Unum Group
Form 10-K
February 24, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011

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

Commission file number 1-11294

Unum Group
(Exact name of registrant as specified in its charter)

Delaware	62-1598430
(State or other jurisdiction of incorporation or organization)	(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:

Title of each class	Name of each exchange on which registered
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 [X] No [ ]

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 [X]

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 [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] 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 [X] 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 [X]

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 $7.7 billion. As of February 22, 2012, there were 290,613,714 shares of the registrant's common stock outstanding.

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 2012 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, 2011.

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Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a "safe harbor" to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Annual Report on Form 10-K (including certain statements in the business description in Item 1, Management's Discussion and Analysis in Item 7, and the consolidated financial statements and related notes in Item 8), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking statements within the meaning of the Act. Forward-looking statements are those not based on historical information, but rather relate to our outlook, future operations, strategies, financial results, or other developments. Forward-looking statements speak only as of the date made. We undertake no obligation to update these statements, even if made available on our website or otherwise. These statements may be made directly in this document or may be made part of this document by reference to other documents filed by us with the SEC, a practice which is known as "incorporation by reference." You can find many of these statements by looking for words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "intends," "projects," "goals," "objectives," or similar expressions in this document or in documents incorporated herein.

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

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

- The level and results of litigation.
- Currency exchange rates.
- Ability of our subsidiaries to pay dividends as a result of regulatory restrictions.
- Ability and willingness of reinsurers to meet their obligations.
- Changes in assumptions related to intangible assets such as deferred acquisition costs, value of business acquired, and goodwill.
- Ability to recover our systems and information in the event of a disaster or unanticipated event and to protect our systems and information from unauthorized access and deliberate attacks.
- Events or consequences relating to political instability, terrorism, or acts of war, both domestic and foreign.

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 employer- and employee-paid group benefits, life insurance, and other related services.

We have three major business segments: Unum US, Unum UK, and Colonial Life. Our other segments are the Closed Block and the Corporate segments. These segments are discussed more fully under "Reporting Segments" included herein in this Item 1.

Business Strategies

As one of the leading providers of employee benefits in the U.S. and the U.K., we offer a broad portfolio of products and services to meet the diverse and rapidly changing needs of employers and their employees. The unfortunate reality is that most lower- and middle-income workers in the U.S. and the U.K. lack financial protection for themselves and their families should something unexpected occur, a need that has been made even more apparent following the recent financial crisis. Additionally, governments in the U.S. and U.K., and throughout the world, are struggling to address growing deficit problems, limiting their ability to offer some of the financial protections that they have provided in the past. As a result, we anticipate governments will likely require citizens to take more responsibility for their own financial security.

Specifically, we offer group, individual, and voluntary benefits, either as stand-alone products or combined with other coverages, that create comprehensive benefits solutions for employers of all sizes by helping them attract and retain a stronger workforce while protecting the incomes and lifestyles of their employees. We believe employer-sponsored benefits represent the single most effective way to provide workers with access to the information and options they need to protect their lifestyle and provide financial security. Working people and their families, particularly those at lower and middle incomes, are perhaps the most vulnerable in today's economy yet are often overlooked by many providers of financial services and products. For many of these people, employer-sponsored benefits are the primary defense against the potentially catastrophic fallout of death, illness, or injury.

We have established a corporate culture consistent with the social values our products provide. We are committed not only to meeting the needs of our customers who depend on us, but also to operating with integrity and being accountable for our actions. Our sound and consistent business practices, strong internal compliance program, and comprehensive risk management strategy enable us to operate efficiently as well as to identify and address potential areas of risk in our business. We have also applied these same values to our social responsibility efforts. Because we see important links between the obligations we have to all of our stakeholders, we place a strong emphasis on contributing to positive change in our communities.

We are an industry leader, and we believe we are well positioned in our sector with solid long-term growth prospects. Given the nature of our business, however, we are sensitive to economic and financial market movements, including interest rates, consumer confidence, and employment levels. Our business outlook, which recognizes both the challenges of the current economic environment as well as the mitigating impact of risk-reducing actions we have taken in recent years, is consistent with our risk appetite. Although the occurrence of one or more of the risk factors discussed herein may cause our results to differ materially from our outlook, our business plan has been tested against a variety of economic scenarios, and we believe we can continue to meet the challenges presented by the current economic environment. We remain cautious of the near-term outlook for employment levels and wages, both of which limit opportunities for premium growth, but we believe we are poised to profitably grow as employment trends improve.

During 2012, we intend to remain focused on disciplined top-line growth in select markets and a sustainable capital generation and deployment strategy. We continue to believe that our strategy of delivering a broad set of financial protection choices to employees while also enabling employers to define their financial contribution in support of those choices should enable us to continue in a leadership position in our markets over the long term.

Reporting Segments

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Closed Block, and Corporate. Measured as a percentage of consolidated premium income for the year ended December 31, 2011, premium income was approximately 57.2 percent for the Unum US segment, 9.1 percent for Unum UK, 15.1 percent for Colonial Life, and 18.6 percent for Closed Block. In the fourth quarter of 2011, we reclassified our group and individual long-term care products from the Unum US segment to the Closed Block segment. We also reclassified our other 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, which were previously reported in the Corporate and Other segment to the Closed Block segment. Prior period segment results have been restated to reflect these changes in our reporting classifications.

Financial information is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Note 12 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. The supplemental and voluntary lines of business are comprised of individual disability - recently issued insurance and voluntary benefits products. These products are 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 $4,296.0 million in 2011. These products are marketed through our field sales personnel who work in conjunction with independent brokers and consultants. Our market strategy for Unum US is to effectively deliver a broad selection of employee benefit products, with a focus on benefit offerings in the group core market segment, which we define for Unum US as employee groups with fewer than 2,000 lives, and the voluntary benefits market segment.

Group Long-term and Short-term Disability

Group long-term and short-term disability products contributed approximately 47.4 percent of the Unum US segment premium income in 2011. 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, investment income, 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 its demographics, industry group, and location, adjusted for the credibility of the specific claim experience of the client. We offer accounts handled on an administrative services only (ASO) basis, with the responsibility for funding claim payments remaining with the customer. We also offer fee-based family medical leave products. Both group long-term and short-term disability are sold primarily on a basis permitting periodic repricing to address the underlying claims experience.

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, and many economic and societal factors can affect claim incidence for disability 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 a portion 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 28.3 percent of the Unum US segment premium income in 2011. 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 and includes a provision for waiver of premium, if disabled. Accidental death and dismemberment consists primarily of an additional benefit amount payable if death or severe injury is attributable to an accident.

Premiums are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Underwriting practices and rate guarantees are similar to those used for group disability products, and evidence of insurability is required for benefits in excess of a specified limit.

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 10.8 percent of the Unum US segment premium income in 2011. Individual disability - recently issued generally consists of those individual disability policies issued after the substantial changes in product offerings, pricing, distribution, and underwriting which occurred during the period 1994 through 1998 and were generally implemented to improve the overall risk profile of the product. Individual disability is offered primarily to multi-life employer groups and may be funded by the employer, but the policy is owned by the employee and is portable should the employee change employers. 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, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience. 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. The majority of our individual disability - recently issued policies are written on a noncancelable basis. 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 of individual disability insurance is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

Voluntary Benefits

Voluntary benefits products generated approximately 13.5 percent of the Unum US segment premium income in 2011. Voluntary benefits products are sold to groups of employees through payroll deduction at the workplace and include individual universal life and interest-sensitive life, individual disability, group and individual critical illness, and individual cancer products.

Premium rates for voluntary benefits products are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. Our underwriters evaluate the medical condition of prospective policyholders prior to the issuance of a policy on a simplified basis. 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 insurance for group long-term disability, group life, and supplemental and voluntary lines of business. The supplemental and voluntary lines of business are comprised of individual disability, critical illness, and voluntary benefits products. Unum UK's products are issued primarily by Unum Limited and are sold in the United Kingdom through field sales personnel and independent brokers and consultants. Premium income for this segment totaled $687.6 million in 2011, or £428.7 million in local currency. Our market strategy for Unum UK is benefit offerings to employers and employees through the workplace with a focus on expanding the number of employers and employees covered.

Group Long-term Disability

Group long-term disability products contributed approximately 61.0 percent of the Unum UK segment premium income in 2011. 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 67. 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, investment income, 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 demographics, industry group, and location, adjusted for the credibility of the specific claim experience of the client.

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 29.6 percent of the Unum UK segment premium income in 2011. Group life products are sold to employers as employee benefit products. Group life consists of two types of products, a renewable term life insurance product providing a lump sum benefit to the beneficiary on death of an employee and a group dependent life product which provides an annuity to the beneficiary on death of an employee. Both coverages are 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, investment income, 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 5.3 percent of the Unum UK segment premium income in 2011. 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, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. Our underwriters evaluate the medical and financial condition of prospective policyholders prior to the issuance of a policy. Approximately one half of our individual disability policies are written on a noncancelable basis. The remainder is offered on a guaranteed renewable basis which allows us to re-price in-force policies.

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

Critical Illness

Critical illness products generated approximately 4.1 percent of the Unum UK segment premium income in 2011. Group critical illness products are sold to groups of employees. Individual critical illness products are offered to individual retail customers. Critical illness products provide a lump-sum benefit on the occurrence of a covered critical illness event.

Premiums for group critical illness products are generally based on expected claims of a pool of similar risks plus provisions for administrative expenses, investment income, and profit. Underwriting and rate guarantees are similar to those utilized for group long-term disability products. Premium rates for individual critical illness products vary by age and gender based on assumptions concerning morbidity, persistency, administrative expenses, and investment income. Individual critical illness insurance is offered on a guaranteed renewable basis which allows us to re-price in-force policies. 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.

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

Voluntary Benefits

Unum UK is in the early stages of establishing its voluntary benefits product offering in the UK marketplace. The product offering includes group disability, group life, and group critical illness 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, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. The extent of underwriting for these policies is based on guaranteed issue amounts, size of policy, and participation percentage. Policies include rate guarantees at inception and at renewal, generally for a period of two years.

Profitability of voluntary benefits products is affected by the level of employee participation, 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 independent contractor agency sales force and brokers. Premium income for this segment totaled $1,135.3 million in 2011. Our market strategy for Colonial Life is to effectively deliver a broad set of voluntary products and services with a focus on core commercial and public sector markets.

Accident, Sickness, and Disability

The accident, sickness, and disability product line, which generated approximately 61.2 percent of the Colonial Life segment premium income in 2011, 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.

Premiums for accident, sickness, and disability products are generally based on assumptions for morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience. 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. Laws could be changed 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 that will remain even if the tax advantages offered by flexible benefits programs are modified or eliminated.

Life

Group and individual life products contributed approximately 16.8 percent of the Colonial Life segment premium income in 2011 and are primarily comprised of universal life, whole life, level term life, and a small block of group term life policies.

Premium rates vary by age and are based on assumptions concerning mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience and published industry tables. 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 22.0 percent of the Colonial Life segment premium income in 2011. 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 assumptions for morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own experience. 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.

Closed Block Segment

The Closed Block segment consists of individual disability, group and individual long-term care, and other insurance products no longer actively marketed. Premium income for this segment totaled $1,395.3 million in 2011.

Individual Disability

Individual disability policies generated approximately 56.4 percent of the Closed Block segment premium income in 2011. These products generally consist of those individual disability policies in-force before the substantial changes in product offerings, pricing, distribution, and underwriting, which generally occurred during the period 1994 through 1998. A small amount of new business continued to be sold after these changes, but we stopped selling new policies in this closed line of business at the beginning of 2004 other than update features contractually allowable on existing policies.

The majority of the policies represent individual disability insurance which was written on a noncancelable basis. Profitability is affected by persistency, investment returns, claims experience, and the level of administrative expenses.

We have reinsurance agreements which effectively provide approximately 51 percent reinsurance coverage for our overall consolidated risk above a specified retention limit, which at December 31, 2011, equaled approximately $7.1 billion. The maximum risk limit for the reinsurer grows to approximately $2.2 billion over time, after which any further losses will revert to us.

Group and Individual Long-term Care

Long-term care policies generated approximately 43.6 percent of the Closed Block segment premium income in 2011. We announced in February 2012 that we would discontinue selling group long-term care, which was previously offered to employers for the benefit of employees. We expect that a small amount of new group business will continue to be sold through features contractually allowable on existing group policies. Individual long-term care, which we discontinued selling in 2009, was previously marketed on a single-life customer basis.

Long-term care 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. Benefits begin after a waiting period, generally 90 days or less and are paid for a period of three years, six years, or lifetime.

Premium rates for long-term care vary by age and gender and are based on assumptions concerning morbidity, mortality, persistency, administrative expenses, investment income, and profit. We develop our assumptions based on our own claims and persistency experience and published industry tables. Underwriting for group long-term care insurance is based primarily on the age and gender of the insured and certain characteristics of the group. There is an "active at work" requirement for insurability, and for coverage above a stated maximum, we evaluate the medical condition of the prospective individual insureds. 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.

Other

Other insurance products not actively marketed include individual life and corporate-owned life insurance, reinsurance pools and management operations, group pension, health insurance, and individual annuities. The majority of these products have been reinsured, with approximately 78 percent of reserves at December 31, 2011 ceded to other insurance companies. These products contributed less than 0.1 percent of the Closed Block segment premium income in 2011.

Corporate Segment

The Corporate 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.

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 $750,000 per covered life per policy under a group or individual life policy and $750,000 per covered life per policy under a group or individual accidental death and dismemberment policy. For Unum Limited, we generally retain £1.0 million per covered life. 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.

We have global 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 in regards to a catastrophic event. We have 50 percent reinsurance coverage in both the first and fifth layers and 80 percent coverage in each of the other three layers for a total of $455.0 million of catastrophic coverage, after a $50.0 million deductible. Layer one provides $25.0 million of coverage, layers two through four provide $40.0 million, $80.0 million, and $160.0 million of coverage, respectively, and layer five provides $150.0 million of coverage. Each layer provides coverage for all catastrophic events, including acts of war and any type of terrorism. In addition to the global catastrophic reinsurance coverage noted above, Unum Limited has additional catastrophic coverage via an arms-length, inter-company reinsurance agreement with Unum America, under similar terms as the global catastrophic treaties. The coverage is placed at 50 percent reinsurance for a total of £75.0 million of catastrophic coverage, after a £225.0 million deductible. Events may occur which limit or eliminate the availability of catastrophic reinsurance coverage in future years.

The reinsurance recoverable of $4,854.6 million at December 31, 2011 relates to 91 companies. Fourteen major companies account for approximately 92 percent of the reinsurance recoverable at December 31, 2011, 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. Of the remaining reinsurance recoverable, approximately seven percent 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. Approximately 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 11 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Reserves for Policy and Contract Benefits

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 required for statutory accounting.

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. If policy reserves using best estimate assumptions as of the date of a test for loss recognition are higher than existing policy reserves net of any deferred acquisition costs, the increase in reserves necessary to recognize the deficiency is also included in the change in reserves for future policy and contract benefits.

For further discussion of reserves, refer to "Risk Factors" contained herein in Item 1A, "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, and Notes 5 and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

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 seek to earn investment income while assuming 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. 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 limit 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 in-force 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 limit the risk of disadvantageous outcomes. We use this analysis in determining hedging strategies and utilizing derivative financial instruments for managing interest rate risk and the risk related to matching duration for our assets and liabilities. We do not use derivative financial instruments for speculative purposes.

