, quality of customer service and claims management, financial strength, and claims-paying ratings. In the individual and group disability markets, we compete in the United States with a limited number of major companies and regionally with other companies offering specialty products. Our principal competitors for our other products, including group life and long-term care as well as the product offerings sold to groups of employees through payroll deduction, include the largest insurance companies in the United States. Some of these companies have more competitive pricing or have higher claims-paying ratings. Some may also have greater financial resources with which to compete.

In the United Kingdom, we compete for individual and group products with a number of large internationally recognized providers. The life insurance market continues to go through a restructuring phase which has led to opportunities for both the strong specialist supplier and also new organizations that have recently been established to handle the run-off of closed businesses. Current penetration levels indicate that there is still significant upside growth potential in the United Kingdom for the types of products we offer.

All areas of the employee benefits markets are highly competitive due to the yearly renewable term nature of the products and the large number of insurance companies offering products in this market. There is a risk that purchasers of employee benefits products may be able to obtain more favorable terms from competitors in lieu of renewing coverage with us. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as our ability to sell products in the future.

We must attract and retain independent agents and brokers to actively market our products. Strong competition exists among insurers for agents and brokers. We compete with other insurers for sales agents and brokers primarily on the basis of our product offerings, financial strength, support services, and compensation. Sales of our products could be materially adversely affected if we are unsuccessful in attracting and retaining agents and brokers.

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Regulation

General

Our U.S. insurance subsidiaries are subject to comprehensive regulation and oversight by insurance departments in jurisdictions in which they do business and by the U.S. Department of Labor on a national basis, primarily for the protection of policyholders. Unum Limited is subject to regulation by the Financial Services Authority (FSA) in the U.K. The state insurance departments in the United States and the FSA in the U.K. have broad administrative powers with respect to all aspects of the insurance business and, in particular, monitor the manner in which an insurance company offers, sells, and administers its products. This monitoring may include reviewing sales practices, including the content and use of advertising materials and the licensing and appointing of agents and brokers, as well as underwriting, claims, and customer service practices. The U.S. Department of Labor (DOL) enforces a comprehensive federal statute which regulates claims paying fiduciary responsibilities and reporting and disclosure requirements for most employee benefit plans. Our domestic insurance subsidiaries must meet the standards and tests for investments imposed by state insurance laws and regulations of the jurisdictions in which they are domiciled. Domestic insurance subsidiaries operate under insurance laws which require they establish and carry, as liabilities, statutory reserves to meet policyholder obligations. These reserves are verified periodically by various regulators. Our domestic insurance subsidiaries are examined periodically by examiners from their states of domicile and by other states in which they are licensed to conduct business. The domestic examinations have traditionally emphasized financial matters from the perspective of protection of policyholders, but they can and have covered other subjects that an examining state may be interested in reviewing, such as market conduct issues. Other states more typically perform market conduct examinations that include a review of a company's sales practices, including advertising and licensing of agents and brokers, as well as underwriting, claims, and customer service practices to determine compliance with state laws.

Examinations and Investigations

Claim Related

During 2004 and 2005, certain of our insurance subsidiaries entered into settlement agreements with various 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. During 2007, we completed the claim reassessment process required by the 2004 and 2005 regulatory settlement agreements. The lead regulators conducted a final examination and presented their findings to Unum Group's board of directors and management in April 2008. The report of the multistate market conduct examination and the report of the California Department of Insurance market conduct examination provided that we satisfactorily complied with each of the agreements' mandates and that no fines would be assessed. We continue to work closely with our regulators and also continue to work toward resolution of other outstanding legal and regulatory issues.

See further discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7.

Broker Compensation, Quoting Process, and Other Matters

Beginning in 2004, several of our insurance subsidiaries' insurance regulators requested information relating to the subsidiaries' policies and practices on one or more aspects of broker compensation, quoting insurance business, and related matters. Additionally, we have responded to investigations about certain of these same matters by state attorneys general and the DOL. Following highly publicized litigation involving the alleged practices of a major insurance broker, the National Association of Insurance Commissioners (NAIC) has undertaken to provide a uniform Compensation Disclosure Amendment to the Producer Licensing Model Act that can be adopted by states in an effort to provide uniform guidance to insurers, brokers, and customers relating to disclosure of broker compensation. We expect there to be continued uncertainty surrounding this matter until clearer regulatory guidelines are established.

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In June 2004, we received a subpoena from the Office of the New York Attorney General (NYAG) requesting documents and information relating to compensation arrangements between insurance brokers or intermediaries and our companies. In November 2006, we entered into a settlement agreement with the NYAG in the form of an assurance of discontinuance that provided for a national restitution fund of \$15.5 million, which we expect will be fully dispensed by March 2009.

Since October 2004, we and/or our insurance subsidiaries have received subpoenas or information requests from state regulatory or investigatory agencies of at least seven 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 the Employee Retirement Income Security Act (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 have cooperated fully with all investigations and will continue to do so. However, due to a prolonged period of inactivity, we consider these state investigations dormant.

See further discussion under *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 14 of the *Notes to Consolidated Financial Statements* contained herein in Items 7 and 8, respectively.

Capital Requirements

Risk-based capital (RBC) standards for U.S. life insurance companies have been prescribed by the NAIC. The domiciliary states of our U.S. insurance subsidiaries have all adopted a version of the RBC model formula of the NAIC, which prescribes a system for assessing the adequacy of statutory capital and surplus for all life and health insurers. The basis of the system is a risk-based formula that applies prescribed factors to the various risk elements in a life and health insurer's business to report a minimum capital requirement proportional to the amount of risk assumed by the insurer. The life and health RBC formula is designed to measure annually (i) the risk of loss from asset defaults and asset value fluctuations, (ii) the risk of loss from adverse mortality and morbidity experience, (iii) the risk of loss from mismatching of asset and liability cash flow due to changing interest rates, and (iv) business risks. The formula is used as an early warning tool to identify companies that are potentially inadequately capitalized. The formula is intended to be used as a regulatory tool only and is not intended as a means to rank insurers generally. Unum Limited is subject to regulation, including capital adequacy requirements and minimum solvency margins, by the FSA in the U.K. See further discussion in *Risk Factors* contained herein in Item 1A and *Liquidity and Capital Resources* contained herein in Item 7.

