

Unum Group  
Form 10-Q  
November 05, 2007  
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**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, 2007**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number 1-11294

**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)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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(Check one): Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer

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

**360,830,497 shares of the registrant's common stock were outstanding as of September 30, 2007.**

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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. We desire to take advantage of these safe harbor provisions. Certain information contained in this discussion, or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking. Forward-looking statements are those not based on historical information, but rather relate to future operations, strategies, financial results, or other developments and speak only as of the date made. These statements may be made directly in this document or may be made part of this document by reference to other documents filed by us with the SEC, which is known as incorporation by reference. You can find many of these statements by looking for words such as will, may, should, could, believes, expects, anticipates, estimates, intentions, goals, objectives, or similar expressions in this document or in documents incorporated herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Incidence and recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of risk management programs, and implementation of the multistate regulatory settlement agreements and the California Department of Insurance settlement agreement.

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

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

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

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

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

	<b>September 30 2007</b>	<b>December 31 2006</b>
	<b>(in millions of dollars)</b>	
	<b>(Unaudited)</b>	
<b>Assets</b>		
<b>Investments</b>		
Fixed Maturity Securities - at fair value (amortized cost: \$34,632.8; \$33,414.1)	\$ 35,192.4	\$ 35,001.5
Mortgage Loans	1,010.7	944.0
Real Estate	20.2	17.9
Policy Loans	3,607.3	3,429.5
Other Long-term Investments	110.6	122.0
Short-term Investments	1,010.0	648.4
<b>Total Investments</b>	<b>40,951.2</b>	<b>40,163.3</b>
<b>Other Assets</b>		
Cash and Bank Deposits	144.6	121.3
Accounts and Premiums Receivable	1,949.2	2,057.1
Reinsurance Recoverable	5,233.6	5,512.2
Accrued Investment Income	700.2	646.8
Deferred Acquisition Costs	2,361.7	2,983.1
Goodwill	204.7	204.1
Property and Equipment	386.7	370.1
Other Assets	612.4	624.5
Other Assets - Discontinued Operations		112.3
Separate Account Assets	22.3	28.5
<b>Total Assets</b>	<b>\$ 52,566.6</b>	<b>\$ 52,823.3</b>

See notes to consolidated financial statements.

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

	September 30 2007	December 31 2006
	(in millions of dollars)	
	(Unaudited)	
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities</b>		
Policy and Contract Benefits	\$ 1,990.4	\$ 2,220.4
Reserves for Future Policy and Contract Benefits	36,289.2	35,689.4
Unearned Premiums	598.4	520.1
Other Policyholders Funds	1,846.5	2,019.1
Income Tax Payable	75.0	44.4
Deferred Income Tax	247.8	567.3
Short-term Debt	175.0	
Long-term Debt	2,285.2	2,659.6
Other Liabilities	1,206.0	1,326.7
Other Liabilities - Discontinued Operations		29.0
Separate Account Liabilities	22.3	28.5
<b>Total Liabilities</b>	44,735.8	45,104.5
<b>Commitments and Contingent Liabilities - Note 9</b>		
<b>Stockholders Equity</b>		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 362,781,592 and 344,578,616 shares	36.3	34.4
Additional Paid-in Capital	2,506.2	2,200.0
Accumulated Other Comprehensive Income (Loss)		
Net Unrealized Gain on Securities	346.6	534.8
Net Gain on Cash Flow Hedges	137.0	194.2
Foreign Currency Translation Adjustment	156.8	116.0
Unrecognized Pension and Postretirement Benefit Costs	(241.8)	(232.2)
Retained Earnings	4,943.9	4,925.8
Treasury Stock - at cost: 1,951,095 shares	(54.2)	(54.2)
<b>Total Stockholders Equity</b>	7,830.8	7,718.8
<b>Total Liabilities and Stockholders Equity</b>	\$ 52,566.6	\$ 52,823.3

See notes to consolidated financial statements.