Refer to "Risk Factors" contained herein in Item 1A, "Critical Accounting Estimates" and the discussion of investments in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7, and Notes 2, 3, and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 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 the 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 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 2012 for our principal U.S. domiciled insurance company subsidiaries were:

- A (Excellent) by AM Best - 3rd of 16 rankings
- A (Strong) by Fitch - 6th of 19 rankings
- A3 (Good) by Moody's - 7th of 21 rankings
- A- (Strong) by S&P - 7th of 21 rankings

Our issuer credit ratings for Unum Group as of February 2012 were:

- bbb (Good) by AM Best - 9th of 22 rankings
- BBB (Good) by Fitch - 9th of 21 rankings
- Baa3 (Adequate) by Moody's - 10th of 21 rankings
- BBB- (Adequate) by S&P - 10th of 22 rankings

As of February 2012, Fitch and AM Best have a "stable" outlook for our Company, while Moody's has a "positive" outlook for our Company. S&P has a "positive" outlook for Unum Group and its domestic subsidiaries, while the outlook for our U.K. subsidiary, Unum Limited, remains "stable." 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 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 the individual and group products we sell with a number of large internationally recognized providers and strong local carriers. These providers have been aggressively trying to maintain market share in a difficult economic environment, characterized by very low interest rates and expense pressures on employers and individuals. However, 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.

For further discussion, refer to "Risk Factors" contained herein in Item 1A.

Regulation

General

We and our subsidiaries are subject to extensive and comprehensive regulation on both the federal and state level in the U.S. and by the Financial Services Authority (FSA) in the U.K. The laws and regulations with which we must comply are subject to change, and new and existing laws and regulations may adversely affect our operations. As a result of the financial market and economic challenges over the past few years, regulation and the cost of compliance with regulation has continued to increase in both the U.S. and internationally.

Insurance Regulatory Oversight

Our U.S. insurance subsidiaries are subject to oversight by insurance departments in jurisdictions in which they do business and by the U.S. Department of Labor (DOL) on a national basis, primarily for the protection of policyholders. Unum Limited is subject to regulation by the FSA in the U.K. The state insurance departments in the U.S. 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 and approval process 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 review and/or approval of underwriting, claims, pricing, and customer service practices. The 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, customer service, and identification and handling of unclaimed property to determine compliance with state laws. Our domestic insurance subsidiaries are also subject to assessments by state insurance guaranty associations to cover the proportional cost of insolvent or failed insurers.

Capital Requirements

Risk based capital (RBC) standards for U.S. life insurance companies have been prescribed by the National Association of Insurance Commissioners (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.

The NAIC's Solvency Modernization Initiative (SMI) began in June 2008. The SMI is a self-examination of the United States' insurance solvency regulation framework and includes a review of international developments regarding insurance supervision, banking supervision, and international accounting standards and their potential use in U.S. insurance regulation. The SMI is a wide-ranging initiative that, by its nature, will evolve to respond to national and international insurance regulatory and solvency developments. Current SMI goals and the principles developed through the SMI's exploration of capital requirements, group solvency, reinsurance, and international accounting will likely result in significant changes to U.S. insurance regulation and solvency standards.

Unum Limited is subject to regulation, including capital adequacy requirements and minimum solvency margins, by the FSA in the U.K. Current solvency standards require an insurance company to hold capital equal to the greater of (i) a formulaic calculation of capital related to liabilities or (ii) a risk-based assessment of capital which is company specific reflecting the insurance company's individual risk profile. Unum Limited will adopt Solvency II, a European Union directive that will prescribe new capital requirements and risk management standards that are the result of a fundamental review of the capital adequacy standards for the European insurance industry. Solvency II will replace the current capital requirements for Unum Limited. Solvency II requirements have not been fully finalized, but the current proposals contain amended requirements on capital adequacy and risk management for insurers, including (i) requirements to demonstrate adequate financial resources, including quantitative requirements, technical provisions, and calculation of Solvency II capital requirements through either an approved full or partial internal model or the European standard formula approach, (ii) requirements to demonstrate an adequate system of governance, including effective risk management underpinned by prospective risk identification and quantification, and (iii) disclosure and regulatory reporting requirements. At the group level, if group supervision in the U.S. is not regarded as equivalent to the Solvency II regime, European regulators would have the power to require the establishment of a European holding company which would consist of all branches and subsidiaries of the Company domiciled in Europe and would become subject to supervision by a European supervisor. Whether U.S. group supervision will be deemed equivalent is still under consideration and remains uncertain. The effective adoption date is expected to be January 1, 2014. Although the impact of Solvency II on the Company cannot be determined at this time, its implementation could result in increased capital, supervisory, and disclosure requirements.

Our Bermuda-based insurance subsidiary is subject to regulation by the Bermuda Monetary Authority (BMA). During 2010, the BMA initiated a comprehensive review and assessment of its insurance regulatory and solvency framework and published and released a series of consultation papers with the stated purpose of being recognized as equivalent under the Solvency II directive. The BMA continued to work with European regulators throughout 2011 toward completion of the review and assessment. The scope and scale of its proposed change are potentially broad, and requirements are expected to vary by insurer licensing classification. It is too early to assess the impact, but the insurance industry in Bermuda may ultimately be subject to new rules regarding governance, administrative and accounting processes, and/or long-term capital requirements.

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

We are subject to regulation under the insurance holding company laws in the states in which our insurance subsidiaries are domiciled (or deemed to be commercially domiciled), which currently include Maine, Massachusetts, Tennessee, South Carolina, New York, Vermont, and California. These laws generally require each insurance company that is domiciled in the state and a member of an insurance holding company system to register with the insurance department of that state and to furnish at least annually financial and other information about the operations of companies within the holding company system, including intercompany transactions. Transactions between an insurer and affiliates in the holding company system generally must be fair and reasonable and, if material, require prior notice and approval by the domiciliary insurance regulator.

In addition, such laws and regulations restrict the amount of dividends that may be paid by our insurance subsidiaries to their respective shareholders, including our Company and certain of our intermediate holding company 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.

There are a number of proposals to amend state insurance laws and regulations in ways that could affect us and our insurance subsidiaries. The NAIC has recently adopted or amended model laws on holding company regulation that would provide for supervision of insurers at the corporate group level. Although these changes are only beginning to be adopted by individual state regulators, it can be expected that most will ultimately adopt them in some form. The various proposals to implement group supervision include uniform standards for insurer corporate governance, group-wide supervision of insurance holding companies, adjustments to RBC calculations to account for group-wide risks, and additional regulatory and disclosure requirements for insurance holding companies.

The laws of most states, including the states in which our insurance subsidiaries are domiciled (or deemed to be commercially domiciled), require regulatory approval of a change in control of an insurance company or its holding company. Where these laws apply to us, there can be no effective change in control of our Company or of any of our insurance subsidiaries unless the person seeking to acquire control has filed a statement containing specified information with the appropriate insurance regulators and has obtained their prior approval of the proposed change. 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 holding company, although this presumption is rebuttable. Consequently, a person acquiring 10 percent or more of the voting stock of an insurance company or its holding company without the prior approval of the insurance regulators in the state(s) of domicile of the insurance company(ies) sought to be acquired (or whose holding company is sought to be acquired) 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 regulators; (ii) prohibition of voting of such shares; and (iii) other actions determined by the relevant insurance regulators. Further, many states' insurance laws require that prior notification be given to state insurance regulators of a change in control of a non-domiciled insurance company doing business in the 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 our Company or of any of our insurance subsidiaries 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 our Company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

Federal Laws and Regulations

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which effects comprehensive changes to the regulation of financial services in the United States, was signed into law. Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, an ongoing process anticipated to continue over the next few years. Dodd-Frank will subject us to potentially significant additional federal regulation. Among other provisions impacting or potentially impacting us, Dodd-Frank:

- Creates a new framework for regulation of the over-the-counter derivatives markets, including requiring that certain swaps be executed through a centralized exchange or regulated facility and be cleared through a regulated clearinghouse and subjecting major swap participants (potentially including our Company) to capital and margin (i.e., collateral) requirements, which may have the effect of increasing the costs of hedging generally and the credit risk posed by some counterparties;

- Establishes a Financial Stability Oversight Council with authority to subject systemically important financial companies (including non-bank financial companies such as our Company) to supervision and stricter prudential regulation by the Board of Governors of the Federal Reserve Board, including stricter requirements and limitations relating to risk-based capital, leverage, liquidity, stress testing, and credit exposure, and in certain circumstances limitations on acquisitions or combinations, restrictions on product offerings, and/or requirements to sell assets; and

- Establishes a Federal Insurance Office (FIO) within the Department of the Treasury to monitor all aspects of the insurance industry (other than with respect to health insurance, certain long-term care insurance, and crop insurance), including identifying issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or the U.S. financial system and recommending insurers (potentially including our Company) that should be designated for stricter regulation. The director of the FIO is required to conduct a study on how to modernize and improve the system of insurance regulation in the United States, including by increased national uniformity through either a federal charter or effective action by the states. The FIO may also recommend enhanced regulations to state insurance regulatory bodies.

Dodd-Frank imposes various assessments on financial companies, including, as applicable to us, ex-post assessments to provide funds necessary to repay any borrowing and to cover the costs of any special resolution of a financial company conducted under Title II (although the regulatory authority would have to take account of the amounts paid by the Company into state guaranty funds).

We have not been designated as a systemically important financial company, and based on the quantitative criteria set forth in proposed regulation that has been issued, at this time we believe it is unlikely that we will be subject to such designation.

We are subject to the laws and regulations generally applicable to public companies, including the rules and regulations of the Securities and Exchange Commission and the New York Stock Exchange relating to public reporting and disclosure, accounting and financial reporting, corporate governance, and securities trading. Further, the Sarbanes-Oxley Act of 2002, and rules and regulations adopted under this regulation, have increased the requirements for us and other public companies in these and other areas.

The USA PATRIOT Act of 2001 (Patriot Act) 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. Additionally, other federal laws and regulations, including the Foreign Corrupt Practices Act and regulations issued by the Office of Foreign Asset's Controls, as well as the U.K.'s Bribery Act of 2010, have increased requirements relating to identifying customers, prohibiting transactions with certain organizations or individuals, watching for and reporting suspicious transactions, responding to requests for information by regulatory authorities and law enforcement agencies, sharing information with other financial institutions, and requiring 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 $884.6 million, $845.8 million, and $828.2 million for 2011, 2010, and 2009, respectively. These amounts were approximately 8.6 percent, 8.3 percent, and 8.2 percent of consolidated segment operating revenue for 2011, 2010, and 2009, respectively. As of December 31, 2011, total assets and liabilities for our U.K. operations were $3.7 billion and $2.6 billion, respectively, or approximately 6.1 percent and 5.0 percent of consolidated assets and liabilities, respectively. 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Note 12 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, 2011, we had approximately 9,400 full-time employees.

Available Information

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	57	President and Chief Executive Officer and a Director
Robert O. Best*	62	Executive Vice President, Global Business Technology
Liston Bishop III	65	Executive Vice President and General Counsel
Randall C. Horn	59	Executive Vice President, President and Chief Executive Officer, Colonial Life
Kevin P. McCarthy	56	Executive Vice President and Chief Operating Officer; President and Chief Executive Officer, Unum US
John F. McGarry	54	Executive Vice President, President and Chief Executive Officer, Unum UK
Richard P. McKenney	43	Executive Vice President and Chief Financial Officer

*Mr. Best retired from the company effective December 31, 2011.

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 was named Executive Vice President, Global Business Technology in March 2010. Prior to that, he served as Executive Vice President, Chief Operating Officer, Unum US from January 2007 and Executive Vice President, Service Operations and Chief Information Officer from January 2006 to January 2007. He served as Executive Vice President, The Client Services Center, and Chief Information Officer from 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 officially began serving as Interim General Counsel 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. 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 1993 until 2003, having joined that company in 1981.

Mr. McCarthy was named Executive Vice President and Chief Operating Officer in January 2012, in addition to maintaining his role as President and Chief Executive Officer of Unum US. He previously served as Executive Vice President, President and Chief Executive Officer, Unum US from May 2007 and 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. Mr. McCarthy originally joined a Unum Group predecessor company in 1976.

Mr. McGarry was named Executive Vice President, President and Chief Executive Officer, Unum UK in July 2010. He previously served as Senior Vice President, Benefits, Individual Disability, and National Client Group Business, for Unum US from January 2010. Prior to that, he served in various other capacities within Unum US, including Senior Vice President, Benefits Operations and Risk Management from March 2008 to January 2010, Senior Vice President, Benefits Operations from January 2006 to March 2008, and Senior Vice President, Underwriting Operations from August 2005 to January 2006. Mr. McGarry originally joined a Unum Group predecessor company in 1986.

Mr. McKenney was named Executive Vice President and Chief Financial Officer in August 2009, having joined the Company in July 2009. Before joining the Company, Mr. McKenney served as Executive Vice President and Chief Financial Officer of Sun Life Financial Inc., an international financial services company, since February 2007, having joined that company as Executive Vice President in September 2006. He served as Senior Vice President and Chief Financial Officer of Genworth Financial, Inc., a global financial security company, from May 2004 until August 2006.

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.

Unfavorable economic conditions may result in lower premium growth, higher disability claims incidence, or longer claims duration and adversely impact our results of operations or financial condition.

As a large financial institution, we are affected by conditions in the capital markets and the general economy, both in the United States, the United Kingdom, and to a lesser extent, the entire European Union and Asian financial markets. A challenging business environment and volatile markets persisted through 2011 and may continue in 2012. Adversity in the capital markets and the general economy 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, new product sales may be adversely affected. Our premium growth may also be negatively impacted by lower premium growth from existing customers due to lower salary growth and lower growth in the number of employees covered under an existing policy. In addition, during such periods we may experience higher disability claims incidence, longer disability claims duration, and/or an increase in policy lapses.

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

Our activities are subject to extensive supervision and regulation in the United States and abroad. Regulators have the ability to take various steps to protect the businesses of the entities they regulate. For example, 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. These laws and regulations may restrict or prohibit the payment of dividends by our subsidiaries to us, restrict transactions between subsidiaries and/or between us and our subsidiaries, and may require contributions of capital by us to our insurance subsidiaries even if we are otherwise in compliance with stated requirements. Failure to comply with or to obtain appropriate exemptions under any applicable laws or regulations could result in restrictions on our ability to do business in one or more of the jurisdictions 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.

It is possible that there will be heightened oversight of insurers by regulatory authorities in the jurisdictions in which our subsidiaries are domiciled and operate. 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. The NAIC or state regulators may adopt revisions to the RBC formula, the FSA may revise its capital adequacy requirements and minimum solvency margins, other jurisdictions in which our subsidiaries operate, including the BMA, may increase their capital requirements, or rating agencies may incorporate higher capital thresholds into their quantitative analyses, thus requiring additional capital contributions by us to our insurance subsidiaries. Increased financial services regulation, such as the NAIC Solvency Modernization Initiative and the European Commission's Solvency II, may impose greater quantitative requirements, supervisory review, and disclosure requirements and may impact the business strategies, capital requirements, and profitability of our insurance subsidiaries. New programs, including healthcare reform and financial services sector reform, may 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 or tax rates or could eliminate current tax deductions. Any of these events could increase our tax costs or affect the desirability of our products to customers. Legislative changes related to pension funding requirements could negatively impact our cash flows from operations and our profitability.

Dodd-Frank directs existing and newly-created government agencies and bodies to promulgate regulations implementing the law, an ongoing process anticipated to continue over the next few years. We cannot predict with certainty the requirements of the regulations ultimately adopted or how or whether Dodd-Frank and such regulations will affect our businesses, results of operations, cash flows, or financial condition, require us to raise additional capital, or result in a downgrade of our credit ratings.

Most group long-term and short-term disability plans we administer are governed by the Employee Retirement Income Security Act (ERISA). Changes to ERISA enacted by Congress or through 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.

The insurance departments in jurisdictions wherein our insurance subsidiaries conduct business may limit our ability to obtain rate increases under guaranteed renewable contracts and may require changes in rates and/or benefits to meet minimum loss ratio requirements which could negatively impact the profitability of our products.

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.