Insurance Holding Company Regulation

The insurance holding company laws and regulations of the states of Maine, Massachusetts, Tennessee, South Carolina, New York, Vermont, and California require the registration of and periodic reporting of financial and other information about operations, including inter-company transactions within the system, by insurance companies domiciled within their jurisdiction which control or are controlled by other corporations or persons so as to constitute an insurance holding company system.

Unum Group is registered under such laws as an insurance holding company system in Maine, Massachusetts, Tennessee, South Carolina, New York, Vermont, and California. Most states, including the states in which our insurance subsidiaries are domiciled, have laws and regulations that require regulatory approval of a change in control of an insurer or an insurer's holding company. Where such laws and regulations apply to Unum Group and its insurance subsidiaries, there can be no effective change in control of Unum Group unless the person seeking to acquire control has filed a statement with specified information with the insurance regulators and has obtained prior approval for the proposed change from such regulators. The usual measure for a presumptive change of control pursuant to these laws is the acquisition of 10 percent or more of the voting stock of an insurance company or its parent, although this presumption is rebuttable. Consequently, a person acquiring 10 percent or more of the voting stock of an insurance company or its parent without the prior approval of the insurance regulators in the states in

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which the company's insurance subsidiaries are domiciled or deemed to be domiciled will be in violation of these laws. Such a person may also be subject to one or more of the following actions: (i) injunctive action requiring the disposition or seizure of those securities by the applicable insurance regulator; (ii) prohibition of voting of such shares; and, (iii) other actions determined by the relevant insurance regulator. Further, many states' insurance laws require prior notification to state insurance regulators of a change of control of a non-domiciled insurance company doing business in that state. These pre-notification statutes do not authorize the state insurance regulators to disapprove the change in control; however, they do authorize regulatory action in the affected state if particular conditions exist such as undue market concentration. Any future transactions that would constitute a change in control of Unum Group may require prior notification in those states that have adopted pre-notification laws.

These laws may discourage potential acquisition proposals and may delay, deter, or prevent a change in control of Unum Group, including through transactions, and in particular unsolicited transactions, that some or all of the stockholders of Unum Group might consider to be desirable.

In addition, such laws and regulations restrict the amount of dividends that may be paid by our insurance subsidiaries to their respective stockholders, including Unum Group and certain of its intermediate holding company subsidiaries and/or finance subsidiaries. See further discussion in *Risk Factors* contained herein in Item 1A and *Liquidity and Capital Resources - Cash Available from Subsidiaries* contained herein in Item 7.

Unum Group may also from time to time be subject to regulation under applicable regulations and reporting requirements in the foreign jurisdictions in which it or its affiliates do business or have done business.

Federal Laws and Regulations

The USA PATRIOT Act of 2001 (Patriot Act), enacted in response to the terrorist attack on September 11, 2001, contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies, including insurance companies. The Patriot Act seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering. Anti-money laundering laws outside of the United States contain some similar provisions. The increased obligations of financial institutions to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, require the implementation and maintenance of internal practices, procedures, and controls.

For further discussion of regulation, refer to *Risk Factors* contained herein in Item 1A.

Geographic Areas

Segment operating revenue, which excludes net realized investment gains and losses, for our U.K. operations totaled \$1,086.1 million, \$1,171.8 million, and \$1,017.5 million for 2008, 2007, and 2006, respectively. These amounts were approximately 10.4 percent, 11.1 percent, and 9.7 percent of total segment operating revenue for 2008, 2007, and 2006, respectively. Total assets and total liabilities, as of December 31, 2008, were \$2.9 billion and \$2.1 billion, respectively, for our U.K. operations. Fluctuations in the U.S. dollar relative to the local currency of our U.K. operations will impact our reported operating results. See *Risk Factors* contained herein in Item 1A for further discussion of fluctuations in foreign currency exchange rates and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained herein in Item 7 and Note 13 of the *Notes to Consolidated Financial Statements* contained herein in Item 8 for further discussion of Unum UK's operating results.

Employees

At December 31, 2008, we had approximately 9,800 full-time employees.

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Our internet website address is www.unum.com. We make available, free of charge, on or through our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material with the Securities and Exchange Commission.

Executive Officers of the Registrant

Our executive officers, all of whom are also executive officers of certain of our principal subsidiaries, were appointed by Unum Group's board of directors to serve until their successors are chosen and qualified or until their earlier resignation or removal.

Name	Age	Position
Thomas R. Watjen	54	President and Chief Executive Officer and a Director
Robert O. Best	59	Executive Vice President, Chief Operating Officer Unum US
Liston Bishop III	62	Executive Vice President and General Counsel
Robert C. Greving *	57	Executive Vice President, Chief Financial Officer and Chief Actuary
Randall C. Horn	56	Executive Vice President, President and Chief Executive Officer, Colonial Life
Kevin P. McCarthy	53	Executive Vice President, President and Chief Executive Officer, Unum US
Susan L. Ring	48	Executive Vice President, President and Chief Executive Officer, Unum UK

* Mr. Greving has announced his intention to retire from the Company during 2009.