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

	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>(in millions of dollars, except share data)</b>			
<b>Revenue</b>				
Premium Income	\$ 1,986.5	\$ 1,969.0	\$ 5,917.2	\$ 5,926.2
Net Investment Income	603.2	578.8	1,790.5	1,719.2
Net Realized Investment Gain (Loss)	(46.1)	4.8	(39.4)	1.5
Other Income	66.6	64.8	208.1	192.3
<b>Total Revenue</b>	<b>2,610.2</b>	<b>2,617.4</b>	<b>7,876.4</b>	<b>7,839.2</b>
<b>Benefits and Expenses</b>				
Benefits and Change in Reserves for Future Benefits	1,726.3	2,088.9	5,272.5	5,764.3
Commissions	209.2	198.9	630.5	613.5
Interest and Debt Expense	43.9	44.2	134.3	146.0
Cost Related to Early Retirement of Debt			3.2	23.1
Deferral of Acquisition Costs	(139.2)	(127.5)	(413.6)	(392.8)
Amortization of Deferred Acquisition Costs	121.2	115.9	360.1	353.7
Compensation Expense	179.9	169.6	530.6	505.7
Other Expenses	189.9	224.8	587.0	625.9
<b>Total Benefits and Expenses</b>	<b>2,331.2</b>	<b>2,714.8</b>	<b>7,104.6</b>	<b>7,639.4</b>
<b>Income (Loss) from Continuing Operations Before Income Tax</b>				
	279.0	(97.4)	771.8	199.8
<b>Income Tax (Benefit)</b>				
Current	38.5	8.9	156.1	101.6
Deferred	53.5	(41.0)	103.8	(31.2)
<b>Total Income Tax (Benefit)</b>	<b>92.0</b>	<b>(32.1)</b>	<b>259.9</b>	<b>70.4</b>
<b>Income (Loss) from Continuing Operations</b>	<b>187.0</b>	<b>(65.3)</b>	<b>511.9</b>	<b>129.4</b>
<b>Discontinued Operations - Note 3</b>				
Income Before Income Tax		2.8	17.8	9.5
Income Tax		1.2	10.9	4.0
<b>Income from Discontinued Operations</b>		<b>1.6</b>	<b>6.9</b>	<b>5.5</b>
<b>Net Income (Loss)</b>	<b>\$ 187.0</b>	<b>\$ (63.7)</b>	<b>\$ 518.8</b>	<b>\$ 134.9</b>
<b>Earnings Per Common Share</b>				
<b>Basic</b>				
Income (Loss) from Continuing Operations	\$ 0.52	\$ (0.19)	\$ 1.46	\$ 0.40
Net Income (Loss)	\$ 0.52	\$ (0.19)	\$ 1.48	\$ 0.42
<b>Assuming Dilution</b>				

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Income (Loss) from Continuing Operations	\$ 0.52	\$ (0.19)	\$ 1.44	\$ 0.39
Net Income (Loss)	\$ 0.52	\$ (0.19)	\$ 1.46	\$ 0.41

See notes to consolidated financial statements.

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

	Nine Months Ended September 30	
	2007	2006
	(in millions of dollars)	
<b>Common Stock</b>		
Balance at Beginning of Year	\$ 34.4	\$ 30.1
Common Stock Activity	1.9	4.3
Balance at End of Period	36.3	34.4
<b>Additional Paid-in Capital</b>		
Balance at Beginning of Year	2,200.0	1,627.9
Common Stock Activity	306.2	581.4
Cumulative Effect of Accounting Principle Change - Note 2		(13.8)
Balance at End of Period	2,506.2	2,195.5
<b>Accumulated Other Comprehensive Income</b>		
Balance at Beginning of Year	612.8	1,163.5
Change During Period	(214.2)	(420.0)
Balance at End of Period	398.6	743.5
<b>Retained Earnings</b>		
Balance at Beginning of Year	4,925.8	4,610.4
Net Income	518.8	134.9
Dividends to Stockholders (\$0.225 per share in 2007 and 2006)	(78.2)	(70.1)
Cumulative Effect of Accounting Principle Changes - Note 2	(422.5)	
Balance at End of Period	4,943.9	4,675.2
<b>Treasury Stock</b>		
Balance at Beginning of Year and End of Period	(54.2)	(54.2)
<b>Deferred Compensation</b>		
Balance at Beginning of Year		(13.8)
Cumulative Effect of Accounting Principle Change - Note 2		13.8
Balance at End of Period		
<b>Total Stockholders Equity at End of Period</b>	<b>\$ 7,830.8</b>	<b>\$ 7,594.4</b>

See notes to consolidated financial statements.