Regulatory examinations or investigations could result in, among other things, changes in our claims handling practices, changes in business practices, including changes in broker compensation and related disclosure practices, changes in procedures for the identification and escheatment of abandoned property, changes in the use and oversight of reinsurance, increases to reserving requirements, 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 "Regulation" contained herein in Item 1 and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

Sustained periods of low interest rates in the long-term investment market may adversely affect our reported net investment income and our ability to purchase securities at rates of return assumed in the pricing and reserving for our insurance products, which may have a material adverse effect on our results of operations or financial condition.

An interest, or discount, rate is used in calculating our policyholder reserves. We set our reserve discount rate assumptions based on our current and expected future investment yield for assets supporting the reserves, considering current and expected future market conditions. Continued low interest rates and yields on fixed income investments may cause the rates of return on our investment portfolio to decrease more than expected, leading to lower net investment income than assumed in the pricing and reserving for our insurance products. If the discount rate assumed in our reserve calculations is higher than our future investment returns, our invested assets will not earn enough investment income to support our future claim payments. In that case, the reserves may eventually be insufficient, resulting in the need to increase our reserves and/or increase our capital contributions to our insurance subsidiaries, either of which could have a material adverse effect on our results of operations or financial condition.

See "Reserves for Policy and Contract Benefits" contained herein in Item 1 and "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.

Changes in the risk results of our segments or lines of businesses may materially adversely affect our results of operations or financial condition.

In recent years, we have experienced volatility in risk results in various lines of business. Historical results may not be indicative of future performance due to, among other things, changes in our mix of business, re-pricing of certain lines of business, or any number of economic cyclical effects on our business. In addition, 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. Actual claim experience may differ from our reserve assumptions. There can be no assurance that our 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. Life expectancies may continue to increase, which could lengthen the time a claimant receives disability or long-term care benefits and could result in a change in mortality assumptions and an increase in reserves for these and other long-tailed products. Adjustments to reserve amounts may also 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; policy benefit offsets, including those for social security and other government-based welfare benefits; and interest rates used in calculating the reserve amounts. See "Reserves for Policy and Contract Benefits" contained herein in Item 1 and "Executive Summary" and "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.

In addition to interest rate 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 default risk, credit spread fluctuations, the accuracy of valuations of securities, and the possibility that we might need to sell securities at disadvantageous times.

Default Risk

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, unforeseen 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. In the European Union, the sovereign debt crisis, concerns over bank exposure to sovereign debt, and questions about the stability and viability of the euro may result in an issuer defaulting on its obligations. Our investment portfolio also includes perpetual debentures, or "hybrid" securities. Interest on these securities due on any payment date may be deferred by the issuer. Because interest payments are deferrable and because these securities rank behind traditional debt obligations, events that adversely affect the issuers of these securities may have a greater adverse effect on these types of investments than on our traditional fixed maturity securities.

Our mortgage loan portfolio has default risk. Events or developments, such as economic conditions that impact the ability of tenants to pay their rents or 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 probability of credit downgrades and defaults increases when the fixed income markets experience periods of volatility and illiquidity.

Credit Spread Risk

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 and may adversely impact liquidity. Credit spread tightening may reduce net investment income associated with new purchases of fixed income securities.

Valuation Risk

We report our fixed maturity securities and certain other financial instruments at market value. Valuations may include inputs and assumptions that are less observable or require greater estimation, particularly during periods of market disruption, 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.

Market Timing and Liquidity Risk

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.

See "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Notes 1, 2, 3, and 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of our investments and derivatives.

The effectiveness of our hedging programs may be affected by changes in the economic environment, ratings downgrades, capital market volatility, changes in interest rates, and regulation that may adversely affect our results of operations or financial condition.

We use derivative instruments to help us manage interest rate risk. Risks to our results of operations, financial condition, or liquidity include:

- Our hedges may become ineffective due to changes in expected future events, including, but not limited to, risk created by uncertainty in the European economic environment 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 capital market turmoil may result in an increase in the risk of non-performance by financial institutions. Non-performance by our counterparties may force us to unwind hedges. We may be unable to replace the hedge, thereby leaving the risk unhedged.
- 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.

Changes in regulations may have an adverse effect on our ability to execute effective hedges due to the increased economic cost of hedges.

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. The level and intensity of competition may grow due to existing competitors becoming more aggressive, new competitors entering the market, and an increase in merger and acquisition activity which may result in larger competitors with greater financial resources. There are many insurance companies which actively compete with us in our lines of business, and there is no assurance that we will be able to compete effectively against these companies and new competitors in the future. See "Competition" contained herein in Item 1 for further discussion.

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), the U.K. Accounting Standards Board (ASB), or other standard-setting bodies may materially 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 and ASB. The FASB has several ongoing projects regarding accounting standards that will likely be adopted in the near future. Future accounting standards we adopt will change current accounting and disclosure requirements applicable to our financial statements. Such changes may have a material effect on our reported results of operations or financial condition.

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.

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

There are many events which may harm our reputation. These events could include but are not limited to those discussed in this Item 1A regarding regulatory investigations concerning one or more aspects of broker compensation and related matters, as well as legal proceedings which have previously and may in the future result in court rulings and jury verdicts against us. Decisions such as exiting a line of business or implementing premium rate increases may result in negative publicity and unfavorable regulatory responses. Our reliance on independent contractors and brokers to distribute many of our products exposes our reputation to the possibility of being damaged by sales practices over which we have no means of direct control. 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 and/or increase our cost of capital. See "Regulation" contained herein in Item 1 and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information on regulatory matters and legal proceedings.

Volatility 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. Conversely, a rise in interest rates could unfavorably impact the fair value of both the fixed income and equity investments in our pension plans. See "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Note 8 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

We provide a broad array of disability, long-term care, group life, and voluntary insurance products that are affected by many factors, and changes in any of those factors may adversely affect our profitability or cash flows.

Disability Insurance

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 and recoveries 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. Claim durations may be extended by medical improvements which could extend life expectancies. 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.

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. 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

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. 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. We monitor our own experience and industry studies concerning morbidity, mortality, and policyholder terminations to understand emerging trends. Changes in actual experience relative to our expectations may adversely affect our profitability and reserves. Mortality continues to improve for the general population, and life expectancy has increased, which could lengthen the time a claimant receives long-term care benefits and may subject more policyholders to advanced aging and an associated increase in claims incidence. 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. Sustained periods of low interest rates could result in lower than expected profitability and increases in reserves.

Group Life Insurance

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 favorable risk characteristics, 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. There are a series of lawsuits pending in federal courts challenging the use of retained asset accounts in group life plans that are governed by ERISA. If these challenges are upheld by the courts, our ability to use such accounts for the beneficiaries of these plans may be adversely affected.

Voluntary Products

Voluntary products sold in the workplace may be affected by the characteristics of the employees insured, the level of employee participation and the amount of insurance the employees elect, our risk selection process, and our ability to retain employer groups with favorable risk characteristics. Our voluntary life insurance products generally include interest-sensitive forms of insurance which contain a guaranteed minimum interest crediting rate. It is possible that our investment returns could be lower than the guaranteed crediting rate. The non-life contracts are guaranteed renewable and can be repriced to reflect adverse experience, but rate changes cannot be implemented as quickly as for group disability and group life products.

See "Reserves for Policy and Contract Benefits" contained herein in Item 1 and "Executive Summary" and "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.

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 have a material adverse effect on our results of operations or financial condition.

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 a valuation allowance increases during periods of economic downturn.

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.

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

Unum Group and its subsidiaries are defendants in a number of lawsuits. The outcome of these lawsuits is uncertain. An estimated loss is accrued when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. An adverse outcome in one or more of these actions may, depending on the nature, scope and amount of the ruling, materially and 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.

See Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for additional information on legal proceedings.

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 item and not a reflection of operations or profitability in the U.K.

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 effective controls over our asset management and derivative trading activities; 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 ability to finance our ongoing operations 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 change 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. Regulatory changes such as those discussed herein in this Item 1A may impose higher capital or reserve requirements on our insurance subsidiaries. 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 unfavorable market conditions and during periods of economic uncertainty. The markets may exert 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 in Unum Group.

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.

Our subsidiaries may be restricted from paying dividends to our holding companies which could adversely impact our ability to pay dividends and other obligations.

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 or other assets 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 14 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. We cannot provide assurance that our reinsurers will pay the reinsurance recoverables owed to us or that they will pay these recoverables on a timely basis. 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.

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. Accounting standard updates which we will be required to adopt in our first quarter 2012 filing will result in a decrease to our existing DAC asset. See "Executive Summary" and "Critical Accounting Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained herein in Item 7 and Notes 1, 5, and 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

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.

A cyber security incident that bypasses our information technology security systems may lead to a material disruption of our information technology systems and/or the loss of information, resulting in adverse impacts to our profitability, our business, and our reputation.

Maintaining the security systems to protect the systems and data is critical to our reputation. We seek to prevent, detect, and investigate security incidents to prevent their recurrence but in some cases we may be unaware of emerging threats and the magnitude of their effects. The theft, destruction, or unauthorized use of confidential data could cause, among other things, operational disruption and reputational harm. We could suffer operational delays resulting from the disruption of our information technology systems and subsequent clean-up and mitigation activities. Negative publicity regarding a security breach could result in damage to our competitive position and our reputation with our customers and business partners. We maintain cyber liability insurance that provides coverage for network security, privacy liability, technology errors and omissions, media liability, first party network business interruption, electronic restoration, and cyber extortion. This coverage also provides sub-limits for credit monitoring, notification costs, regulatory expense, and investigative expense. Our insurance may not provide adequate loss coverage in all circumstances.

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

Events such as epidemics, pandemics, political instability, 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. We purchase reinsurance protection against catastrophic disaster events, including terrorism. 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. See "Reinsurance" contained herein in Item 1 for further discussion.

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;
- A guaranty fund assessment by a governing regulatory body to cover the proportional cost of an insolvent or failed insurer;
- 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We occupy approximately 2.6 million square feet of space at four principal United States 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 861,000 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 378,000 square feet in Worcester, Massachusetts. We lease and occupy approximately 53,300 square feet of office space in Glendale, California. These properties are used primarily for operations supporting our Unum US, Closed Block, and Corporate segments.

We own and occupy approximately 523,000 square feet of office space in Columbia, South Carolina, used primarily for operations supporting our Colonial Life segment.

We also occupy office buildings in the United Kingdom which serve as the home offices supporting our Unum UK segment. 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.

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 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for information on legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

	Market Price		
	High	Low	Dividend
2011			
1st Quarter	$27.04	$24.36	$0.0925
2nd Quarter	27.16	24.29	0.0925
3rd Quarter	26.41	20.24	0.1050
4th Quarter	25.00	19.72	0.1050
2010			
1st Quarter	$25.00	$18.56	$0.0825
2nd Quarter	26.42	20.98	0.0825
3rd Quarter	23.57	19.30	0.0925
4th Quarter	24.59	21.34	0.0925

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 22, 2012, there were 13,443 registered holders of common stock.

Our board of directors has the authority to declare cash dividends on shares of our common stock. In determining dividends, the board takes into account a number of factors including our financial condition and results of operations, regulatory limitations on the payment of dividends from subsidiaries, cash requirements, general economic conditions, and other factors the board may deem relevant. For information on restrictions relating to our subsidiaries' ability to pay dividends to Unum Group and certain of its intermediate holding company subsidiaries, see "Liquidity and Capital Resources - Cash Available from Subsidiaries" contained herein in Item 7 and Note 14 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.

ITEM 6. SELECTED FINANCIAL DATA

(in millions of dollars, except share data)

	At or for the Year Ended December 31				
	2011	2010	2009	2008	2007
Income Statement Data					
Revenue					
Premium Income	$7,514.2	$7,431.4	$7,475.5	$7,783.3	$7,901.1
Net Investment Income	2,519.6	2,495.5	2,346.6	2,389.0	2,409.9
Net Realized Investment Gain (Loss)	(4.9)	24.7	11.7	(465.9)	(65.2)
Other Income	249.1	241.6	257.2	275.9	274.1
Total	10,278.0	10,193.2	10,091.0	9,982.3	10,519.9
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits (1)	7,209.5	6,354.1	6,291.6	6,626.4	6,988.2
Commissions	879.2	855.4	837.1	853.3	841.1
Interest and Debt Expense (2)	143.3	141.8	125.4	156.7	241.9
Other Expenses (3)	1,788.8	1,510.6	1,544.6	1,521.9	1,451.5
Total	10,020.8	8,861.9	8,798.7	9,158.3	9,522.7
Income from Continuing Operations Before Income Tax	257.2	1,331.3	1,292.3	824.0	997.2
Income Tax (4)	21.8	445.2	439.7	270.8	324.8
Income from Continuing Operations	235.4	886.1	852.6	553.2	672.4
Income from Discontinued Operations	—	—	—	—	6.9
Net Income	$235.4	$886.1	$852.6	$553.2	$679.3
Balance Sheet Data					
Assets	$60,179.0	$57,307.7	$54,477.0	$49,417.4	$52,701.9
Long-term Debt	$2,570.2	$2,631.3	$2,549.6	$2,259.4	$2,515.2
Accumulated Other Comprehensive Income (Loss)	$448.9	$341.9	$341.0	$(958.2)	$463.5
Other Stockholders' Equity	8,128.1	8,602.5	8,159.1	7,356.1	7,576.4
Total Stockholders' Equity	$8,577.0	$8,944.4	$8,500.1	$6,397.9	$8,039.9

	At or for the Year Ended December 31				
	2011	2010	2009	2008	2007
Per Share Data					
Income from Continuing Operations					
Basic	$0.78	$2.72	$2.57	$1.62	$1.90
Assuming Dilution	$0.78	$2.71	$2.57	$1.62	$1.89
Income from Discontinued Operations					
Basic	$—	$—	$—	$—	$0.02
Assuming Dilution	$—	$—	$—	$—	$0.02
Net Income					
Basic	$0.78	$2.72	$2.57	$1.62	$1.92
Assuming Dilution	$0.78	$2.71	$2.57	$1.62	$1.91
Stockholders' Equity	$29.30	$28.25	$25.62	$19.32	$22.28
Cash Dividends	$0.395	$0.350	$0.315	$0.300	$0.300
Weighted Average Common Shares Outstanding					
Basic (000s)	302,399.8	325,839.0	331,266.2	341,022.8	352,969.1
Assuming Dilution (000s)	303,571.0	327,221.1	332,136.2	341,560.3	355,776.5

(1) Included is a reserve charge of $573.6 million in 2011 related to our long-term care business; a reserve charge of $183.5 million in 2011 related to our individual disability closed block business; and a regulatory claim reassessment charge of $65.8 million in 2007. See Note 5 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the long-term care and individual disability closed block reserve charges.

(2) Included are costs related to early retirement of debt of $0.4 million and $58.8 million in 2008 and 2007, respectively.

(3) Includes the net increase in deferred acquisition costs, compensation expense, and other expenses. Included in these expenses are charges of $289.8 million in 2011 related to the impairment of long-term care deferred acquisition costs and regulatory claim reassessment credits of $12.8 million in 2007. See Note 5 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion of the impairment of long-term care deferred acquisition costs.

(4) Included are a $41.3 million reduction of income tax in 2011 related to a tax settlement; an income tax charge of $18.6 million in 2011 related to repatriation of dividends from our U.K. subsidiaries; and an income tax charge of $10.2 million in 2010 to reflect the impact of a tax law change.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis presented in this section should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Statements" included below the Table of Contents, "Risk Factors" included in Item 1A, "Selected Financial Data" included in Item 6, and the Consolidated Financial Statements and notes thereto included in Item 8.