Mr. Watjen became President and Chief Executive Officer in March 2003. He served as Vice Chairman and Chief Operating Officer from May 2002 until March 2003. He became Executive Vice President, Finance in June 1999 and assumed the additional Risk Management responsibilities in November 1999. Mr. Watjen originally joined a Unum Group predecessor company as Executive Vice President and Chief Financial Officer in 1994.

Mr. Best became Executive Vice President, Chief Operating Officer Unum US in January 2007. Prior to that, he served as Executive Vice President, Service Operations and Chief Information Officer from January 2006. Prior to that time, he served as Executive Vice President, The Client Services Center, and Chief Information Officer from May 2003. He served as Senior Vice President, Customer Loyalty Services, and Chief Information Officer from March 2000 until May 2003. Mr. Best originally joined a Unum Group predecessor company as Senior Vice President and Chief Information Officer in 1994.

Mr. Bishop became Executive Vice President and General Counsel in October 2008. Prior to this appointment, he served as Interim General Counsel beginning in April 2008. From August 1979 through September 2008, Mr. Bishop practiced corporate and securities law with the law firm of Miller & Martin PLLC, except during the period from January 2005 through July 2007 when he was employed as deputy general counsel and corporate secretary of Coca-Cola Enterprises Inc.

Mr. Greving was named Executive Vice President and Chief Financial Officer in May 2003 and appointed Chief Actuary in August 2005. He served as Senior Vice President and Chief Financial Officer from May 2002 until May 2003. Prior to that time, he served as Senior Vice President, Finance from August 2000. Mr. Greving originally joined a Unum Group predecessor company as Senior Vice President and Chief Actuary in April 1997.

Mr. Horn was named Executive Vice President, President and Chief Executive Officer, Colonial Life in May 2007. Prior to that, he served as Executive Vice President, President and Chief Executive Officer of Colonial Life & Accident Insurance Company from March 2004. Before joining the Company, he served as Executive Vice President of Mutual of Omaha Insurance Company from September 1981 until September 2003.

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Mr. McCarthy was named Executive Vice President, President and Chief Executive Officer, Unum US in May 2007. He previously served as Executive Vice President, President, Unum US from January 2007. Prior to that, he served as Executive Vice President, Risk Operations from January 2006. He previously served as Executive Vice President, Underwriting from May 2003. He served as Senior Vice President, Underwriting from November 2001 until May 2003 and as Senior Vice President, Marketing, Product Development, and International from December 1999 until November 2001. Mr. McCarthy originally joined a Unum Group predecessor company in 1976.

Ms. Ring was named Executive Vice President, President and Chief Executive Officer, Unum UK in May 2007. She previously served as Executive Vice President, Chairman and Managing Director, Unum Limited from May 2006. She served as Chairman and Managing Director of Unum Limited from December 2002 until November 2006. She served as Operations Director from 1999 until 2002 and prior to that time was Director of Risk Management. Ms. Ring joined Unum Limited as Director of Customer Services in 1995.

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ITEM 1A. RISK FACTORS

We face a wide range of risks, and our continued success depends on our ability to identify and appropriately manage our risk exposures. Discussed below are certain factors that may adversely affect our business, results of operations, or financial condition. Any one or more of the following factors may cause our actual results for various financial reporting periods to differ materially from those expressed in any forward looking statements made by or on behalf of the Company, including those in this document or made by us elsewhere, such as in earnings release investor calls, investor conference presentations, or press releases. The risks and uncertainties described herein may not be the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. See Cautionary Statement Regarding Forward-Looking Statements contained herein on page 1.

The general outlook for corporate bond defaults in 2009 is high relative to historical levels. Defaults in our fixed maturity securities, mortgage loan, or short-term investment portfolios will adversely affect our results of operations and financial condition.

Investments are an integral part of our business, and our investments support our policyholder liabilities and shareholders' equity. Our investment portfolio consists primarily of fixed maturity securities. These securities are issued by both domestic and foreign entities and are backed either by collateral or the credit of the underlying issuer. Factors such as an economic downturn or political change in the country of the issuer, a regulatory change pertaining to the issuer's industry, a significant deterioration in the cash flows of the issuer, accounting irregularities or fraud committed by the issuer, widening risk spreads, ratings downgrades, a change in the issuer's marketplace or business prospects, or other events that adversely affect the issuers of these securities may result in the issuer defaulting on its obligations.

Our mortgage loan portfolio has default risk. Events or developments, such as the current economic conditions that could impact the ability of tenants to pay their rents or could limit the availability of refinancing, may have a negative effect on our mortgage loan portfolio. Events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on an investment portfolio to the extent that the portfolio is concentrated in that region or sector.

A default results in the recognition of an other than temporary impairment loss on the investment. A default may also adversely affect our ability to collect principal and interest due to us. The fixed income markets are experiencing a period of extreme volatility and illiquidity which has resulted in credit downgrade events and increased probability of default.

Events that damage our reputation may adversely affect our business, results of operations, or financial condition.

There are many events, including but not limited to those discussed herein in Item 1A, which may harm our reputation. Depending on the severity of the damage to our reputation, we may be unable to effectively compete for new products or retain our existing business. Damage to our reputation may also hinder our ability to raise new capital or increase our cost of capital.

A decrease in our financial strength or issuer credit ratings may have an adverse effect on our competitive position, results of operations, or financial condition.

We compete based in part on the financial strength ratings provided by rating agencies. A downgrade of our financial strength ratings may adversely affect us and could potentially, among other things, adversely affect relationships with distributors of our products and services and retention of our sales force, negatively impact persistency and new sales, and generally adversely affect our ability to compete. A downgrade in the issuer credit rating assigned to Unum Group or a negative outlook statement by a rating agency could have an effect on our ability to raise capital and on our cost of capital. See Ratings contained herein in Item 1 and in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7 for further discussion.