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	<b>Nine Months Ended September 30</b>	
	<b>2007</b>	<b>2006</b>
	<b>(in millions of dollars)</b>	
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 518.8	\$ 134.9
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Change in Receivables	131.0	3.0
Change in Deferred Acquisition Costs	(53.5)	(39.1)
Change in Insurance Reserves and Liabilities	701.3	1,117.5
Change in Income Tax Liabilities	85.4	(73.3)
Change in Other Accrued Liabilities	(153.2)	(80.9)
Non-cash Adjustments to Net Investment Income	(303.9)	(302.2)
Net Realized Investment (Gain) Loss	39.4	(1.5)
Depreciation	48.6	52.5
Cash Received from Reinsurance Recapture	211.4	
Other, Net	30.0	40.3
<b>Net Cash Provided by Operating Activities</b>	<b>1,255.3</b>	<b>851.2</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sales of Available-for-Sale Securities	1,329.7	1,760.8
Proceeds from Maturities of Available-for-Sale Securities	854.4	954.9
Proceeds from Sales and Maturities of Other Investments	269.3	112.2
Purchase of Available-for-Sale Securities	(3,009.1)	(3,014.8)
Purchase of Other Investments	(378.2)	(373.5)
Net Purchases of Short-term Investments	(353.9)	(65.9)
Disposition of Business	98.8	
Other, Net	(64.6)	(47.8)
<b>Net Cash Used by Investing Activities</b>	<b>(1,253.6)</b>	<b>(674.1)</b>
<b>Cash Flows from Financing Activities</b>		
Maturities and Benefit Payments from Policyholder Accounts	(5.1)	(6.3)
Long-term Debt Repayments	(199.5)	(700.0)
Cost Related to Early Retirement of Debt	(0.8)	(15.6)
Issuance of Common Stock	307.4	579.2
Dividends Paid to Stockholders	(78.2)	(70.1)
Other, Net	(3.6)	(8.5)
<b>Net Cash Provided (Used) by Financing Activities</b>	<b>20.2</b>	<b>(221.3)</b>
<b>Effect of Foreign Exchange Rate Changes on Cash</b>	<b>1.4</b>	<b>0.2</b>
<b>Net Increase (Decrease) in Cash and Bank Deposits</b>	<b>23.3</b>	<b>(44.0)</b>
<b>Cash and Bank Deposits at Beginning of Year</b>	<b>121.3</b>	<b>67.1</b>

<b>Cash and Bank Deposits at End of Period</b>	\$	144.6	\$	23.1
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See notes to consolidated financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
	(in millions of dollars)			
<b>Net Income (Loss)</b>	\$ 187.0	\$ (63.7)	\$ 518.8	\$ 134.9
<b>Other Comprehensive Income (Loss)</b>				
Change in Net Unrealized Gain on Securities Before Reclassification Adjustment				
(net of tax expense of \$136.3; \$340.5; \$(106.7); \$(185.8))	257.3	628.5	(197.6)	(349.2)
Reclassification Adjustment for Net Realized Investment (Gain) Loss				
(net of tax expense of \$6.2; \$(0.7); \$5.1; \$(2.0))	11.3	(1.3)	9.4	(3.6)
Change in Net Gain on Cash Flow Hedges				
(net of tax expense of \$1.5; \$29.6; \$(30.4); \$(49.6))	1.6	54.9	(57.2)	(92.2)
Change in Foreign Currency Translation Adjustment				
(net of tax expense of \$0.1; \$-; \$(0.3); \$(0.2))	19.9	9.7	40.8	25.0
Change in Unrecognized Pension and Postretirement Benefit Costs				
(net of tax expense of \$2.4; \$-; \$(5.3); \$-)	4.8		(9.6)	
<b>Total Other Comprehensive Income (Loss)</b>	294.9	691.8	(214.2)	(420.0)
<b>Comprehensive Income (Loss)</b>	\$ 481.9	\$ 628.1	\$ 304.6	\$ (285.1)

See notes to consolidated financial statements.

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***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)***

***Unum Group and Subsidiaries***

**September 30, 2007**

**Note 1 - Basis of Presentation**

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

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

In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2007, are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

**Note 2 - Accounting Pronouncements**

**Accounting Pronouncements Adopted:**

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

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

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



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***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued***

***Unum Group and Subsidiaries***

**September 30, 2007**

**Note 2 - Accounting Pronouncements - Continued**

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

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

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

**Accounting Pronouncement Outstanding:**

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

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)*****Unum Group and Subsidiaries*****September 30, 2007****Note 3 - Discontinued Operations**

As discussed in Note 1, the sale of GENEX closed effective March 1, 2007, and we recognized an after-tax gain of \$6.2 million on the sale. We intend to continue to purchase certain disability management services for a period of up to five years from the effective date of the sale. The cost of the services to be purchased was negotiated in an arms-length transaction. Intercompany amounts paid to GENEX for these types of services were \$2.3 million for the two month period ended February 28, 2007, and \$4.1 million and \$11.8 million for the three and nine month periods ended September 30, 2006. The estimated future cost of purchases of these services is not significant to our results of operations.