Executive Summary

During 2011, our focus continued to be on disciplined top-line growth and capital management. Objectives for 2011 included:

- Continue to consistently execute against our operating plans, which emphasize disciplined, profitable growth;
- Further enhance our financial flexibility through solid operating and investment performance and a sustainable capital deployment strategy;
- Leverage our capabilities, products, relationships, and reputation to deliver on our commitments as well as our bottom-line targets;
- Continue to invest in our businesses and leverage global capabilities to capitalize on current and future growth opportunities.

A discussion of our operating performance and capital management follows.

2011 Operating Performance and Capital Management

For 2011 we reported net income of $235.4 million, or $0.78 per diluted common share, compared to $886.1 million, or $2.71 per diluted common share, for 2010. After-tax operating income was $896.8 million, or $2.95 per diluted common share, in 2011 compared to $880.6 million, or $2.69 per diluted common share, in 2010. Separate and distinct from our underlying operating results and excluded from after-tax operating income are the fourth quarter of 2011 charges related to our long-term care product line strategic review as well as a claim reserve increase in our individual disability closed block of business to reflect our current estimate of future benefit obligations. Also excluded from after-tax operating income are a reduction in our 2011 income tax resulting from a tax settlement, an increase in our 2011 income tax related to dividends from our U.K. subsidiaries, and an increase in our 2010 income tax related to the impact of the tax law change associated with healthcare reform. Our 2011 net income per share and after-tax operating income per share, as compared to the prior year period, benefited from the repurchase of our common stock during 2011 and 2010.

Total operating revenue in 2011 by segment was marginally higher than 2010, with the current economic environment continuing to negatively impact our premium growth. Total operating income by segment, excluding the charges related to our long-term care and individual disability closed blocks of business, was generally consistent with the level of 2010, with higher earnings in Unum US partially offset by lower earnings in our other core segments, as well as lower earnings in the Corporate segment. See additional information presented in this "Executive Summary" under "Long-term Care Strategic Review" and "Claim Reserve Increase for Individual Disability Closed Block Business" as well as "Consolidated Operating Results" and "Reconciliation of Non-GAAP Financial Measures" contained herein in Item 7.

Our Unum US segment reported an increase in segment operating income of 6.6 percent in 2011 compared to 2010, with higher operating revenue and favorable risk results. The benefit ratio for the Unum US segment for 2011 was

72.5 percent, compared to 73.4 percent in 2010, with favorable risk results for the supplemental and voluntary products partially offset by less favorable risk results for the group disability and group life and accidental death and dismemberment products as compared to 2010. Although Unum US premium income increased slightly in 2011 compared to 2010, the ongoing high levels of unemployment and the competitive environment continued to pressure our premium income growth. In particular, premium growth from existing customers throughout 2011 continued to be unfavorably impacted by lower salary growth and lower growth in the number of employees covered under existing policies. Unum US sales increased 9.9 percent in 2011 compared to 2010. We experienced sales increases in nearly all of our product lines and market segments in 2011 compared to 2010. Voluntary benefits sales increased 6.3 percent in 2011 compared to 2010. Our group core market segment, which we define for Unum US as employee groups with fewer than 2,000 lives, reported sales increases of 9.6 percent in 2011 relative to 2010. Persistency, although below the level of last year for some of our Unum US product lines, remains high relative to historical levels.

Our Unum UK segment reported a decrease in segment operating income of 11.5 percent in 2011, as measured in Unum UK's local currency, relative to 2010. The decrease was driven by less favorable risk results and higher expenses related to Unum UK's growth plans. Premium income grew 1.9 percent in 2011 relative to 2010, although premium growth continued to be pressured by pricing actions resulting from the competitive U.K. market. The benefit ratio for Unum UK was 71.8 percent in 2011 compared to 67.0 percent in 2010, driven by less favorable risk experience in group long-term disability. Unum UK sales, which were also negatively impacted by the economy and the competitive pricing environment, declined 18.8 percent relative to 2010, as measured in Unum UK's local currency. Persistency in 2011 was below the level of 2010 but remains strong.

Our Colonial Life segment operating income in 2011 was consistent with the level of 2010. Although premium income grew 5.5 percent in 2011 compared to 2010, risk results were less favorable, with an overall benefit ratio of 51.9 percent in 2011 compared to 49.7 percent in 2010, due primarily from less favorable risk results in the accident, sickness, and disability product line. Colonial Life's sales increased 2.0 percent in 2011 relative to 2010. The number of new agent contracts increased 6.8 percent in 2011 relative to 2010, but the number of new accounts declined by 1.8 percent. Persistency in 2011 was below the level of 2010 but remains strong.

Our investment portfolio continued to perform well, with an increase in net investment income of 1.0 percent in 2011 relative to 2010. The net unrealized gain on our fixed maturity securities was $5.8 billion at December 31, 2011, compared to $3.5 billion at December 31, 2010, driven primarily by a decline in U.S. Treasury rates.

We believe our capital and financial positions are strong. At December 31, 2011, the risk-based capital (RBC) ratio for our traditional U.S. insurance subsidiaries, calculated on a weighted average basis using the NAIC Company Action Level formula, was approximately 405 percent, compared to 398 percent at December 31, 2010. Our leverage ratio, when calculated using consolidated debt to total consolidated capital, was 27.6 percent at December 31, 2011, compared to 25.9 percent at December 31, 2010. The increase was due primarily to $312.3 million of securities lending agreements outstanding at December 31, 2011, partially offset by the 2011 maturity of $225.1 million of senior notes and our 2011 principal payments on the debt of Northwind Holdings, LLC (Northwind Holdings) and Tailwind Holdings, LLC (Tailwind Holdings). Our leverage ratio, when calculated excluding the non-recourse debt and associated capital of Northwind Holdings and Tailwind Holdings and the short-term debt arising from securities lending agreements, was 22.4 percent at December 31, 2011, compared to 22.8 percent at December 31, 2010. The cash and marketable securities at our holding companies equaled approximately $756 million at December 31, 2011, compared to $1.2 billion at December 31, 2010. During 2011, we repurchased 25.4 million shares of Unum Group's common stock at a cost of $619.9 million. We have completed the $500.0 million share repurchase program authorized in 2010 and purchased $475.3 million under our $1.0 billion share repurchase program authorized in February 2011.

Despite the difficult economic environment, we continue to make steady and disciplined progress, executing on our business plans and maintaining our strong financial position. We remain cautious of the near-term outlook for employment levels and wages, both of which limit opportunities for premium growth, but we believe we are poised to profitably grow as employment trends improve.

Further discussion is included in "Segment Results," "Investments," and "Liquidity and Capital Resources" contained in this Item 7.

Long-term Care Strategic Review

Following a comprehensive and strategic review of our long-term care business, in February 2012 we announced that we would discontinue selling group long-term care. We discontinued selling individual long-term care during 2009. Because both group and individual long-term care are now considered closed blocks of business, effective December

31, 2011, we reclassified our long-term care products from the Unum US segment to the Closed Block segment. We also reclassified our other 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, which were previously reported in the Corporate and Other segment to the Closed Block segment. The inclusion of all closed blocks of business into one operating segment aligns with our reporting and monitoring of our closed blocks of business within a discrete segment and is consistent with our separation of these blocks of business from the lines of business which actively market new products. Prior period segment results have been restated to reflect these changes in our reporting classifications.

As part of the strategic review, and as is typical in the fourth quarter of each year, we analyzed our reserve assumptions for long-term care in conjunction with our annual loss recognition testing. We generally perform loss recognition tests on our deferred acquisition costs and policy reserves in the fourth quarter of each year, but more frequently if appropriate, using best estimate assumptions as of the date of the test. Included in the analysis was a review of our reserve discount rate assumptions and mortality and morbidity assumptions. Our analysis of reserve discount rate assumptions considered the significant decline in long-term interest rates which occurred late in the third quarter of 2011 due to the European Union debt crisis and the Federal Reserve Board's actions, including the announcement of "Operation Twist." We also considered an updated industry study for long-term care experience which was made available mid-year 2011 from the Society of Actuaries. Our analysis of this study, which was completed during the fourth quarter of 2011, showed that lower termination rates than we had previously assumed were beginning to emerge in industry and in our own company experience. Based on our analysis, as of December 31, 2011 we lowered the discount rate assumption to reflect the low interest rate environment and our expectation of future investment portfolio yield rates. We also changed our mortality assumptions to reflect emerging experience due to an increase in life expectancies which increases the ultimate number of people who will utilize long-term care benefits and also lengthens the amount of time a claimant receives long-term care benefits. We changed our morbidity assumptions to reflect emerging industry experience as well as our own company experience. While our morbidity experience is still emerging and is not fully credible, we modified our assumptions to align more closely with the recently published industry study. Using our revised best estimate assumptions, as of December 31, 2011 we determined that deferred acquisition costs of $289.8 million were not recoverable and that our policy and claim reserves should be increased by $573.6 million to reflect our current estimate of future benefit obligations. These charges decreased our 2011 net income by $561.2 million. The increase in reserves represented a 10.5 percent increase in long-term care policy and claim reserves as of December 31, 2011, which equal $5.4 billion subsequent to the charge.

Claim Reserve Increase for Individual Disability Closed Block Business

Claim reserves supporting our individual disability closed block of business are calculated using assumptions based on actual experience believed to be currently appropriate. Claim reserves are subject to revision as current claim experience emerges and alters our view of future expectations. Claim resolution rates, which measure the resolution of claims from recovery, deaths, settlements, and benefit expirations, are very sensitive to operational and environmental changes and can be volatile. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business. We are now able, with a higher degree of confidence, to assess our own experience for older ages in our long duration lifetime claim block as our data has become credible. There is very little industry experience for lifetime disability benefits, as our insurance companies were the primary disability companies in the insurance industry at the time lifetime disability benefits were offered. These benefits were offered during the 1980s and 1990s, recent enough such that claimants are just reaching the older ages and providing us with data to build our claim experience base. Emerging experience indicates a longer life expectancy for our older age, longer duration disabled claimants, which lengthens the time a claimant receives disability benefits. As a result of this experience, as of December 31, 2011 we adjusted our mortality assumption within our claim resolution rate assumption and, as a result, increased our claim reserves for our individual disability closed block of business by $183.5 million and decreased net income by $119.3 million. The increase in reserves represented a 1.5 percent increase in individual disability policy and claim reserves as of December 31, 2011, which equal $11.9 billion subsequent to the charge.

Outlook for 2012

During 2012, we intend to remain focused on disciplined top-line growth in select markets and a sustainable capital generation and deployment strategy. We continue to believe that our strategy of delivering a broad set of financial protection choices to employees while also enabling employers to define their financial contribution in support of those choices should enable us to continue in a leadership position in our markets over the long term.

Critical Accounting Estimates

We prepare our financial statements in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in our financial statements and accompanying notes. Estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed in our financial statements. The accounting estimates deemed to be most critical to our financial position and results of operations are those related to reserves for policy and contract benefits, deferred acquisition costs, valuation of investments, pension and postretirement benefit plans, income taxes, and contingent liabilities. For additional information, refer to our significant accounting policies in Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Reserves for Policy and Contract Benefits

Our largest liabilities are reserves for claims that we estimate we will eventually pay to our policyholders. The two primary categories of reserves are policy reserves for claims not yet incurred and claim reserves for claims that have been incurred or are estimated to have been incurred but not yet reported to us. These reserves equaled $39.3 billion and $38.2 billion at December 31, 2011 and 2010, respectively, or approximately 76.2 percent and 78.9 percent of our total liabilities, respectively. Reserves ceded to reinsurers were $6.7 billion at both December 31, 2011 and 2010, and are reported as a reinsurance recoverable in our consolidated balance sheets.

Policy Reserves

Policy reserves are established in the same period we issue a policy and equal the difference between projected future policy benefits and future premiums, allowing a margin for expenses and profit. These reserves relate primarily to our traditional non interest-sensitive products, including our individual disability and voluntary benefits products in our Unum US segment; individual disability products in our Unum UK segment; disability and cancer and critical illness policies in our Colonial Life segment; and individual disability and long-term care products in our Closed Block segment. The reserves are calculated based on assumptions that were appropriate at the date the policy was issued and are not subsequently modified unless the policy reserves become inadequate (i.e. loss recognition occurs).

- Persistency assumptions are based on our actual historical experience adjusted for future expectations.
- Claim incidence and claim resolution rate assumptions related to mortality and morbidity are based on actual experience or industry standards adjusted as appropriate to reflect our actual experience and future expectations.
- Discount rate assumptions are based on our current and expected net investment returns.

In establishing policy reserves, we use assumptions that reflect our best estimate while considering the potential for adverse variances in actual future experience, which results in a total policy reserve balance that has an embedded reserve for adverse deviation. We do not, however, establish an explicit and separate reserve as a provision for adverse deviation from our assumptions.

We perform loss recognition tests on our policy reserves annually, or more frequently if appropriate, using best estimate assumptions as of the date of the test, without a provision for adverse deviation. We group the policy reserves for each major product line within a segment when we perform the loss recognition tests. If the policy reserves determined using these best estimate assumptions are higher than our existing policy reserves net of any deferred acquisition cost balance, the existing policy reserves are increased or deferred acquisition costs are reduced to immediately recognize the deficiency. Thereafter, the policy reserves for the product line are calculated using the same method we used for the loss recognition testing, referred to as the gross premium valuation method, wherein we use our best estimate as of the gross premium valuation (loss recognition) date rather than the initial policy issue date to determine the expected future claims, commissions, and expenses we will pay and the expected future gross premiums we will receive.

Because the key policy reserve assumptions for policy persistency, mortality and morbidity, and discount rates are all locked in at policy issuance based on assumptions appropriate at that time, policy reserve assumptions are generally not changed due to a change in claim status from active to disabled subsequent to policy issuance. Therefore, we maintain policy reserves for a policy for as long as the policy remains in-force, even after a separate claim reserve is established. Incidence rates in industry standard valuation tables for policy reserves have traditionally included all lives, active and disabled. In addition, the waiver of premium provision provides funding for the policy reserve while a policyholder is disabled. As a result, the funding mechanisms and the cost of claims are aligned and require a policy reserve to be held while on claim. In addition, most policies allow for multiple occurrences of claims, and a policy reserve is consequently still maintained at the time of claim to fund any potential future claims. The policy reserves build up and release over time based on assumptions made at the time of policy issuance such that the reserve is eliminated as policyholders reach the terminal age for coverage, die, or voluntarily lapse the policy. Policy reserves for Unum US, Unum UK, and Colonial Life products, which at December 31, 2011 represented approximately 11.9 percent, 0.2 percent, and 9.5 percent, respectively, of our total gross policy reserves, are determined using the net level premium method as prescribed by GAAP. In applying this method, we use, as applicable by product type, morbidity and mortality incidence rate assumptions, claim resolution rate assumptions, and policy persistency assumptions, among others, to determine our expected future claim payments and expected future premium income. We then apply an interest, or discount, rate to determine the present value of the expected future claims and claim expenses we will pay and the expected future premiums we will receive, with a provision for profit allowed.

Policy reserves for our Closed Block segment include certain older policy forms for individual disability, individual and group long-term care, and certain other products, all of which are no longer actively marketed. The reserves for individual disability and individual and group long-term care, which represented approximately 39.7 percent of our total gross policy reserves at December 31, 2011, are determined using the gross premium valuation method. Reserves for individual disability are based on assumptions established as of January 1, 2004, the date of loss recognition. Reserves for long-term care are based on assumptions established as of December 31, 2011, the date of loss recognition. Key assumptions are persistency, mortality, claim incidence, claim resolution rates, commission rates, and maintenance expense rates. We apply an interest, or discount, rate to determine the present value of the expected future claims, commissions, and expenses we will pay as well as the expected future premiums we will receive, with no provision for future profit. The interest rate is based on our expected net investment returns on the investment portfolio supporting the reserves for these blocks of business. Under the gross premium valuation method, we do not include an embedded provision for the risk of adverse deviation from these assumptions. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient. We perform loss recognition tests on the policy reserves for this block of business annually, or more frequently if appropriate.