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United Kingdom currency translation risk could materially impact reported operating results.

The functional currency of our U.K. operations is the British pound sterling. Fluctuations in the pound to dollar exchange rate have an effect on our financial results. In periods when the pound weakens, translating pounds into dollars decreases current period results relative to the prior period. In periods when the pound strengthens, translating pounds into dollars increases current period results in relation to the prior period. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert pounds into dollars. As a result, we view foreign currency translation as a financial reporting issue and not a reflection of operations or profitability in the U.K.

Sustained declines in long-term interest rates or the rate of return on pension plan assets may have a negative effect on the funded status of our pension plans and/or increase our pension costs.

The rate of return on pension plan assets is determined based on the fair value of the plan assets at the beginning and end of the measurement period. Declines in long-term interest rates or the fair value of our plan assets may result in a decrease in the funded status of our pension plans and/or increased pension costs, which may adversely affect our results of operations, financial condition, or liquidity. See Critical Accounting Estimates included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7 for further discussion.

The current adverse economic conditions may adversely affect demand for our products or may result in higher disability claims incidence or longer claims duration.

As a large financial institution, we are affected by conditions in the capital markets and the general economy, both in the United States and in the United Kingdom. The adversity experienced in the capital markets and general economy that began in the middle of 2007 and worsened during 2008 may adversely affect our business and results of operations. In particular, factors such as unemployment levels, consumer confidence levels, consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our businesses. Given the nature of our products, in an economic environment characterized by higher unemployment, lower personal income, reduced consumer spending, and lower corporate earnings and investment, the demand for our products may be adversely affected. In addition, during such periods we may experience higher disability claims incidence, longer disability claims duration, and/or an increase in policy lapses.

Differences between actual claims experience and reserving assumptions may materially adversely affect our results or operations or financial condition.

Reserves, whether calculated under GAAP or statutory accounting principles, do not represent an exact calculation of future benefit liabilities but are instead estimates made by us using actuarial and statistical procedures. There can be no assurance that any such reserves will be sufficient to fund our future liabilities in all circumstances. Future loss development may require reserves to be increased, which would adversely affect earnings in current and future periods. Adjustments to reserve amounts may be required in the event of changes from the assumptions regarding future morbidity (the incidence of claims and the rate of recovery, including the effects thereon of inflation and other societal and economic factors); persistency; mortality; policy benefit offsets, including those for social security; and interest rates used in calculating the reserve amounts. See Critical Accounting Estimates included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7 for further discussion.

We and our insurance subsidiaries are subject to extensive supervision and regulation, which may affect the cost or demand for our products or may impact our profitability or growth.

Our insurance company subsidiaries may not be able to obtain or maintain necessary licenses, permits, authorizations, or accreditations, or may be able to do so only at great cost. In addition, we may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance companies and insurance holding companies. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on our ability to do business in one or more of the jurisdictions

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in which we operate and could result in fines and other sanctions, which may have a material adverse effect on our business or results of operations.

Because of recent events involving certain financial institutions, including insurance companies, it is possible that there will be heightened oversight of insurers at both the state and federal level. We cannot predict specific proposals that might be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business, results of operations, or financial condition.

New programs may be enacted at the state or federal level that will compete with or diminish the need for our products, particularly as it may affect our ability to sell our products through employers or in the workplace.

Congress, as well as foreign, state, and local governments, could enact legislation related to changes in tax laws that could increase our tax costs or affect the desirability of our products to customers.

Most group long-term and short-term disability plans we administer are governed by ERISA. Changes to ERISA enacted by Congress or via judicial interpretations may adversely affect the risk to us of managing employee benefit plans, increase the premiums associated with such plans, and ultimately affect their affordability and our profitability.

Many regulatory and governmental bodies have the authority to review our products and business practices and those of our agents and employees. These regulatory or governmental bodies may bring regulatory or other legal actions against us if, in their view, our practices are improper. These actions can result in substantial fines or restrictions on our business activities and may have a material adverse effect on our business or results of operations.

During 2004 and 2005, certain of our insurance subsidiaries entered into settlement agreements with various regulators related to disability claims handling practices. The agreements resulted in changes in our claims handling practices and a process for reassessing certain claims. These and other regulatory examinations or investigations could result in, among other things, changes in business practices, including changes in broker compensation and related disclosure practices, changes in the use and oversight of reinsurance, changes in governance and other oversight procedures, fines, and other administrative action. Such results, singly or in combination, may injure our reputation, cause negative publicity, adversely affect our issuer credit ratings and financial strength ratings, place us at a competitive disadvantage in marketing or administering our products, or impair our ability to sell or retain insurance policies, thereby adversely affecting our business, and potentially materially adversely affecting the results of operations. Determination by regulatory authorities that we have engaged in improper conduct may also adversely affect our defense of various lawsuits. See Examinations and Investigations contained herein in Item 1 and Legal and Regulatory Issues in Management's Discussion and Analysis of Financial Condition and Results of Operations contained herein in Item 7 for further discussion.

Our insurance products may be affected by many factors, and changes in any of those factors may adversely affect our profitability.

Disability insurance may be affected by a number of social, economic, governmental, competitive, and other factors. Changes in societal attitudes, such as work ethic, motivation, or stability, can significantly affect the demand for and underwriting results from disability products. Competition in disability insurance has also been markedly affected by the growth of social security, workers' compensation, and other governmental programs in the workplace.