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

Selected results for GENEX are as follows:

	<b>Three Months Ended September 30 2006</b>	<b>Nine Months Ended September 30 2007</b>	<b>2006</b>
	<b>(in millions of dollars, except share data)</b>		
Total Revenue	\$ 45.6	\$ 47.2	\$ 137.7
Income	\$ 1.6	\$ 6.9	\$ 5.5
Income Per Common Share			
Basic	\$	\$ 0.02	\$ 0.02
Assuming Dilution	\$	\$ 0.02	\$ 0.02

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries**

September 30, 2007

**Note 4 - Segment Information**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
	(in millions of dollars)			
<b>Unum US</b>				
Group Income Protection				
Group Long-term Income Protection	\$ 470.3	\$ 484.4	\$ 1,422.4	\$ 1,459.5
Group Short-term Income Protection	123.0	131.3	370.3	398.9
Group Life and Accidental Death & Dismemberment				
Group Life	276.4	294.5	834.3	937.1
Accidental Death & Dismemberment	33.2	36.1	97.7	113.8
Supplemental and Voluntary				
Individual Income Protection - Recently Issued	115.1	111.2	343.5	332.6
Long-term Care	135.5	124.1	395.8	365.9
Voluntary Workplace Benefits	101.8	97.0	301.9	286.2
	1,255.3	1,278.6	3,765.9	3,894.0
<b>Unum UK</b>				
Group Long-term Income Protection	192.4	169.5	561.6	467.2
Group Life	45.3	41.9	127.0	120.6
Individual Income Protection	9.9	8.3	28.3	24.0
	247.6	219.7	716.9	611.8
<b>Colonial</b>				
Income Protection	141.7	134.3	421.9	396.9
Life	35.6	33.2	106.5	95.7
Cancer and Critical Illness	49.7	45.3	146.8	132.3
	227.0	212.8	675.2	624.9
<b>Individual Income Protection - Closed Block</b>	256.0	257.8	757.7	793.0
<b>Other</b>	0.6	0.1	1.5	2.5
<b>Total</b>	<b>\$ 1,986.5</b>	<b>\$ 1,969.0</b>	<b>\$ 5,917.2</b>	<b>\$ 5,926.2</b>

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****September 30, 2007****Note 4 - Segment Information - Continued**

Selected operating statement data by segment is presented as follows:

	Unum US	Unum UK	Colonial	Individual Income Protection - Closed Block (in millions of dollars)	Other	Corporate	Total
<b>Three Months Ended September 30, 2007</b>							
Premium Income	\$ 1,255.3	\$ 247.6	\$ 227.0	\$ 256.0	\$ 0.6	\$	\$ 1,986.5
Net Investment Income	283.1	47.4	25.0	213.6	24.7	9.4	603.2
Other Income	32.8	0.7	0.3	27.5	4.9	0.4	66.6
Operating Revenue	\$ 1,571.2	\$ 295.7	\$ 252.3	\$ 497.1	\$ 30.2	\$ 9.8	\$ 2,656.3
Operating Income (Loss)	\$ 164.3	\$ 101.0	\$ 62.5	\$ 29.4	\$ 3.6	\$ (35.7)	\$ 325.1
<b>Three Months Ended September 30, 2006</b>							
Premium Income	\$ 1,278.6	\$ 219.7	\$ 212.8	\$ 257.8	\$ 0.1	\$	\$ 1,969.0
Net Investment Income	261.9	45.8	23.6	207.0	28.0	12.5	578.8
Other Income	27.3		0.2	25.5	8.3	3.5	64.8
Operating Revenue	\$ 1,567.8	\$ 265.5	\$ 236.6	\$ 490.3	\$ 36.4	\$ 16.0	\$ 2,612.6
Operating Income (Loss)	\$ (173.2)	\$ 65.5	\$ 52.1	\$ (5.3)	\$ 7.8	\$ (49.1)	\$ (102.2)
<b>Nine Months Ended September 30, 2007</b>							
Premium Income	\$ 3,765.9	\$ 716.9	\$ 675.2	\$ 757.7	\$ 1.5	\$	\$ 5,917.2
Net Investment Income	846.9	143.1	74.3	621.6	79.7	24.9	1,790.5
Other Income	102.0	2.7	0.9	78.6	22.2	1.7	208.1
Operating Revenue	\$ 4,714.8	\$ 862.7	\$ 750.4	\$ 1,457.9	\$ 103.4	\$ 26.6	\$ 7,915.8
Operating Income (Loss)	\$ 399.0	\$ 253.8	\$ 187.0	\$ 94.5	\$ 11.2	\$ (134.3)	\$ 811.2
<b>Nine Months Ended September 30, 2006</b>							
Premium Income	\$ 3,894.0	\$ 611.8	\$ 624.9	\$ 793.0	\$ 2.5	\$	\$ 5,926.2
Net Investment Income	778.5	123.7	69.6	623.2	85.1	39.1	1,719.2
Other Income	80.8		0.9	75.7	25.0	9.9	192.3
Operating Revenue	\$ 4,753.3	\$ 735.5	\$ 695.4	\$ 1,491.9	\$ 112.6	\$ 49.0	\$ 7,837.7
Operating Income (Loss)	\$ (40.2)	\$ 176.0	\$ 148.2	\$ 42.6	\$ 18.0	\$ (146.3)	\$ 198.3