Policy reserves for certain other products no longer actively marketed and reported in our Closed Block segment represent $5.7 billion on a gross basis, or approximately 38.7 percent of our total policy reserves. We have ceded $4.4 billion of the related policy reserves to reinsurers. The ceded reserve balance is reported in our consolidated balance sheets as a reinsurance recoverable. We continue to service a block of group pension products, which we have not ceded, and the policy reserves for these products are based on expected mortality rates and retirement rates. Expected future payments are discounted at interest rates reflecting the anticipated investment returns for the assets supporting the liabilities.

Claim Reserves

Claim reserves are established when a claim is incurred or is estimated to have been incurred but not yet reported (IBNR) to us and, as prescribed by GAAP, equals our long-term best estimate of the present value of the liability for future claim payments and claim adjustment expenses. A claim reserve is based on actual known facts regarding the claim, such as the benefits available under the applicable policy, the covered benefit period, and the age and occupation of the claimant, as well as assumptions derived from our actual historical experience and expected future changes in experience for factors such as the claim duration and discount rate. Reserves for IBNR claims, similar to incurred claim reserves, include our assumptions for claim duration and discount rates but because we do not yet know the facts regarding the specific claims, are also based on historical incidence rate assumptions, including claim reporting patterns, the average cost of claims, and the expected volumes of incurred claims. Our incurred claim reserves and IBNR claim reserves do not include any provision for the risk of adverse deviation from our assumptions.

Claim reserves, unlike policy reserves, are subject to revision as current claim experience and projections of future factors affecting claim experience change. Each quarter we review our emerging experience to ensure that our claim reserves are appropriate. If we believe, based on our actual experience and our view of future events, that our long-term assumptions need to be modified, we adjust our reserves accordingly with a charge or credit to our current period income.

Multiple estimation methods exist to establish claim reserve liabilities, with each method having its own advantages and disadvantages. Available reserving methods utilized to calculate claim reserves include the tabular reserve method, the paid development method, the incurred loss development method, the count and severity method, and the expected claim cost method. No single method is better than the others in all situations and for all product lines. The estimation methods we have chosen are those that we believe produce the most reliable reserves.

Claim reserves supporting our Unum US group and individual disability product lines and our Closed Block individual disability and individual and group long-term care product lines represent approximately 36.6 percent and 46.8 percent, respectively, of our total claim reserves at December 31, 2011. We use a tabular reserve methodology for group and individual long-term disability and group and individual long-term care claims that have been reported. Under the tabular reserve methodology, reserves for reported claims are based on certain characteristics of the actual reported claimants, such as age, length of time disabled, and medical diagnosis. We believe the tabular reserve method is the most accurate to calculate long-term liabilities and allows us to use the most available known facts about each claim. IBNR claim reserves for our long-term products are calculated using the count and severity method using historical patterns of the claims to be reported and the associated claim costs. For Unum US group short-term disability products, an estimate of the value of future payments to be made on claims already submitted, as well as IBNR claims, is determined in aggregate rather than on the individual claimant basis that we use for our long-term products, using historical patterns of claim incidence as well as historical patterns of aggregate claim resolution rates. The average length of time between the event triggering a claim under a policy and the final resolution of those claims is much shorter for these products than for our long-term liabilities and results in less estimation variability.

Claim reserves supporting the Unum US group life and accidental death and dismemberment products represent approximately 3.8 percent of our total claim reserves at December 31, 2011. Claim reserves for these products are related primarily to death claims reported but not yet paid, IBNR death claims, and a liability for waiver of premium benefits. The death claim reserve is based on the actual face amount to be paid, the IBNR reserve is calculated using the count and severity method, and the waiver of premium benefits reserve is calculated using the tabular reserve methodology.

Claim reserves supporting our Unum UK segment represent approximately 9.1 percent of our total claim reserves at December 31, 2011, and are calculated using generally the same methodology that we use for Unum US disability and group life reserves. The assumptions used in calculating claim reserves for this line of business are based on standard United Kingdom industry experience, adjusted for Unum UK's own experience.

The majority of the Colonial Life segment lines of business have short-term benefits, which generally have less estimation variability than our long-term products because of the shorter claim payout period. Our claim reserves for Colonial Life's lines of business, which approximate 1.4 percent of our total claim reserves at December 31, 2011, are predominantly determined using the incurred loss development method based on our own experience. The incurred loss development method uses the historical patterns of payments by loss date to predict future claim payments for each loss date. Where the incurred loss development method may not be appropriate, we estimate the incurred claims using an expected claim cost per policy or other measure of exposure. The key assumptions for claim reserves for the Colonial Life lines of business are: (1) the timing, rate, and amount of estimated future claim payments; and (2) the estimated expenses associated with the payment of claims.

The following table displays policy reserves, incurred claim reserves, and IBNR claim reserves by major product line, with the summation of the policy reserves and claim reserves shown both gross and net of the associated reinsurance recoverable. Incurred claim reserves represent reserves determined for each incurred claim and also include estimated amounts for litigation expenses and other expenses associated with the payment of the claims as well as provisions for claims which we estimate will be reopened for our long-term care products. IBNR claim reserves include provisions for incurred but not reported claims and a provision for reopened claims for our disability products. The IBNR and reopened claim reserves for our disability products are developed and maintained in aggregate based on historical monitoring that has only been on a combined basis.

(in millions of dollars)	December 31, 2011									
	Gross Policy Reserves	%		Claim Reserves Incurred	IBNR	%		Total	Total Reinsurance Ceded	Total Net
Group Disability	$—	—	%	$7,230.0	$595.7	31.8	%	$7,825.7	$ 63.8	$7,761.9
Group Life and Accidental Death & Dismemberment	74.3	0.5		780.5	146.2	3.8		1,001.0	1.0	1,000.0
Individual Disability - Recently Issued	546.7	3.7		1,063.9	104.5	4.8		1,715.1	91.0	1,624.1
Voluntary Benefits	1,138.6	7.7		42.1	45.8	0.3		1,226.5	26.5	1,200.0
Unum US Segment	1,759.6	11.9		9,116.5	892.2	40.7		11,768.3	182.3	11,586.0
Unum UK Segment	26.2	0.2		2,118.7	121.4	9.1		2,266.3	108.1	2,158.2
Colonial Life Segment	1,399.5	9.5		243.2	90.1	1.4		1,732.8	12.2	1,720.6
Individual Disability	1,112.3	7.6		10,494.0	299.1	43.9		11,905.4	1,477.2	10,428.2
Long-term Care	4,728.3	32.1		667.8	50.3	2.9		5,446.4	48.2	5,398.2

Other	5,687.9	38.7	306.5	186.7	2.0	6,181.1	4,824.6	1,356.5
Closed Block Segment	11,528.5	78.4	11,468.3	536.1	48.8	23,532.9	6,350.0	17,182.9
Subtotal, Excluding Unrealized Adjustment	$14,713.8	100.0 %	$22,946.7	$1,639.8	100.0 %	39,300.3	6,652.6	32,647.7
Unrealized Adjustment to Reserves for Unrealized Gain on Securities						5,245.6	293.2	4,952.4
Consolidated						$44,545.9	$ 6,945.8	$37,600.1

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	December 31, 2010							
	Gross Policy Reserves	%	Claim Reserves Incurred	IBNR	%	Total	Total Reinsurance Ceded	Total Net
Group Disability	$—	— %	$7,480.2	$590.2	33.2 %	$8,070.4	$ 69.4	$8,001.0
Group Life and Accidental Death & Dismemberment	72.9	0.5	783.7	152.8	3.8	1,009.4	1.5	1,007.9
Individual Disability - Recently Issued	534.5	3.9	1,005.1	99.9	4.5	1,639.5	88.3	1,551.2
Voluntary Benefits	1,060.3	7.7	24.1	59.0	0.4	1,143.4	24.8	1,118.6
Unum US Segment	1,667.7	12.1	9,293.1	901.9	41.9	11,862.7	184.0	11,678.7
Unum UK Segment	26.6	0.2	2,057.6	142.7	9.0	2,226.9	105.6	2,121.3
Colonial Life Segment	1,318.0	9.5	228.9	78.6	1.3	1,625.5	17.8	1,607.7
Individual Disability	1,249.1	9.0	10,335.3	309.6	43.7	11,894.0	1,457.4	10,436.6
Long-term Care	3,867.1	27.9	391.6	38.5	1.8	4,297.2	47.8	4,249.4
Other	5,703.8	41.3	364.7	196.9	2.3	6,265.4	4,860.1	1,405.3
Closed Block Segment	10,820.0	78.2	11,091.6	545.0	47.8	22,456.6	6,365.3	16,091.3
Subtotal, Excluding Unrealized Adjustment	$13,832.3	100.0 %	$22,671.2	$1,668.2	100.0 %	38,171.7	6,672.7	31,499.0
Unrealized Adjustment to Reserves for Unrealized Gain on Securities						3,108.3	159.0	2,949.3
Consolidated						$41,280.0	$ 6,831.7	$34,448.3

Key Assumptions

The calculation of policy and claim reserves involves numerous assumptions, but the primary assumptions used to calculate reserves are (1) the discount rate, (2) the claim resolution rate, and (3) the claim incidence rate for policy reserves and IBNR claim reserves. Of these assumptions, our discount rate and claim resolution rate assumptions have historically had the most significant effects on our level of reserves because many of our product lines provide benefit payments over an extended period of time.

1. The discount rate, which is used in calculating both policy reserves and incurred and IBNR claim reserves, is the interest rate that we use to discount future claim payments to determine the present value. A higher discount rate produces a lower reserve. If the discount rate is higher than our future investment returns, our invested assets will not earn enough investment income to support our future claim payments. In this case, the reserves may eventually be insufficient. We set our assumptions based on our current and expected future investment yield of the assets supporting the reserves, considering current and expected future market conditions. If the investment yield on new investments that are purchased is below or above the investment yield of the existing investment portfolio, it is likely that the discount rate assumption on claims will be established to reflect the effect of the new investment yield.

2.

The claim resolution rate, used for both policy reserves and incurred and IBNR claim reserves, is the probability that a disability or long-term care claim will close due to recovery or death of the insured. It is important because it is used to estimate how long benefits will be paid for a claim. Estimated resolution rates that are set too high will result in reserves that are lower than they need to be to pay the claim benefits over time. Claim resolution assumptions involve many factors, including the cause of disability, the policyholder's age, the type of contractual benefits provided, and the time since initially becoming disabled. We primarily use our own claim experience to develop our claim resolution assumptions. These assumptions are established for the probability of death and the probability of recovery from disability. Our studies review actual claim resolution experience over a number of years, with more weight placed on our experience in the more recent years. We also consider any expected future changes in claim resolution experience.

3. The incidence rate, used for policy reserves and IBNR claim reserves, is the rate at which new claims are submitted to us. The incidence rate is affected by many factors, including the age of the insured, the insured's occupation or industry, the benefit plan design, and certain external factors such as consumer confidence and levels of unemployment. We establish our incidence assumption using a historical review of actual incidence results along with an outlook of future incidence expectations.

Establishing reserve assumptions is complex and involves many factors. Reserves, particularly for policies offering insurance coverage for long-term disabilities and long-term care, are dependent on numerous assumptions other than just those presented in the preceding discussion. The impact of internal and external events, such as changes in claims management procedures, economic trends such as the rate of unemployment and the level of consumer confidence, the emergence of new diseases, new trends and developments in medical treatments, and legal trends and legislative changes, among other factors, will influence claim incidence and resolution rates. In addition, for policies offering coverage for disability or long-term care at advanced ages, the level and pattern of mortality rates at advanced ages will impact overall benefit costs. Reserve assumptions differ by product line and by policy type within a product line. Additionally, in any period and over time, our actual experience may have a positive or negative variance from our long-term assumptions, either singularly or collectively, and these variances may offset each other. We test the overall adequacy of our reserves using all assumptions and with a long-term view of our expected experience over the life of a block of business rather than test just one or a few assumptions independently that may be aberrant over a short period of time. Therefore it is not possible to bifurcate the assumptions to evaluate the sensitivity of a change in each assumption, but rather in the aggregate by product line. We have presented in the following section an overview of our trend analysis for key assumptions and the results of variability in our assumptions, in aggregate, for the reserves which we believe are reasonably possible to have a material impact on our future financial results if actual claims yield a materially different amount than what we currently expect and have reserved for, either favorable or unfavorable.

Trends in Key Assumptions

Generally, we do not expect our mortality and morbidity claim incidence trends or our persistency trends to change significantly in the short-term, and to the extent that these trends do change, we expect those changes to be gradual over a longer period of time. However, we have historically experienced an increase in our group long-term disability morbidity claim incidence trends during and following a recessionary period, particularly in our Unum US operations. During 2011, claim incidence rates for Unum US group long-term disability were slightly elevated. Given the current economic conditions, it is possible that our claim incidence rates for this type of product may increase.

During the fourth quarter of 2011, we completed an extensive review of experience factors for our long-term care business using emerging industry experience as well as our own company experience. An updated industry study for long-term care experience was made available mid-year 2011 from the Society of Actuaries which allowed us to compare our limited company experience to broader industry experience and trends. The trends reflected in emerging industry experience, as well as our own company experience, resulted in a modification to our mortality and morbidity assumptions, which together with the decline in interest rates as noted below, resulted in our recognition of a loss deficiency in our long-term care closed block of business as of December 31, 2011. See "Long-term Care Strategic Review" contained in this Item 7.

Throughout the period 2009 to 2011, actual new money interest rates varied with the changing market conditions, and the assumptions we used to discount our reserves generally trended downward slightly for all segments and product lines. Late in the third quarter of 2011, long-term interest rates declined significantly due to the European Union debt crisis and the Federal Reserve Board's actions, including the announcement of "Operation Twist." Reserve discount rate assumptions for new policies and new claims have been adjusted to reflect our current and expected net investment returns. Changes in our average discount rate assumptions tend to occur gradually over a longer period of time because of the long-duration investment portfolio needed to support the reserves for the majority of our lines of business.

Both the mortality rate experience and the retirement rate experience for our block of group pension products have remained stable and consistent with expectations.

Claim resolution rates have a greater chance of significant variability in a shorter period of time than our other reserve assumptions. These rates are reviewed on a quarterly basis for the death and recovery components separately. Claim resolution rates in our Unum US segment group and individual long-term disability product lines and our Closed Block individual disability product line have over the last several years exhibited some variability. Relative to the resolution rate we expect to experience over the life of the block of business, actual quarterly rates during 2010 and 2011 have varied by +5 and -4 percent in our Unum US group long-term disability line of business, between +10 and -10 percent in our Unum US individual disability - recently issued line of business, and between +8 and -5 percent in our Closed Block individual disability line of business. Claim resolution rates are very sensitive to operational and environmental changes and can be volatile over short periods of time. Throughout the period 2009 to 2011, we had generally stable to improving claims management performance, and our claim resolution rates were fairly consistent with or slightly favorable to our long-term assumptions. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period, both favorably and unfavorably.

As our claims data for older ages in our long duration lifetime claim block in our Closed Block individual disability line of business has become credible, we are now able, with a higher degree of confidence, to assess our own experience for this particular claim block. Emerging experience indicates a longer life expectancy for our older age, longer duration disabled claimants, which lengthens the time a claimant receives disability benefits. As a result of this experience, as of December 31, 2011 we adjusted our mortality assumption within our claim resolution rate assumption, resulting in an increase of $183.5 million in our Closed Block individual disability line of business claim reserves. See "Claim Reserve Increase for Individual Disability Closed Block Business" contained in this Item 7.