Both economic and societal factors can affect claim incidence for disability insurance. Claim incidence and claim recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence. Claim incidence and claim recovery rates may also be influenced by the emergence of new infectious diseases or illnesses. The relationship between these and other factors and overall incidence is very complex and will vary due to contract design features and the degree of expertise within the insuring organization to price, underwrite, and adjudicate the claims. Within the group disability market, pricing and renewal actions can be taken to react to higher claim rates. However, these actions take time to implement, and there is a risk that the market will not sustain increased prices. In addition, changes in economic and external conditions may not manifest themselves in claims experience for an extended period of time.

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The pricing actions available in the individual disability market differ between product classes. Our individual noncancelable disability policies, in which the policy is guaranteed to be renewable through the life of the policy at a fixed premium, do not permit us to adjust premiums on our in-force business due to changes resulting from such factors. Guaranteed renewable contracts that are not noncancelable can be re-priced to reflect adverse experience, but rate changes cannot be implemented as quickly as in the group disability market.

Long-term care insurance can be affected by a number of demographic, medical, economic, governmental, competitive, and other factors. Because long-term care insurance is a relatively new product for the insurance industry and is long-duration in nature, there is not as much historical data as is available for our other products. This creates a level of uncertainty in properly pricing the product and using appropriate assumptions when establishing reserves. Mortality is a critical factor influencing the length of time a claimant receives long-term care benefits. Mortality continues to improve for the general population, and life expectancy has increased. Changes in actual mortality trends relative to assumptions may adversely affect our profitability. Long-term care insurance is guaranteed renewable and can be re-priced to reflect adverse experience, but the re-pricing is subject to regulatory approval which can affect the length of time in which the re-pricing can be implemented, if at all. Due to the long duration of the product, we may be unable to purchase appropriate assets with cash flows and durations such that the timing and/or amount of our investment cash flows may not match those of our maturing liabilities.

Group life insurance may be affected by the characteristics of the employees insured, the amount of insurance employees may elect voluntarily, our risk selection process, our ability to retain employer groups with lower claim incidence rates, the geographical concentration of employees, and mortality rates. Claim incidence may also be influenced by unexpected catastrophic events such as terrorist attacks and natural disasters, which may also affect the availability of reinsurance coverage.

In addition to investment default risk as previously discussed, we are exposed to other risks related to our investment portfolio which may adversely affect our results of operations, financial condition, or liquidity. These risks include interest rate and credit spread fluctuations, the contractual terms of derivative contracts, the accuracy of valuations of securities, and the possibility that we might need to sell securities at disadvantageous times.

Fluctuations in interest rates affect our ability to earn the interest rates assumed in our policyholder reserves or reported in previous periods net investment income and also affect the fair value of our investment portfolio. A rise in interest rates may increase the net unrealized loss position of our investment portfolio, but may improve our ability to earn higher rates of return on new purchases of fixed income securities. Conversely, a decline in interest rates may decrease the net unrealized loss position of our investment portfolio, but new securities may be purchased at lower rates of return. Our exposure to credit spreads, which is the yield above comparable Treasury securities, primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads may increase the net unrealized loss position of the investment portfolio. Credit spread tightening may reduce net investment income associated with new purchases of fixed income securities.

We use derivative instruments to help us manage interest rate risk. While we use relatively simple over-the-counter instruments, they are complicated contracts. Risks to our results of operations, financial condition, or liquidity include:

Our hedges may become ineffective due to changes in expected future events for which we have hedged or if our counterparties fail or refuse to honor their obligations under these derivative instruments. Ineffectiveness of our hedges may have a material adverse effect on our results of operations or financial condition.

If we are downgraded significantly, ratings triggers in our contracts may result in our counterparties enforcing their option to terminate the derivative contracts. Such an event may have a material adverse effect on our financial condition or our ability to hedge our risks. Many of our counterparties are financial institutions, and the recent capital market turmoil has resulted in an increase in the risk of non-performance by many financial institutions. Non-performance by our counterparties may force us to unwind the hedge. We may be unable to replace the hedge, thereby leaving the risk unhedged.

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Under the terms of our hedging contracts, we are required to post collateral and to maintain a certain level of collateral. This may adversely affect our liquidity and could subject us to the credit risk of the counterparty to the extent it holds such collateral.

An increase in interest rates may result in losses at the time hedges are terminated, which may have a material adverse effect on our financial condition or results of operations.

See Note 5 of the Notes to Consolidated Financial Statements contained herein in Item 8 for a discussion of our derivative financial instruments.

We report our fixed maturity securities and certain other financial instruments at market value. During periods of market disruption, it may be difficult to value certain of our securities or to determine other than temporary impairments. Valuations may include inputs and assumptions that are less observable or require greater estimation, resulting in values which may be less than the value at which the investments may ultimately be sold. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of securities as reported in our financial statements, and the period to period changes in value could vary significantly. Decreases in value may have a material adverse effect on our results of operations or financial condition.

We evaluate our investment portfolio for impairments. There can be no assurance that we have accurately assessed the level of impairments taken. Additional impairments may need to be taken in the future, and historical trends may not be indicative of future impairments. Any event reducing the value of our securities other than on a temporary basis may have a material adverse effect on our business, results of operations, or financial condition.

While we attempt to match our asset cash flows and durations with expected liability cash flows and durations to meet the funding requirements of our business, we may in certain circumstances need to sell investments due to changes in regulatory or capital requirements, changes in tax laws, rating agency decisions, and/or unexpected changes in liquidity needs. Events such as these may force us to sell securities in an unfavorable interest rate or credit environment, with a resulting adverse effect on our results of operations, financial condition, or liquidity.

We may be required to establish a valuation allowance against our deferred income tax asset.

Factors in our ability to realize a tax benefit from our deferred income tax asset include the performance of our businesses and our ability to generate realized investment gains. If we determine that all or a portion of the deferred income tax asset will not result in a future tax benefit, a valuation allowance must be established with a corresponding charge to net income or other comprehensive income. Such charges may have a material adverse effect on our results of operations or financial condition. The likelihood of recording such a valuation increases during periods of economic downturn.

