

Unum Group
Form 10-Q
November 03, 2010
Table of Contents

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

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2010

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)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

317,144,217 shares of the registrant's common stock were outstanding as of October 28, 2010.

Table of Contents

TABLE OF CONTENTS

| | Page |
|--|-------------|
| <u>Cautionary Statement Regarding Forward-Looking Statements</u> | 1 |
| <u>PART I</u> | |
| 1. <u>Financial Statements (Unaudited):</u> | |
| <u>Consolidated Balance Sheets at September 30, 2010 and December 31, 2009</u> | 3 |
| <u>Consolidated Statements of Income for the three and nine months ended September 30, 2010 and 2009</u> | 5 |
| <u>Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2010 and 2009</u> | 6 |
| <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009</u> | 7 |
| <u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2010 and 2009</u> | 8 |
| <u>Notes to Consolidated Financial Statements</u> | 9 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 48 |
| 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 49 |
| 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 90 |
| 4. <u>Controls and Procedures</u> | 90 |
| <u>PART II</u> | |
| 1. <u>Legal Proceedings</u> | 91 |
| 1A. <u>Risk Factors</u> | 91 |
| 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 91 |
| 6. <u>Exhibits</u> | 92 |
| <u>Signatures</u> | 93 |

Table of Contents

Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Quarterly Report on Form 10-Q (including certain statements in the consolidated financial statements and related notes and Management's Discussion and Analysis), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking. 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, or similar expressions in this document 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.

Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.

Sustained periods of low interest rates.

Changes in claim incidence 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.

Fluctuation in insurance reserve liabilities.

Investment results, including but not limited to, realized investment losses resulting from impairments that differ from our assumptions and historical experience.

Changes in interest rates, credit spreads, and securities prices.

Increased competition from other insurers and financial services companies due to industry consolidation or other factors.

Changes in our financial strength and credit ratings.

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Rating agency actions, state insurance department market conduct examinations and other inquiries, other governmental investigations and actions, and negative media attention.

Effectiveness in managing our operating risks and the implementation of operational improvements and strategic growth initiatives.

Actual experience in pricing, underwriting, and reserving that deviates from our assumptions.

Lower than projected persistency and lower sales growth.

Changes in accounting standards, practices, or policies.

Effectiveness of our risk management program.

The level and results of litigation.

Currency exchange rates.

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

Ability and willingness of reinsurers to meet their obligations.

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

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

Ability to recover our systems and information in the event of a disaster or unanticipated event.

Table of Contents

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2009.

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.

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

| | September 30 2010 | December 31 2009 |
|---|---------------------------------|-----------------------------|
| | (in millions of dollars) | |
| | (Unaudited) | |
| Assets | | |
| Investments | | |
| Fixed Maturity Securities - at fair value (amortized cost: \$36,641.1; \$35,905.4) | \$ 41,747.6 | \$ 37,914.4 |
| Mortgage Loans | 1,464.2 | 1,404.0 |
| Policy Loans | 2,992.6 | 2,878.0 |
| Other Long-term Investments | 533.1 | 233.5 |
| Short-term Investments | 984.1 | 865.5 |
| Total Investments | 47,721.6 | 43,295.4 |
| Other Assets | | |
| Cash and Bank Deposits | 78.6 | 71.6 |
| Accounts and Premiums Receivable | 1,728.6 | 1,732.4 |
| Reinsurance Recoverable | 5,050.4 | 4,996.9 |
| Accrued Investment Income | 685.9 | 642.5 |
| Deferred Acquisition Costs | 2,491.1 | 2,482.5 |
| Goodwill | 201.3 | 201.6 |
| Property and Equipment | 467.8 | 443.5 |
| Other Assets | 629.4 | 610.6 |
| Total Assets | \$ 59,054.7 | \$ 54,477.0 |

See notes to consolidated financial statements.