We monitor and test our reserves for adequacy relative to all of our assumptions in the aggregate. In our estimation, scenarios based on reasonably possible variations in each of our reserve assumptions, when modeled together in aggregate, could produce a potential result, either positive or negative, in our Unum US group disability line of business that would change our claim reserve balance by +/- 2.6 percent. Using our actual claim reserve balance at December 31, 2011, this variation would have resulted in an approximate change (either positive or negative) of $200 million to our claim reserves. Using the same sensitivity analysis approach for our Closed Block individual disability line of business, the claim reserve balance could potentially vary by +/- 2.5 percent of our reported balance, which at December 31, 2011, would have resulted in an approximate change (either positive or negative) of $240 million to our claim reserves. The major contributor to the variance for both the Unum US group long-term disability line of business and the Closed Block individual disability line of business is the claim resolution rate. In addition, we consider variability in our reserve assumptions related to long-term care policy reserves. These reserves are held under the gross premium valuation method with assumptions established as of December 31, 2011, the date of loss recognition. Assumptions for policy reserves do not change after the date of loss recognition unless reserves are again determined to be deficient. As such, positive developments will result in the accumulation of reserve margin, while adverse developments would result in an additional reserve charge. Variability in our reserve assumptions for long-term care may be mitigated by potential future rate increases, particularly those variations associated with long-term changes in morbidity or mortality experience as well as investment yields. When modeled in the aggregate, downside scenarios based on reasonably possible adverse variations in each of our reserve assumptions, including the potential impact of future rate increases on expected future premiums we will receive, could require a reserve increase of +7.3 percent, or approximately $340 million. We believe that these ranges provide a reasonable estimate of the possible changes in reserve balances for those product lines where we believe it is possible that variability in the assumptions, in the aggregate, could result in a material impact on our reserve levels, but we record our reserves based on our long-term best estimate. Because these product lines have long-term claim payout periods, there is a greater potential for significant variability in claim costs, either positive or negative.

Deferred Acquisition Costs (DAC)

We defer certain costs incurred in acquiring new business and amortize (expense) these costs over the life of the related policies. Deferred costs include certain commissions, other agency compensation, selection and policy issue expenses, and field expenses. Acquisition costs that do not vary with the production of new business, such as commissions on group products which are generally level throughout the life of the policy, are excluded from deferral.

Approximately 86.1 percent of our DAC relates to traditional non interest-sensitive products, and we amortize DAC in proportion to the premium income we expect to receive over the life of the policies. Key assumptions used in developing the future amortization of DAC are future persistency and future premium income. We use our own historical experience and expectation of the future performance of our businesses in determining the expected persistency and premium income. The estimated premium income in the early years of the amortization period is generally higher than in the later years due to the anticipated cumulative effect of policy persistency in the early years, which results in a greater proportion of the costs being amortized in the early years of the life of the policy. During 2011, our key assumptions used to develop the future amortization of acquisition costs deferred during 2011 did not change materially from those used in 2010. Generally, we do not expect our persistency or interest rates to change significantly in the short-term, and to the extent that these trends do change, we expect those changes to be gradual over a longer period of time.

The following are our current assumptions regarding the length of our amortization periods, the approximate DAC balance that remains at the end of years 3, 10, and 15 as a percentage of the cost initially deferred, and our DAC balances as of December 31, 2011 and 2010.

	Amortization Period	Balance Remaining as a % of Initial Deferral Year 3	Year 10	Year 15	DAC Balances at December 31 2011	2010
Unum US						
Group Disability	7	25%	0%	0%	$120.1	$119.0
Group Life and Accidental Death & Dismemberment	7	25% to 30%	0%	0%	102.7	93.8
Supplemental and Voluntary:						
Individual Disability - Recently Issued	20	75%	50%	25%	619.4	639.7
Voluntary Benefits	15	55% to 60%	15%	0%	550.1	509.7
Unum UK						
Group Disability	3	7%	0%	0%	14.8	16.3
Group Life	3	7%	0%	0%	9.3	7.9
Supplemental and Voluntary	20	57%	17%	7%	35.3	34.0
Colonial Life						
Accident, Sickness, and Disability	15	48%	13%	1%	397.0	366.1
Life	25	73%	39%	20%	254.3	252.3
Cancer and Critical Illness	19	62%	28%	11%	197.9	186.6
Closed Block						
Long-term Care	—	—	—	—	—	295.7
Totals					$2,300.9	$2,521.1

Amortization of DAC on traditional products is adjusted to reflect the actual policy persistency as compared to the anticipated experience, and as a result, the unamortized balance of DAC reflects actual persistency. We may experience accelerated amortization if policies terminate earlier than projected. Conversely, we may also experience longer amortization periods if policies terminate later than projected. Because our actual experience regarding persistency and premium income has varied very little from our assumptions during the last three years, we have had minimal adjustments to our projected amortization of DAC during those years. We measure the recoverability of DAC by performing loss recognition tests in the fourth quarter of each year, but more frequently if appropriate, using best estimate assumptions as of the date of the test. Insurance contracts are grouped for each major product line within a segment when we perform loss recognition tests. If loss recognition testing indicates that DAC is not recoverable, the deficiency is charged to expense. Our testing during the fourth quarter of 2011 indicated impairment of our long-term care DAC, and the balance of $289.8 million as of December 31, 2011 was charged to expense. Our testing indicates that our remaining DAC balance as of December 31, 2011 is recoverable. See "Long-term Care Strategic Review" contained in this Item 7 for further discussion.

In October 2010, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update, now included in Accounting Standards Codification 944 "Financial Services - Insurance," to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify as deferred acquisition costs. The amendments in the update modify the existing guidance and require that only incremental direct costs associated with the successful acquisition of a new or renewal insurance contract can be capitalized. All other costs are to be expensed as incurred. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, and permit retrospective application. Our retrospective adoption of this standard during the first quarter of 2012 is expected to result in a cumulative effect decrease in stockholders' equity as of January 1, 2012, 2011, and 2010 of approximately $407 million, $459 million, and $455 million, respectively. Net income restated as a result of the retrospective adoption is expected to decrease $12.1 million, $7.4 million, and $5.3 million for the years ended December 31, 2011, 2010, and 2009, respectively, excluding the impact of this adoption on the long-term care DAC impairment which occurred as of December 31, 2011. A portion of the long-term care DAC will be written off as of the beginning of the earliest period presented, and as such, the remaining balance to be impaired, subsequent to adoption of this update, will equal $196.1 million before tax as of December 31, 2011. The adjustment to this previously reported impairment charge is expected to increase net income $60.9 million in 2011, resulting in a net increase of $48.8 million on a restated basis for the year ended December 31, 2011. The adoption of this update will result in a decrease in the level of costs we defer and is expected to result in an immaterial decrease in net income in 2012. See Note 1 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Valuation of Investments

All of our fixed maturity securities are classified as available-for-sale and are reported at fair value. Our derivative financial instruments, including certain derivative instruments embedded in other contracts, are reported as either assets or liabilities and measured at fair value. We hold an immaterial amount of equity securities, which are also reported at fair value.

Definition of Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and, therefore, represents an exit price, not an entry price. The exit price objective applies regardless of a reporting entity's intent and/or ability to sell the asset or transfer the liability at the measurement date.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. An active market for a financial instrument is a market in which transactions for an asset or a similar asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and should be used to measure fair value whenever available. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions.

Valuation Techniques

Valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types:

1. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach often use market multiples derived from a set of comparables or matrix pricing. Market multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both quantitative and qualitative factors specific to the measurement. Matrix pricing is a mathematical technique used principally to value certain securities without relying exclusively on quoted prices for the specific securities but comparing the securities to benchmark or comparable securities.

2. The income approach converts future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. Income approach techniques rely on current market expectations of future amounts. Examples of income approach valuation techniques include present value techniques, option-pricing models that incorporate present value techniques, and the multi-period excess earnings method.

3. The cost approach is based upon the amount that currently would be required to replace the service capacity of an asset, or the current replacement cost. That is, from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available that can be obtained without undue cost and effort. In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or liability using quoted prices in an active market for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate. If we use multiple valuation techniques to measure fair value, we evaluate and weigh the results, as appropriate, considering the reasonableness of the range indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach valuation technique provides more observable data than the income approach, considering the type of investments we hold. The market sources from which we obtain or derive the fair values of our assets and liabilities carried at market value include quoted market prices for actual trades, price quotes from third party pricing vendors, price quotes we obtain from outside brokers, matrix pricing, discounted cash flow, and observable prices for similar publicly traded or privately traded issues that incorporate the credit quality and industry sector of the issuer. Our fair value measurements could differ significantly based on the valuation technique and available inputs.

When using a pricing service, we obtain the vendor's pricing methodology documentation to ensure we understand their methodologies. We periodically review and approve the selection of the pricing vendors we use to ensure we are in agreement with their methodologies. We also review the reasonableness of sources and inputs used in developing pricing. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. We monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether the quote is a binding offer. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2011, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2010.

Inputs to Valuation Techniques

Inputs refer broadly to the assumptions that market participants use in pricing assets or liabilities, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique. We use observable and unobservable inputs in measuring the fair value of our financial instruments.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources.

Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Inputs that may be used include the following:

- Broker market maker prices and price levels
- Trade Reporting and Compliance Engine (TRACE) pricing
- Prices obtained from external pricing services
- Benchmark yields (Treasury and interest rate swap curves)
- Transactional data for new issuance and secondary trades
- Security cash flows and structures
- Recent issuance/supply
- Sector and issuer level spreads
- Security credit ratings/maturity/capital structure/optionality
- Corporate actions
- Underlying collateral
- Prepayment speeds/loan performance/delinquencies/weighted average life/seasoning
- Public covenants
- Comparative bond analysis
- Derivative spreads
- Relevant reports issued by analysts and rating agencies
- Audited financial statements

We review all prices obtained to ensure they are consistent with a variety of observable market inputs and to verify the validity of a security's price. In the event we receive a vendor's market price that does not appear reasonable based on our market analysis, we may challenge the price and request further information about the assumptions and methodologies used by the vendor to price the security. We may change the vendor price based on a better data source such as an actual trade. We also review all price changes from the prior month which fall outside a predetermined corridor. The overall valuation process for determining fair values may include adjustments to valuations obtained from our pricing sources when they do not represent a valid exit price. These adjustments may be made when, in our judgment and considering our knowledge of the financial conditions and industry in which the issuer operates, certain features of the financial instrument require that an adjustment be made to the value originally obtained from our pricing sources. These features may include the complexity of the financial instrument, the market in which the financial instrument is traded, counterparty credit risk, credit structure, concentration, or liquidity. Additionally, an adjustment to the price derived from a model typically reflects our judgment of the inputs that other participants in the market for the financial instrument being measured at fair value would consider in pricing that same financial instrument. In the event that we sell an asset, we test the validity of the fair value determined by our valuation techniques by comparing the selling price to the fair value determined for the asset in the immediately preceding reporting period or prior month end closest to the transaction date. Historically, our realized gain or loss on disposition of an investment is consistent with the assumptions under the valuation methodologies described above, which, combined with the results of our testing, indicates to us that our pricing methodologies are appropriate.

The parameters and inputs used to validate a price on a security may be adjusted for assumptions about risk and current market conditions on a quarter to quarter basis, as certain features may be more significant drivers of valuation at the time of pricing. Changes to inputs in valuations are not changes to valuation methodologies; rather, the inputs are modified to reflect direct or indirect impacts on asset classes from changes in market conditions.

Fair values for derivatives other than embedded derivatives in modified coinsurance arrangements are based on market quotes or pricing models and represent the net amount of cash we would have paid or received if the contracts had been settled or closed as of the last day of the period. We analyze credit default swap spreads relative to the average credit spread embedded within the London Interbank Offered Rate (LIBOR) setting syndicate in determining the effect of credit risk on our derivatives' fair values. If counterparty credit risk for a derivative asset is determined to be material and is not adequately reflected in the LIBOR-based fair value obtained from our pricing sources, we adjust the valuations obtained from our pricing sources. In regard to our own credit risk component, we adjust the valuation of derivative liabilities wherein the counterparty is exposed to our credit risk when the LIBOR-based valuation of our derivatives obtained from pricing sources does not effectively include an adequate credit component for our own credit risk.

Fair values for our embedded derivative in a modified coinsurance arrangement are estimated using internal pricing models and represent the hypothetical value of the duration mismatch of assets and liabilities, interest rate risk, and third party credit risk embedded in the modified coinsurance arrangement.

Certain of our investments do not have readily determinable market prices and/or observable inputs or may at times be affected by the lack of market liquidity. For these securities, we use internally prepared valuations combining matrix pricing with vendor purchased software programs, including valuations based on estimates of future profitability, to estimate the fair value. Additionally, we may obtain prices from independent third-party brokers to aid in establishing valuations for certain of these securities. Key assumptions used by us to determine fair value for these securities include risk free interest rates, risk premiums, performance of underlying collateral (if any), and other factors involving significant assumptions which may or may not reflect those of an active market.

As of December 31, 2011, the key assumptions we generally used to estimate the fair value of these types of securities included those listed below. Where appropriate, we have noted the assumption used for the prior period as well as the reason for the change.

- Risk free interest rates of 0.83 percent for five-year maturities to 2.89 percent for 30-year maturities were derived from the current yield curve for U.S. Treasury Bonds with similar maturities. This compares to interest rates of 2.01 percent for five-year maturities to 4.33 percent for 30-year maturities used at December 31, 2010.
- Current Baa corporate bond spreads ranging from 1.53 percent to 2.97 percent were added to the risk free rate to reflect the lack of liquidity. We used spreads ranging from 1.31 percent to 2.15 percent at December 31, 2010. The changes were based on observable market spreads. Newly issued private placement securities have historically offered yield premiums higher than a similar interest rate spread on comparable newly issued public securities.
- Additional basis points were added as deemed appropriate for foreign investments, certain industries, and individual securities in certain industries that are considered to be of greater risk.

At December 31, 2011, approximately 10.9 percent of our fixed maturity securities were valued using active trades from TRACE pricing or broker market maker prices for which there was current market activity in that specific security (comparable to receiving one binding quote). The prices obtained were not adjusted, and the assets were classified as Level 1, the highest category of the three-level fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities.

The remaining 89.1 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

- Approximately 71.1 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2. Level 2 assets or liabilities are those valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

- Approximately 4.1 percent of our fixed maturity securities were valued based on one or more non-binding broker price levels, if validated by observable market data, or on TRACE prices for identical or similar assets absent current market activity. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.

- Approximately 13.9 percent of our fixed maturity securities were valued based on prices of comparable securities, matrix pricing, market models, and/or internal models or were valued based on non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data. Level 3 is the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

We consider transactions in inactive or disorderly markets to be less representative of fair value. We use all available observable inputs when measuring fair value, but when significant other unobservable inputs and adjustments are necessary, we classify these assets or liabilities as Level 3.

As of December 31, 2011, approximately 10.9 percent of our fixed maturity securities were categorized as Level 1, 86.4 percent as Level 2, and 2.7 percent as Level 3. During 2011, we transferred $561.9 million of fixed maturity securities into Level 3 and $626.3 million of fixed maturity securities out of Level 3. The transfers between levels resulted primarily from a change in observability of three inputs used to determine fair values of the securities transferred: (1) transactional data for new issuance and secondary trades, (2) broker/dealer quotes and pricing, primarily related to changes in the level of activity in the market and whether the market was considered orderly, and (3) comparable bond metrics from which to perform an analysis. For fair value measurements of financial instruments that were transferred either into or out of Level 3, we reflect the transfers using the fair value at the beginning of the period. We believe this allows for greater transparency as all changes in fair value that arise during the reporting period of the transfer are disclosed as a component of our Level 3 reconciliation as shown in Note 2 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Other-than-Temporary Impairment Analysis for Investments

In determining when a decline in fair value below amortized cost of a fixed maturity security is other than temporary, we evaluate the following factors:

- Whether we expect to recover the entire amortized cost basis of the security
- Whether we intend to sell the security or will be required to sell the security before the recovery of its amortized cost basis
- Whether the security is current as to principal and interest payments
- The significance of the decline in value

- The time period during which there has been a significant decline in value
- Current and future business prospects and trends of earnings
- The valuation of the security's underlying collateral
- Relevant industry conditions and trends relative to their historical cycles
- Market conditions
- Rating agency and governmental actions
- Bid and offering prices and the level of trading activity
- Adverse changes in estimated cash flows for securitized investments
- Changes in fair value subsequent to the balance sheet date
- Any other key measures for the related security.