An assessment by a governing tax authority may have a material adverse effect on our results of operations or financial condition.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws in a multitude of jurisdictions, both domestic and foreign. The amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect profitability. Such an assessment may have a material adverse effect on our results of operations or financial condition.

Our overall risk management program may leave us exposed to unidentified or unanticipated risk, which could negatively affect our business.

We have devoted significant resources to develop our enterprise risk management program, which has the objective of managing our strategic, market, credit, insurance, operations, capital and liquidity, and reputational risks. However, our program may not be comprehensive, and our methods for managing risk may not fully predict future exposures. See **Quantitative and Qualitative Disclosures About Market Risk** contained herein in Item 7A for further information about our risk management program.

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Litigation is common in our businesses and may result in significant financial losses and/or harm to our reputation.

The Company and/or its subsidiaries' directors and officers have been sued in several purported class action and stockholder derivative lawsuits. The outcome of these lawsuits is uncertain, and we are unable to estimate a range of reasonably possible losses. Reserves have not been established for these matters. An adverse outcome in one or more of these actions may, depending on the nature, scope and amount of the ruling, adversely affect our results of operations or financial condition, encourage other litigation, and limit our ability to write new business, particularly if the adverse outcomes negatively impact certain of our ratings.

Unum Group and its insurance subsidiaries, as part of their normal operations in managing claims, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Typically those 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 financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages may, from time to time, have a material adverse effect on our results of operations. We are unable to estimate a range of reasonably possible punitive losses.

Refer to Note 14 of the Notes to Consolidated Financial Statements contained herein in Item 8 for additional information on legal proceedings.

We need to finance our ongoing operations, and this may not always be possible solely from internal sources of capital and liquidity. If we need to seek external capital, there is the risk that adverse market conditions may significantly affect our access to capital or our cost of capital.

A decrease in demand for our insurance products or an increase in the incidence of new claims or the duration of existing claims could negatively impact our cash flows from operations. Deterioration in the credit market, which could delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner, could also negatively impact our cash flows. Without sufficient liquidity, we could be forced to curtail our operations, and our business may suffer. If our internal sources of liquidity prove to be insufficient, we may be unable to successfully obtain additional financing and capital on favorable terms, or at all, which may adversely affect us.

In the near term, we expect that our need for external financing is small, but changes in our business could increase our need. If our financial results are unfavorable, we may need to increase our capital in order to maintain our credit ratings or satisfy regulatory requirements. Maintaining appropriate levels of statutory surplus, as measured by state insurance regulations, is considered important by state insurance regulatory authorities and the rating agencies that rate insurers' claims-paying abilities and financial strength. Failure to maintain certain levels of statutory surplus could result in increased regulatory scrutiny, action by state regulatory authorities, or a downgrade by the rating agencies. If the NAIC or state regulators adopt revisions to the RBC formula, or if the FSA revises its capital adequacy requirements and minimum solvency margins, our insurance subsidiaries may require additional capital. Need for additional capital may limit a subsidiary's ability to distribute funds to the holding company and adversely affect our ability to pay dividends on our common stock and meet our debt and other payment obligations.

Obtaining financing for even a small amount of capital could be complicated in the current market environment. In some cases during the past year, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. The availability of financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, and the possibility that customers or lenders could develop a negative perception of our financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Raising capital in unfavorable market conditions could increase our interest expense or negatively impact our shareholders through increased dilution of their common stock holding in Unum Group.

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See **Liquidity and Capital Resources** included in **Management's Discussion and Analysis of Financial Condition and Results of Operations** contained herein in Item 7 for further discussion.

Competition may adversely affect our market share or profitability.

All of our businesses are highly competitive. We believe that the principal competitive factors affecting our business are integrated product choices, price, quality of customer service and claims management, financial strength, and claims-paying ratings. We compete for new product sales, the retention of existing business, and the ability to attract and retain independent agents and brokers to market our products, all of which affect our profitability. There are many insurance companies which actively compete with us in our lines of business, some of which are larger and have greater financial resources, and there is no assurance that we will be able to compete effectively against such companies in the future. See **Competition** contained herein in Item 1 for further discussion.

We are subject to various operational risks resulting from inadequate or failed internal processes or from external events which may damage our market position and reputation and/or adversely affect our results of operations or financial condition.

We face challenges and risks associated with the development, sale, and retention of product offerings that meet the needs of our targeted markets; maintaining effective underwriting and pricing discipline; continued effective claim management and customer service performance; ongoing expense management; delivering effective technology solutions; continued execution of our capital management strategy; and the successful implementation of operational improvements and strategic growth initiatives. Failure to successfully manage our operational risks may adversely affect our competitiveness, profitability, or financial condition.

Our subsidiaries may be restricted from paying dividends to our holding companies.

Unum Group and certain of its subsidiaries rely on dividends from our insurance and non-insurance company subsidiaries to make dividend payments on our common stock, meet debt payment obligations, and pay our other obligations. Our insurance company subsidiaries are subject to regulatory limitations on the payment of dividends and on other transfers of funds to affiliates. The level of statutory earnings and capital in our insurance subsidiaries could impact their ability to pay dividends or to make other transfers of funds to our holding companies, which could impair our ability to pay our dividends or meet our debt and other payment obligations. See **Liquidity and Capital Resources** included in **Management's Discussion and Analysis of Financial Condition and Results of Operations** contained herein in Item 7 and Note 15 of the **Notes to Consolidated Financial Statements** contained herein in Item 8 for a discussion of the existing regulatory limitations on dividends.