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

| | September 30 2010 | December 31 2009 |
|---|--------------------------|---------------------|
| | (in millions of dollars) | |
| | (Unaudited) | |
| Liabilities and Stockholders Equity | | |
| Liabilities | | |
| Policy and Contract Benefits | \$ 1,578.6 | \$ 1,736.9 |
| Reserves for Future Policy and Contract Benefits | 41,248.2 | 37,740.8 |
| Unearned Premiums | 500.6 | 452.0 |
| Other Policyholders Funds | 1,651.9 | 1,662.3 |
| Income Tax Payable | 153.8 | 114.5 |
| Deferred Income Tax | 432.7 | 273.2 |
| Short-term Debt | 225.1 | 0.0 |
| Long-term Debt | 2,661.3 | 2,549.6 |
| Other Liabilities | 1,678.4 | 1,447.6 |
| Total Liabilities | 50,130.6 | 45,976.9 |
| Commitments and Contingent Liabilities - Note 9 | | |
| Stockholders Equity | | |
| Common Stock, \$0.10 par | | |
| Authorized: 725,000,000 shares | | |
| Issued: 364,787,512 and 363,638,314 shares | 36.5 | 36.4 |
| Additional Paid-in Capital | 2,611.1 | 2,587.4 |
| Accumulated Other Comprehensive Income (Loss) | | |
| Net Unrealized Gain on Securities Not Other-Than-Temporarily Impaired | 484.8 | 376.6 |
| Net Unrealized Gain on Securities Other-Than-Temporarily Impaired | 3.1 | 3.0 |
| Net Gain on Cash Flow Hedges | 413.0 | 370.8 |
| Foreign Currency Translation Adjustment | (103.4) | (78.7) |
| Unrecognized Pension and Postretirement Benefit Costs | (303.7) | (330.7) |
| Retained Earnings | 6,864.4 | 6,289.5 |
| Treasury Stock - at cost: 46,997,467 shares and 31,829,067 shares | (1,081.7) | (754.2) |
| Total Stockholders Equity | 8,924.1 | 8,500.1 |
| Total Liabilities and Stockholders Equity | \$ 59,054.7 | \$ 54,477.0 |

See notes to consolidated financial statements.

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

| | Three Months Ended | | Nine Months Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | September 30 2010 | September 30 2009 | September 30 2010 | September 30 2009 |
| (in millions of dollars, except share data) | | | | |
| Revenue | | | | |
| Premium Income | \$ 1,850.2 | \$ 1,861.1 | \$ 5,563.2 | \$ 5,609.8 |
| Net Investment Income | 618.4 | 579.6 | 1,861.2 | 1,750.9 |
| Realized Investment Gain (Loss) | | | | |
| Total Other-Than-Temporary Impairment Loss on Fixed Maturity Securities | 0.0 | (31.5) | (10.4) | (160.1) |
| Other-Than-Temporary Impairment (Gain) Loss Recognized in Other Comprehensive Income | 0.0 | (2.1) | 0.0 | 4.8 |
| Net Impairment Loss Recognized in Earnings | 0.0 | (33.6) | (10.4) | (155.3) |
| Other Net Realized Investment Gain | 1.1 | 48.5 | 7.6 | 192.9 |
| Net Realized Investment Gain (Loss) | 1.1 | 14.9 | (2.8) | 37.6 |
| Other Income | 58.2 | 61.9 | 178.5 | 196.1 |
| Total Revenue | 2,527.9 | 2,517.5 | 7,600.1 | 7,594.4 |
| Benefits and Expenses | | | | |
| Benefits and Change in Reserves for Future Benefits | 1,587.5 | 1,565.1 | 4,736.0 | 4,725.0 |
| Commissions | 214.0 | 203.6 | 640.1 | 632.2 |
| Interest and Debt Expense | 35.2 | 27.9 | 102.7 | 90.9 |
| Deferral of Acquisition Costs | (150.9) | (143.5) | (455.5) | (445.8) |
| Amortization of Deferred Acquisition Costs | 130.6 | 130.4 | 407.7 | 395.0 |
| Compensation Expense | 194.1 | 201.0 | 582.8 | 587.3 |
| Other Expenses | 190.9 | 198.4 | 590.5 | 613.4 |
| Total Benefits and Expenses | 2,201.4 | 2,182.9 | 6,604.3 | 6,598.0 |
| Income Before Income Tax | 326.5 | 334.6 | 995.8 | 996.4 |
| Income Tax (Benefit) | | | | |
| Current | 80.6 | 119.1 | | |