We evaluate available information, including the factors noted above, both positive and negative, in reaching our conclusions. In particular, we also consider the strength of the issuer's balance sheet, its debt obligations and near term funding requirements, cash flow and liquidity, the profitability of its core businesses, the availability of marketable assets which could be sold to increase liquidity, its industry fundamentals and regulatory environment, and its access to capital markets. Although all available and applicable factors are considered in our analysis, our expectation of recovering the entire amortized cost basis of the security, whether we intend to sell the security, whether it is more likely than not we will be required to sell the security before recovery of its amortized cost, and whether the security is current on principal and interest payments are the most critical factors in determining whether impairments are other than temporary. The significance of the decline in value and the length of time during which there has been a significant decline are also important factors, but we generally do not record an impairment loss based solely on these two factors, since often other more relevant factors will impact our evaluation of a security.

While determining other-than-temporary impairments is a judgmental area, we utilize a formal, well-defined, and disciplined process to monitor and evaluate our fixed income investment portfolio, supported by issuer specific research and documentation as of the end of each period. The process results in a thorough evaluation of problem investments and the recording of losses on a timely basis for investments determined to have an other-than-temporary impairment.

If we determine that the decline in value of an investment is other than temporary, the investment is written down to fair value, and an impairment loss is recognized in the current period, either in earnings or in both earnings and other comprehensive income, as applicable. For those fixed maturity securities with an unrealized loss for which we have not recognized an other-than-temporary impairment, we believe we will recover the entire amortized cost, we do not intend to sell the security, and we do not believe it is more likely than not we will be required to sell the security before recovery of its amortized cost. There have been no defaults in the repayment obligations of any securities for which we have not recorded an other-than-temporary impairment.

Other-than-temporary impairment losses on fixed maturity securities which we intend to sell or more likely than not will be required to sell before recovery in value are recognized in earnings and equal the entire difference between the security's amortized cost basis and its fair value. For securities which we do not intend to sell and it is not more likely than not that we will be required to sell before recovery in value, other-than-temporary impairment losses recognized in earnings generally represent the difference between the amortized cost of the security and the present value of our best estimate of cash flows expected to be collected, discounted using the effective interest rate implicit in the security at the date of acquisition. The determination of cash flows is inherently subjective, and methodologies may vary depending on the circumstances specific to the security. The timing and amount of our cash flow estimates are developed using historical and forecast financial information from the issuer, including its current and projected liquidity position. We also consider industry analyst reports and forecasts, sector credit ratings, future business prospects and earnings trends, issuer refinancing capabilities, actual and/or potential asset sales by the issuer, and other data relevant to the collectibility of the contractual cash flows of the security. We take into account the probability of default, expected recoveries, third party guarantees, quality of collateral, and where our debt security ranks in terms of subordination. We may use the estimated fair value of collateral as a proxy for the present value of cash flows if we believe the security is dependent on the liquidation of collateral for recovery of our investment. For fixed maturity securities for which we have recognized an other-than-temporary impairment loss through earnings, if through subsequent evaluation there is a significant increase in expected cash flows, the difference between the new amortized cost basis and the cash flows expected to be collected is accreted as net investment income.

We use a comprehensive rating system to evaluate the investment and credit risk of our mortgage loans and to identify specific properties for inspection and reevaluation. Mortgage loans are considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. We establish an allowance for probable losses on mortgage loans based on a review of individual loans, considering the value of the underlying collateral. Mortgage loans are not reported at fair value in our consolidated balance sheets unless the mortgage loan is considered impaired, in which case the impairment is recognized as a realized investment loss in our consolidated statements of income.

There are a number of significant risks inherent in the process of monitoring our investments for impairments and determining when and if an impairment is other than temporary. These risks and uncertainties include the following possibilities:

- The assessment of a borrower's ability to meet its contractual obligations will change.
- The economic outlook, either domestic or foreign, may be less favorable or may have a more significant impact on the borrower than anticipated, and as such, the investment may not recover in value.
- New information may become available concerning the security, such as disclosure of accounting irregularities, fraud, or corporate governance issues.
- Significant changes in credit spreads may occur in the related industry.
- Significant increases in interest rates may occur and may not return to levels similar to when securities were initially purchased.
- Adverse rating agency actions may occur.

Pension and Postretirement Benefit Plans

We sponsor several defined benefit pension and other postretirement benefit (OPEB) plans for our employees, including non-qualified pension plans. The U.S. pension plans comprise the majority of our total benefit obligation and pension expense. Our U.K. operation maintains a separate defined benefit plan for eligible employees. The U.K. defined benefit pension plan was closed to new entrants on December 31, 2002.

Our net periodic benefit costs and the value of our benefit obligations for these plans are determined based on a set of economic and demographic assumptions that represent our best estimate of future expected experience. Major assumptions used in accounting for these plans include the expected discount (interest) rate and the long-term rate of return on plan assets. We also use, as applicable, expected increases in compensation levels and a weighted average annual rate of increase in the per capita cost of covered benefits, which reflects a health care cost trend rate, and the U.K. pension plan also uses expected cost of living increases to plan benefits.

The assumptions chosen for our pension and OPEB plans are reviewed annually, using a December 31 measurement date for each of our plans. The discount rate assumptions and expected long-term rate of return assumptions have the most significant effect on our net periodic benefit costs associated with these plans. In addition to the effect of changes in our assumptions, the net periodic cost or benefit obligation under our pension and OPEB plans may change due to factors such as actual experience being different from our assumptions, special benefits to terminated employees, or changes in benefits provided under the plans.

Discount Rate Assumptions

The discount rate is an interest assumption used to convert the benefit payment stream to a present value. We set the discount rate assumption at the measurement date for each of our retirement-related benefit plans to reflect the yield of a portfolio of high quality fixed income debt instruments matched against the timing and amounts of projected future benefits. A lower discount rate increases the present value of benefit obligations and increases our costs.

The discount rate we used to determine our 2012 and 2011 net periodic benefit costs for our U.S. pension plans was 5.40 percent and 5.80 percent, respectively. The discount rate used for the net periodic benefit costs for 2012 and 2011 for our U.K. pension plan was 4.90 percent and 5.60 percent, respectively. The discount rate used in the net periodic benefit cost for our OPEB plan for 2012 and 2011 was 5.20 percent and 5.60 percent, respectively.

Reducing the discount rate assumption by 50 basis points would have resulted in an increase in our 2011 pension expense of approximately $15.9 million, before tax, and an increase in our benefit obligation of approximately $161.9

million as of December 31, 2011, resulting in an after-tax decrease in stockholders' equity of approximately $107.0 million as of December 31, 2011. A 50 basis point reduction in the discount rate assumption would not change our annual OPEB costs.

Increasing the discount rate assumption by 50 basis points would have resulted in a decrease in our 2011 pension expense of approximately $13.8 million, before tax, and a decrease in our benefit obligation of approximately $144.2 million as of December 31, 2011, resulting in an after-tax increase in stockholders' equity of approximately $95.3 million as of December 31, 2011. A 50 basis point increase in the discount rate assumption would not change our annual OPEB costs.

Long-term Rate of Return Assumptions

The long-term rate of return assumption is the best estimate of the average annual assumed return that will be produced from the pension trust assets until current benefits are paid. The U.S. pension plans use a compound interest method in computing the rate of return on their pension plan assets. The investment portfolio for our U.S. qualified pension plan contains a diversified blend of domestic and international large cap, mid cap, and small cap equity securities, U.S. government and agency and corporate fixed income securities, private equity funds of funds, and hedge funds of funds. Assets for our U.K. pension plan are invested in pooled funds, including a diversified growth fund, which invests in assets such as global equities, hedge funds, commodities, below-investment-grade fixed income securities, and currencies, as well as leveraged, interest rate, and inflation swap funds intended to broadly match part of the interest rate and inflation sensitivities of the plan's liabilities. Assets for our OPEB plan are invested primarily in life insurance contracts. We believe our investment portfolios are well diversified by asset class and sector, with no potential risk concentrations in any one category.

Our expectations for the future investment returns of the asset categories are based on a combination of historical market performance, evaluations of investment forecasts obtained from external consultants and economists, and current market yields. For the U.S. pension plans, the methodology underlying the return assumption included the various elements of the expected return for each asset class such as long-term rates of return, volatility of returns, and the correlation of returns between various asset classes. The expected return for the total portfolio is calculated based on the plan's current asset allocation. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition.

In 2011, we changed the investment strategy for our U.K. pension plan, which resulted in new investment classes as well as a new target allocation for the plan's assets. At December 31, 2010, the U.K. pension plan's target allocation was 60 percent equity securities and 40 percent fixed income securities. In 2011, we changed the plan's target allocation for the assets to 75 percent diversified growth assets and 25 percent interest rate and inflation swap funds. The new investment classes and new target allocation resulted in lower yields and lower expected returns on the plan's assets. We expect that our 2012 pension costs will be higher than our pension costs in 2011 due primarily to the lower yields on the U.K. plan's investments. This change in investment strategy will not have an impact on our ability to fund this plan.

The long-term rate of return on asset assumption used in the net periodic pension costs for our U.S. qualified defined benefit pension plan for 2012 and 2011 was 7.50 percent for both years. The long-term rate of return on asset assumption used for 2012 and 2011 for our U.K. pension plan was 5.80 percent and 6.70 percent, respectively, and for our OPEB plan, 5.75 percent for both years. The actual rate of return on plan assets is determined based on the fair value of the plan assets at the beginning and the end of the period, adjusted for contributions and benefit payments.

Changing the expected long-term rate of return on the plan assets by +/-50 basis points would have changed our 2011 pension plan expense by approximately $7.0 million before tax, but our OPEB plan expense would not change. A lower rate of return on plan assets increases our expense.

Benefit Obligation and Fair Value of Plan Assets

The market-related value equals the fair value of assets, determined as of the measurement date. The return on assets fully recognizes all asset gains and losses, including changes in fair value, through the measurement date.

During 2011, the fair value of plan assets in our U.S. qualified defined benefit pension plan decreased $8.8 million, or approximately 0.7 percent, while the fair value of plan assets in our U.K. pension plan increased £8.2 million, or approximately 7.3 percent. Although the effect of these changes in fair value had no impact on our 2011 net periodic pension costs, the unfavorable rate of return on the U.S. plan assets in 2011 will have an unfavorable impact on our net periodic pension costs for 2012. We expect that our 2012 pension costs for the U.S. qualified defined benefit pension plan will be higher than our pension costs in 2011 due to asset underperformance and a decrease in the discount rate. The favorable rate of return on the U.K. plan assets in 2011 will have a favorable impact on our net periodic pension costs for 2012. However, we expect that our 2012 U.K. pension plan costs will be higher than in 2011 due to a reduction in the expected return on plan assets resulting from lower yields, as previously discussed. We believe our assumptions appropriately reflect the impact of the current economic environment.

Our pension and OPEB plans have an aggregate unrecognized net actuarial loss of $702.2 million and an unrecognized prior service credit of $4.5 million, which together represent the cumulative liability and asset gains and losses as well as the portion of prior service credits that have not been recognized in pension expense. As of December 31, 2011, the unrecognized net loss for these two items combined was approximately $697.7 million.

The unrecognized gains or losses are amortized as a component of the net benefit cost. Our 2011, 2010, and 2009 pension and OPEB expense includes $28.8 million, $29.1 million, and $40.2 million, respectively, of amortization of the unrecognized net actuarial gain (loss) and prior service credit (cost). The unrecognized net actuarial loss for our pension plans, which is $698.1 million at December 31, 2011, will be amortized over the average future working life of pension plan participants, currently estimated at 11 years for U.S. participants and 12 years for U.K. participants, to the extent that it exceeds the 10 percent corridor, as described below. The unrecognized net actuarial loss of $4.1 million for our OPEB plan will be amortized over the average future working life of OPEB plan participants, currently estimated at 7 years, to the extent the loss is outside of a corridor established in accordance with GAAP. The corridor for the pension and OPEB plans is established based on the greater of 10 percent of the plan assets or 10 percent of the benefit obligation. At December 31, 2011, $515.1 million of the actuarial loss was outside of the corridor for the U.S. plan and £4.0 million was outside of the corridor for the U.K. plan. At December 31, 2011, none of the actuarial loss was outside of the corridor for the OPEB plan.

The fair value of plan assets in our U.S. qualified defined benefit pension plan was $1,170.8 million at December 31, 2011, compared to $1,179.6 million at December 31, 2010. The effect of a reduction in the liability discount rate, together with the decrease in fair value of plan assets, increased our year end deficit funding level to $274.7 million at December 31, 2011, compared to a deficit of $64.0 million as of December 31, 2010.

The fair value of plan assets in our OPEB plan was $11.7 million at December 31, 2011, compared to $11.9 million at December 31, 2010. These assets represent life insurance contracts to fund the life insurance benefit portion of our OPEB plan. Our OPEB plan represents a non-vested, non-guaranteed obligation, and current regulations do not require specific funding levels for these benefits, which are comprised of retiree life, medical, and dental benefits. It is our practice to use general assets to pay medical and dental claims as they come due in lieu of utilizing plan assets for the medical and dental benefit portions of our OPEB plan. We expect to continue to receive subsidies under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, based on current law, to partially offset these payments. The expected subsidy included in our consolidated balance sheets is immaterial.

Our expected return on plan assets and discount rate discussed above will not affect the cash contributions we are required to make to our U.S. pension and OPEB plans because we have met all minimum funding requirements set forth by ERISA. We had no regulatory contribution requirements for 2011 and 2010; however, we elected to make voluntary contributions of $167.0 million in 2010 to our U.S. qualified defined benefit pension plan. We made no pension contributions to our U.S. qualified defined benefit pension plan during 2011, but we expect to make a contribution of approximately $53.0 million in 2012.

During 2006, the U.S. federal government enacted the Pension Protection Act of 2006 which requires companies to fully fund defined benefit pension plans over a seven year period. We have evaluated this requirement and have made estimates of amounts to be funded in the future. Based on this assessment, we do not believe that the funding requirements of the Pension Protection Act will cause a material adverse effect on our liquidity.

The fair value of plan assets for our U.K. pension plan was £120.9 million at December 31, 2011, compared to £112.7 million at December 31, 2010. The U.K. pension plan had a surplus of £11.3 million and £14.8 million at December 31, 2011 and 2010, respectively. We contribute to the plan in accordance with a schedule of contributions which requires that we contribute to the plan at the rate of at least 24.8 percent of pensionable salaries for active members of the plan, plus 0.4 percent of pensionable salaries for all employees (including active members of the plan) who are entitled to lump sum death in service benefits under the plan, sufficient to meet the minimum funding requirement under U.K. legislation. During 2011 and 2010, we made required contributions of £2.9 million and £3.2 million, respectively. We expect to make contributions of approximately £2.9 million during 2012.

See Note 8 of the "Notes to Consolidated Financial Statements" contained herein in Item 8 for further discussion.

Income Taxes

We record a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized. As of December 31, 2011, we had no net operating loss carryforward pertaining to our U.S. operations. In 2011, as part of an IRS settlement, we released the $4.1 million valuation allowance related to basis differences in foreign subsidiaries and net operating loss carryforwards in foreign jurisdictions for which we previously believed we would not realize a tax benefit.