Reinsurance may not be available or affordable, or reinsurers may be unwilling or unable to meet their obligations under our reinsurance contracts, which may adversely affect our results of operations or financial condition.

As part of our overall risk management strategy, we purchase reinsurance for certain risks underwritten by our various businesses. Market conditions beyond our control determine the availability and cost of the reinsurance protection. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our results of operations. Accordingly, we may be forced to incur additional expenses for reinsurance or may be unable to obtain sufficient reinsurance on acceptable terms, which may adversely affect our ability to write future business or result in the assumption of more risk with respect to the policies we issue. The collectibility of our reinsurance recoverable is primarily a function of the solvency of the individual reinsurers. The insolvency of a reinsurer or the inability or unwillingness of a reinsurer to comply with the terms of a reinsurance contract may have an adverse effect on our results of operations or financial condition.

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We have intangible assets such as deferred acquisition costs (DAC), value of business acquired (VOBA), and goodwill. We may be required to accelerate amortization or recognize an impairment, which may adversely affect our results of operations or financial condition.

We defer certain costs incurred in acquiring new business and expense these costs over the life of the related policies. These costs include certain commissions, other agency compensation, selection and policy issue expenses, and field expenses. VOBA represents the present value of future profits recorded in connection with the acquisition of a block of insurance policies. DAC and VOBA are amortized based primarily upon expected future premium income of the related insurance policies. Recoverability testing for DAC and VOBA is performed on an annual basis. Insurance contracts are grouped on a basis consistent with our manner of acquiring, servicing, and measuring profitability of the contracts. If recoverability testing indicates that either DAC and/or VOBA are not recoverable, the deficiency is charged to expense.

Goodwill is not amortized, but on an annual basis we review the carrying amount of goodwill for indications of impairment, considering in that review the financial performance and other relevant factors. In accordance with accounting guidance, we test for impairment at either the operating segment level or one level below. In addition, certain events including, but not limited to, a significant adverse change in legal factors or the business environment, an adverse action by a regulator or rating agency, or unanticipated competition would cause us to review goodwill for impairment more frequently than annually.

Extreme events, including terrorism, can affect the economy in general, our industry, and us specifically.

Events such as epidemics, pandemics, terrorist attacks, natural disasters, or other extreme events may materially adversely affect our business, the level of claims, or our results of operations, and in the event of extreme circumstances, our financial condition or viability. Beyond obtaining insurance coverage for our facilities, there are few, if any, commercial options through which to transfer the exposure from extreme events away from us. The continued threat of terrorism could result in increased reinsurance prices and reduced insurance coverage and potentially cause us to retain more risk than we otherwise would retain if we were able to obtain reinsurance at lower prices. In the event of nuclear or bioterrorism attacks, epidemics, or other extreme events, we could face significant costs depending on the government's actions and the responsiveness of public agencies and other insurers. In addition, we may also be adversely affected if we do not maintain adequate procedures to ensure disaster recovery and business continuity for our facilities and operations in the event of such occurrences.

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are subject to the application of generally accepted accounting principles in both the United States and the United Kingdom, which are periodically revised and/or expanded. Accordingly, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB. Market conditions have prompted accounting standard setters to expose new guidance which further interprets or seeks to revise accounting pronouncements related to financial instruments as well as to issue new standards expanding disclosures. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our financial statements and that such changes may have a material adverse effect on our results of operations or financial condition.

We also face other risks that may adversely affect our business, results of operations, or financial condition, including but not limited to:

- A significant deficiency in our internal controls over financial reporting;
- Any requirement to restate financial results due to inappropriate application of accounting principles;
- Risks associated with security or interruption of information systems, which could cause, among other things, operational disruption;
- Failure to adequately plan for succession of our senior management and other key executives; and
- Failure of our processes to prevent and detect fraud and/or unethical conduct of employees.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We occupy approximately 2.7 million square feet of space at four principal operating centers in Chattanooga, Tennessee; Portland, Maine; Worcester, Massachusetts; and Columbia, South Carolina.

We own and occupy two connected buildings in Chattanooga, Tennessee, with approximately 901,000 square feet of office space. We own and occupy five facilities in Portland, Maine, with approximately 838,000 square feet of office space. We own and occupy facilities totaling approximately 385,000 square feet in Worcester, Massachusetts. We own and occupy approximately 523,000 square feet of office space in Columbia, South Carolina.

We also occupy office buildings in the United Kingdom which serve as the home offices of Unum Limited. We own and occupy property located in Dorking, with approximately 63,000 square feet of office space. In addition, approximately 65,000 square feet of office space is leased and occupied in two office buildings located in Bristol and Basingstoke.

We lease and occupy approximately 89,000 square feet of office space in Glendale, California. Additionally, we lease other office space, for periods principally from five to ten years, for use by our affiliates and sales forces.

Our properties and facilities are suitable and adequate for current operations.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 14 of the Notes to Consolidated Financial Statements contained herein in Item 8 for information on legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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Common stock of Unum Group is traded on the New York Stock Exchange. The stock symbol is UNM. Quarterly market prices and dividends paid per share of common stock are as follows:

	Market Price		Dividend
	High	Low	
2008			
1 st Quarter	\$24.50	\$19.22	\$0.075
2 nd Quarter	24.99	20.40	0.075
3 rd Quarter	27.50	19.43	0.075
4 th Quarter	26.20	9.33	0.075
2007			
1 st Quarter	\$23.40	\$19.79	\$0.075
2 nd Quarter	28.20	22.83	0.075
3 rd Quarter	26.75	22.02	0.075
4 th Quarter	26.67	22.36	0.075

The following graph shows a five year comparison of cumulative total returns for our common stock's historical performance, the S&P 500 Index, and the Insurance Index (non-weighted average of total returns from the S&P Life & Health Index and the S&P Multi-line Index). Past performance is not an indication of future results.