**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****September 30, 2007****Note 4 - Segment Information - Continued**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
	(in millions of dollars)			
Operating Revenue by Segment	\$ 2,656.3	\$ 2,612.6	\$ 7,915.8	\$ 7,837.7
Net Realized Investment Gain (Loss)	(46.1)	4.8	(39.4)	1.5
Revenue	\$ 2,610.2	\$ 2,617.4	\$ 7,876.4	\$ 7,839.2
Operating Income (Loss) by Segment	\$ 325.1	\$ (102.2)	\$ 811.2	\$ 198.3
Net Realized Investment Gain (Loss)	(46.1)	4.8	(39.4)	1.5
Income Tax (Benefit)	92.0	(32.1)	259.9	70.4
Income from Discontinued Operations		1.6	6.9	5.5
Net Income (Loss)	\$ 187.0	\$ (63.7)	\$ 518.8	\$ 134.9

Assets by segment are as follows:

	September 30	December 31
	2007	2006
	(in millions of dollars)	
Unum US	\$ 20,497.1	\$ 20,900.8
Unum UK	4,198.9	3,904.2
Colonial	2,454.5	2,355.0
Individual Income Protection - Closed Block	15,318.0	15,609.5
Other	8,947.6	8,998.8
Corporate	1,150.5	942.0
Discontinued Operations		113.0
Total	\$ 52,566.6	\$ 52,823.3

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued****Unum Group and Subsidiaries****September 30, 2007****Note 5 - Pensions and Other Postretirement Benefits**

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

	Three Months Ended September 30					
	2007	2006	2007	2006	2007	2006
	(in millions of dollars)					
	Pension Benefits			Postretirement Benefits		
	U.S. Plans	Non U.S. Plans				
Service Cost	\$ 7.8	\$ 9.0	\$ 2.4	\$ 2.3	\$ 0.9	\$ 1.0
Interest Cost	13.5	12.1	2.4	2.0	2.8	2.5
Expected Return on Plan Assets	(14.6)	(11.0)	(3.0)	(2.8)	(0.2)	(0.1)
Amortization of:						
Net Actuarial Loss	4.8	5.6	0.7	0.6		
Prior Service Credit	(0.7)	(0.8)			(1.0)	(1.0)
Settlement Loss			0.3			
Net Periodic Benefit Cost	\$ 10.8	\$ 14.9	\$ 2.8	\$ 2.1	\$ 2.5	\$ 2.4

	Nine Months Ended September 30					
	2007	2006	2007	2006	2007	2006
	(in millions of dollars)					
	Pension Benefits			Postretirement Benefits		
	U.S. Plans	Non U.S. Plans				
Service Cost	\$ 24.0	\$ 26.8	\$ 7.1	\$ 6.7	\$ 2.7	\$ 3.0
Interest Cost	40.6	36.3	7.3	5.8	8.2	7.5
Expected Return on Plan Assets	(43.8)	(31.4)	(9.1)	(8.1)	(0.6)	(0.3)
Amortization of:						
Net Actuarial Loss	14.3	16.8	2.1	1.8		
Prior Service Credit	(2.3)	(2.2)			(2.8)	(3.0)
Curtailement Loss/Settlement Loss	0.2		0.3			