As of February 23, 2009, there were 15,469 registered holders of common stock.

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The following table provides information about our share repurchase activity for the fourth quarter of 2008:

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program (1) (2) (3)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1) (2) (3)
October 1 - October 31, 2008	1,981,782	\$ 24.17	1,981,782	\$ -
November 1 - November 30, 2008	-	-	-	-
December 1 - December 31, 2008	-	-	-	-
Total	1,981,782		1,981,782	

- (1) On October 31, 2007, we announced that Unum Group's board of directors authorized the repurchase of up to \$700.0 million of Unum Group common stock.
- (2) On January 31, 2008, we repurchased 14,000,000 shares of Unum Group common stock for \$350.0 million using an accelerated share repurchase agreement. Under the terms of the repurchase agreement, we were to receive, or be required to pay, a price adjustment based on the volume weighted average price of Unum Group common stock during the term of the agreement. Any price adjustment payable to us was to be settled in shares of Unum Group common stock. Any price adjustment we would have been required to pay would have been settled in either cash or common stock. A 30 percent partial acceleration of the agreement, 4,200,000 shares, occurred on March 26, 2008 and settled on March 28, 2008 with the price adjustment resulting in the delivery to us of 482,483 additional shares of Unum Group common stock. The remaining 9,800,000 shares settled on May 29, 2008, with the price adjustment resulting in the delivery to us of 913,707 additional shares. In total, we repurchased 15,396,190 shares of Unum Group common stock under this agreement for an average price paid per share of \$22.73.
- (3) On August 4, 2008, we repurchased 12,500,000 shares of Unum Group common stock for \$350.0 million using an accelerated share repurchase agreement. Under the terms of the repurchase agreement, we were to receive, or be required to pay, a price adjustment based on the volume weighted average price of Unum Group common stock during the term of the agreement. Any price adjustment payable to us was to be settled in shares of Unum Group common stock. Any price adjustment we would have been required to pay would have been settled in either cash or common stock. A 50 percent partial acceleration of the agreement, 6,250,000 shares, occurred on October 7, 2008 and settled on October 10, 2008 with the price adjustment resulting in the delivery to us of 980,886 additional shares of Unum Group common stock. The remaining 6,250,000 shares settled on October 14, 2008, with the price adjustment resulting in the delivery to us of 1,000,896 additional shares. In total, we repurchased 14,481,782 shares of Unum Group common stock under this agreement for an average price paid per share of \$24.17.

For information on restrictions relating to our insurance subsidiaries' ability to pay dividends to the holding company see "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7 and Note 15 of the "Notes to Consolidated Financial Statements" contained herein in Item 8. For information relating to compensation plans under which Unum Group's equity securities are authorized for issuance, see Item 12 contained herein.

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	At or for the Year Ended December 31				
	2008	2007	2006	2005	2004
Statement of Operations Data					
Revenue					
Premium Income	\$ 7,783.3	\$ 7,901.1	\$ 7,948.2	\$ 7,815.6	\$ 7,839.6
Net Investment Income	2,389.0	2,409.9	2,320.6	2,188.3	2,158.7
Net Realized Investment Gain (Loss)	(465.9)	(65.2)	2.2	(6.7)	29.2
Other Income	275.9	274.1	264.3	262.1	260.3
Total	9,982.3	10,519.9	10,535.3	10,259.3	10,287.8
Benefits and Expenses					
Benefits and Change in Reserves for					
Future Benefits (1)	6,626.4	6,988.2	7,577.2	7,083.2	7,248.4
Commissions	853.3	841.1	819.0	804.7	842.3
Interest and Debt Expense (2)	156.7	241.9	217.6	208.0	207.1
Other Expenses (3)	1,521.9	1,451.5	1,456.1	1,469.5	2,265.7
Total	9,158.3	9,522.7	10,069.9	9,565.4	10,563.5
Income (Loss) from Continuing Operations					
Before Income Tax	824.0	997.2	465.4	693.9	(275.7)
Income Tax (Benefit) (4)	270.8	324.8	61.8	189.9	(74.3)
Income (Loss) from Continuing Operations	553.2	672.4	403.6	504.0	(201.4)
Income (Loss) from Discontinued Operations (5)					
	-	6.9	7.4	9.6	(51.6)
Net Income (Loss)	\$ 553.2	\$ 679.3	\$ 411.0	\$ 513.6	\$ (253.0)
Balance Sheet Data					
Assets (6)	\$ 49,417.4	\$ 52,701.9	\$ 52,977.8	\$ 51,975.8	\$ 50,905.5
Long-term Debt	\$ 2,259.4	\$ 2,515.2	\$ 2,659.6	\$ 3,261.6	\$ 2,862.0
Accumulated Other Comprehensive Income (Loss)	\$ (958.2)	\$ 463.5	\$ 612.8	\$ 1,163.5	\$ 1,481.1
Other Stockholders' Equity	7,356.1	7,576.4	7,106.0	6,200.4	5,743.0
Total Stockholders' Equity	\$ 6,397.9	\$ 8,039.9	\$ 7,718.8	\$ 7,363.9	\$ 7,224.1

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	2008	At or for the Year Ended December 31			2004
		2007	2006	2005	
Per Share Data					
Income (Loss) from Continuing Operations					
Basic	\$ 1.62	\$ 1.90	\$ 1.25	\$ 1.71	\$ (0.68)
Assuming Dilution	\$ 1.62	\$ 1.89	\$ 1.21	\$ 1.61	\$ (0.68)
Income (Loss) from Discontinued Operations					
Basic	\$ -	\$ 0.02	\$ 0.02	\$ 0.03	\$ (0.18)
Assuming Dilution	\$				