In evaluating the ability to recover deferred tax assets, we have considered all available positive and negative evidence including past operating results, the existence of cumulative losses in the most recent years, forecasted earnings, future taxable income, and prudent and feasible tax planning strategies. In the event we determine that we most likely would not be able to realize all or part of our deferred tax assets in the future, an increase to the valuation allowance would be charged to earnings in the period such determination is made. Likewise, if it is later determined that it is more likely than not that those deferred tax assets would be realized, the previously provided valuation allowance would be reversed.

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.

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in income tax returns. The evaluation of a tax position is a two step process. The first step is to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure a position that satisfies the recognition threshold at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more likely than not threshold but that now satisfy the recognition threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more likely than not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. If a previously recognized tax position is settled for an amount that is different from the amount initially measured, the difference will be recognized as a tax benefit or expense in the period the settlement is effective. We believe that tax positions have been reflected in our financial statements at appropriate amounts in conformity with GAAP.

See Note 6 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Contingent Liabilities

On a quarterly basis, we review relevant information with respect to litigation and contingencies to be reflected in our consolidated financial statements. An estimated loss is accrued when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. It is possible that our results of operations or cash flows in a particular period could be materially affected by an ultimate unfavorable outcome of pending litigation or regulatory matters depending, in part, on our results of operations or cash flows for the particular period. See Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 8.

Consolidated Operating Results
(in millions of dollars)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Revenue					
Premium Income	$7,514.2	1.1 %	$7,431.4	(0.6)%	$7,475.5
Net Investment Income	2,519.6	1.0	2,495.5	6.3	2,346.6
Net Realized Investment Gain (Loss)	(4.9)	(119.8)	24.7	111.1	11.7
Other Income	249.1	3.1	241.6	(6.1)	257.2
Total Revenue	10,278.0	0.8	10,193.2	1.0	10,091.0
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	7,209.5	13.5	6,354.1	1.0	6,291.6
Commissions	879.2	2.8	855.4	2.2	837.1
Interest and Debt Expense	143.3	1.1	141.8	13.1	125.4
Deferral of Acquisition Costs	(628.3)	3.4	(607.7)	2.4	(593.6)
Amortization of Deferred Acquisition Costs	533.8	(2.4)	547.1	4.0	526.2
Impairment of Deferred Acquisition Costs	289.8	N.M.	—	—	—
Compensation Expense	808.0	4.1	776.3	(2.1)	793.3
Other Expenses	785.5	(1.2)	794.9	(2.9)	818.7
Total Benefits and Expenses	10,020.8	13.1	8,861.9	0.7	8,798.7
Income Before Income Tax	257.2	(80.7)	1,331.3	3.0	1,292.3
Income Tax	21.8	(95.1)	445.2	1.3	439.7
Net Income	$235.4	(73.4)	$886.1	3.9	$852.6

N.M. = not a meaningful percentage

In describing our results, we may at times note certain items and exclude the impact on financial ratios and metrics to enhance the understanding and comparability of our operational performance and the underlying fundamentals, but this exclusion is not an indication that similar items may not recur. See "Reconciliation of Non-GAAP Financial Measures" as follows for additional discussion of these items.

The comparability of our financial results between years is affected by the fluctuation in the British pound sterling to dollar exchange rate. The functional currency of our U.K. operations is the British pound sterling. 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. Our weighted average pound/dollar exchange rate was 1.603, 1.543, and 1.554 for the years ended 2011, 2010, and 2009, respectively. If the 2010 and 2009 results for our U.K. operations had been translated at the higher exchange rate of 2011, our operating revenue by segment in 2010 and 2009 would have been higher by approximately $30.7 million and $20.7 million, respectively, and operating income by segment in 2010 and 2009 would have been higher by approximately $8.6 million and $8.1 million, respectively. 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 item and not a reflection of operations or profitability in the U.K.

Consolidated premium income for both 2011 and 2010 includes premium growth, relative to the preceding years, for our Unum US group life and accidental death and dismemberment and voluntary benefits lines of business as well as for Colonial Life. Our Unum US group disability line of business experienced declines in premium income during both 2011 and 2010 relative to prior years due primarily to the ongoing high levels of unemployment and the competitive environment which impact sales growth and premium growth from existing customers. In particular, premium growth from existing customers continues to be unfavorably impacted by lower salary growth and lower growth in the number of employees covered under an existing policy. Premium income for Unum US individual disability - recently issued increased in 2011 and decreased in 2010 relative to prior years due primarily to the volume of sales. Unum UK premium income, in local currency, increased in 2011 but declined in 2010 relative to the prior year periods. Premium growth in Unum UK continues to be pressured by pricing actions resulting from the competitive U.K. market. Premium income for our individual disability closed block of business continued its expected decline in both 2011 and 2010. Our long-term care closed block of business experienced premium growth in both 2011 and 2010 relative to prior years due to higher persistency and group long-term care sales.

Net investment income was higher in 2011 relative to 2010 due primarily to continued growth in the level of invested assets and higher bond call premiums, partially offset by an increase in the amortization of the principal amount invested in our tax credit partnerships due to the higher level of investment in this asset class, a decrease in income on other partnership investments, and a decline in the level of prepayment income on mortgage-backed securities. Net investment income was higher in 2010 relative to 2009 due primarily to growth in the level of invested assets and higher bond call premiums. We also received higher interest income during 2010 on bonds for which interest income is linked to a U.K. inflation index. We invest in index-linked bonds to support the claim reserves associated with Unum UK group policies that provide for inflation-linked increases in benefits. Although over the intermediate-term the investment return from index-linked bonds generally matches the index-linked claim payments and reserves, the effect on investment income from the inflation index-linked bonds may not be completely offset by a similar change in claim payments and reserves in each quarterly or annual period.

We recognized in earnings a net realized investment loss of $4.9 million in 2011 compared to gains of $24.7 million and $11.7 million in 2010 and 2009, respectively. Included in these amounts were other-than-temporary impairment losses on fixed maturity securities of $19.9 million, $15.9 million, and $215.5 million in 2011, 2010, and 2009, respectively, all of which were recognized in earnings other than a loss of $3.7 million in 2009 which was recognized in other comprehensive income.

Also recognized in earnings through realized investment gains and losses was the change in the fair value of an embedded derivative in a modified coinsurance arrangement. Changes in the fair value of this embedded derivative resulted in a realized loss of $39.4 million in 2011 compared to realized gains of $21.1 million and $243.1 million in 2010 and 2009, respectively. Gains and losses on this embedded derivative result primarily from changes in credit spreads in the overall investment market.

The reported benefit ratio was 95.9 percent in 2011. Excluding the reserve charges for our long-term care and individual disability closed blocks of business, the benefit ratio was 85.9 percent in 2011, compared to 85.5 percent and 84.2 percent in 2010 and 2009, respectively, with unfavorable year over year risk results in our Unum UK and Colonial Life segments partially offset by favorable risk results in our Unum US segment. Further discussion of our line of business risk results and claims management performance for each of our segments is included in "Segment Results" as follows.

Interest and debt expense in 2011 was marginally higher than 2010 due primarily to the September 2010 issuance of $400.0 million of debt, mostly offset by the maturity of $225.1 million of debt in March 2011. We also experienced lower interest expense in 2011 compared to 2010 on $350.0 million of debt which we effectively converted into floating rate debt through the use of an interest rate swap entered into during the fourth quarter of 2010. Interest and debt expense for 2010 was higher than in 2009 due to higher levels of outstanding debt, partially offset by lower rates of interest on our floating rate debt issued by Northwind Holdings and Tailwind Holdings. See "Debt" contained in this Item 7 for additional information.

The deferral of acquisition costs increased in both 2011 and 2010 relative to the prior year periods, with continued growth in certain of our product lines and the associated increase in deferrable expenses more than offsetting the lower level of deferrable costs in product lines with lower growth.

The amortization of acquisition costs in 2011 was lower than 2010 due to a decline in amortization related to internal replacement transactions for our Unum US group disability business, lower levels of accelerated amortization related to favorable persistency relative to assumptions for certain issue years in our individual disability recently issued and long-term care product lines, as well as favorable mortality experience for certain of our interest-sensitive life products. The amortization of acquisition costs in 2010 was slightly higher than the preceding year due to the continued increase in the level of deferred acquisition costs as well as an acceleration of amortization resulting from lower persistency for certain issue years in our individual disability recently issued and long-term care product lines. Although the 2010 rate of persistency for the overall block of business within these product lines was favorable to 2009, the persistency for certain individual issue years was less than expected and required additional amortization of deferred acquisition costs.

As previously discussed, at December 31, 2011 we determined that our long-term care deferred acquisition costs of $289.8 million were not recoverable, and we recognized an impairment charge at that time.

The year over year variability in compensation expense primarily relates to incentive compensation which varies with the volume of sales. Also impacting the higher compensation expense in 2011 were costs related to the implementation of expense management initiatives. Other expenses were slightly lower in 2011 compared to the prior year due to our continued focus on operating effectiveness and expense management. Other expenses decreased in 2010 compared to 2009 due primarily to a decline in our pension costs as well as continued expense management.

In 2011, we recognized a reduction in federal income taxes of $41.3 million due to a final settlement with the Internal Revenue Service (IRS) with respect to our appeal of audit adjustments for the tax years 1996 to 2004. Also favorably impacting 2011 income tax compared to prior years is our increased level of investments in low-income housing tax credit partnerships. Our income tax for 2011 was unfavorably impacted by an $18.6 million tax related to the repatriation of £150.0 million of dividends from our U.K. subsidiaries.

The income tax rate in the U.K. is expected to be reduced annually, at least one percent per year, beginning in April 2011, with the ultimate goal of reducing the rate from 28 percent to 23 percent. In accordance with GAAP, we are required to adjust deferred tax assets and liabilities through income on the date of enactment of a rate change, the first of which occurred during the third quarter of 2010. An additional rate change was enacted during the third quarter of 2011. We recorded a reduction of $6.8 million and $2.7 million to our income tax expense during 2011 and 2010, respectively, to reflect the impact of the rate changes on our net deferred tax liability related to our U.K. operations.

In March 2010, legislation related to healthcare reform was signed into law. Among other things, the new legislation reduced the tax benefits available to an employer that receives a postretirement prescription drug coverage subsidy from the federal government under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Under the new legislation, to the extent our future postretirement prescription drug coverage expenses are reimbursed under the subsidy program, the expenses covered by the subsidy will no longer be tax deductible after 2012. Employers that receive the subsidy were required to recognize the deferred tax effects relating to the future postretirement prescription drug coverage in the period the legislation was enacted. Our income tax expense for 2010 included a non-cash tax charge of $10.2 million which was recorded in the first quarter of 2010 to reflect the impact of the tax law change.

Reconciliation of Non-GAAP Financial Measures

We analyze our performance using non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We believe operating income or loss which excludes realized investment gains and losses and certain other items listed in our reconciliation is a better performance measure and a better indicator of the profitability and underlying trends in our business. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains and losses, and a long-term focus is necessary to maintain profitability over the life of the business. Realized investment gains and losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. However, income or loss excluding realized investment gains and losses and certain other items does not replace net income or net loss as a measure of overall profitability. We may experience realized investment losses, which will affect future earnings levels since our underlying business is long-term in nature and we need to earn the interest rates assumed in calculating our liabilities.

The non-GAAP financial measures of "operating revenue," "operating income" or "operating loss," and "after-tax operating income" differ from revenue, income (loss) before income tax, and net income as presented in our consolidated operating results and in income statements prepared in accordance with GAAP due to the exclusion of before-tax realized investment gains and losses and certain other items.

A reconciliation of operating revenue by segment to revenue and operating income by segment to net income is as follows:

(in millions of dollars)

	Year Ended December 31		
	2011	2010	2009
Operating Revenue by Segment	$10,282.9	$10,168.5	$10,079.3
Net Realized Investment Gain (Loss)	(4.9)	24.7	11.7
Revenue	$10,278.0	$10,193.2	$10,091.0
Operating Income by Segment	$262.1	$1,306.6	$1,280.6
Net Realized Investment Gain (Loss)	(4.9)	24.7	11.7
Income Tax	21.8	445.2	439.7
Net Income	$235.4	$886.1	$852.6

As previously noted, included in before-tax "Operating Income by Segment" shown in the preceding chart are certain other items which we may at times exclude from our discussion of financial ratios and metrics in order to enhance the understanding and comparability of our operational performance and the underlying fundamentals, but this exclusion is not an indication that similar items may not recur. Excluding the before-tax charges of $289.8 million to recognize an impairment of our long-term care deferred acquisition costs and $573.6 million and $183.5 million to increase reserves in our long-term care and individual disability closed blocks, respectively, our operating income by segment is $1,309.0 million for 2011. The after-tax impacts of these charges, as well as certain other items, are reflected in the following reconciliation of after-tax operating income to net income:

	Year Ended December 31					
	2011		2010		2009	
	(in millions)	per share *	(in millions)	per share *	(in millions)	per share *
After-tax Operating Income	$896.8	$2.95	$880.6	$2.69	$852.4	$2.57
Deferred Acquisition Costs Impairment and Reserve Charges for Long-term Care Closed Block	(561.2)	(1.85)	—	—	—	—
Reserve Charge for Individual Disability Closed Block	(119.3)	(0.39)	—	—	—	—
Tax Reduction from IRS Settlement	41.3	0.14	—	—	—	—
Tax Related to U.K. Repatriation	(18.6)	(0.06)	—	—	—	—
Tax Related to Healthcare Reform Legislation	—	—	(10.2)	(0.03)	—	—
Net Realized Investment Gain (Loss)	(4.9)	(0.01)	24.7	0.08	11.7	0.04
Income Tax (Benefit) on Net Realized Investment Gain (Loss)	(1.3)	—	9.0	0.03	11.5	0.04
Net Income	$235.4	$0.78	$886.1	$2.71	$852.6	$2.57

* Assuming Dilution

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Consolidated Sales Results

As previously discussed, effective with the fourth quarter of 2011, we reclassified our long-term care line of business from the Unum US segment to the Closed Block segment. Prior period sales results have been restated to reflect this change in our reporting classifications.

(in millions of dollars)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Unum US					
Fully Insured Products	$707.3	9.9 %	$643.4	(5.8)%	$683.1
Administrative Services Only (ASO) Products	6.4	1.6	6.3	(18.2)	7.7
Total Unum US	713.7	9.9	649.7	(5.9)	690.8
Unum UK	100.2	(15.9)	119.2	(3.2)	123.2
Colonial Life	365.9	2.0	358.8	4.4	343.8
Closed Block	36.1	34.7	26.8	(2.9)	27.6
Consolidated	$1,215.9	5.3	$1,154.5	(2.6)	$1,185.4

Sales results shown in the preceding chart generally represent the annualized premium or annualized fee income on new sales which we expect to receive and report as premium income or fee income during the next 12 months following or beginning in the initial quarter in which the sale is reported, depending on the effective date of the new sale. Sales do not correspond to premium income or fee income reported as revenue in accordance with GAAP. This is because new annualized sales premiums reflect current sales performance and what we expect to recognize as premium or fee income over a 12 month period, while premium income and fee income reported in our financial statements are reported on an "as earned" basis rather than an annualized basis and also include renewals and persistency of in-force policies written in prior years as well as current new sales.

Premiums for fully insured products are reported as premium income. Fees for ASO and family medical leave products are included in other income. Sales, persistency of the existing block of business, and the effectiveness of a renewal program are indicators of growth in premium and fee income. Trends in new sales, as well as existing market share, also indicate the potential for growth in our respective markets and the level of market acceptance of price changes and new product offerings. Sales results may fluctuate significantly due to case size and timing of sales submissions.

We experienced lower sales growth from some of our product lines during 2011 and the two preceding years which we believe is mostly attributable to the economic environment. We expect this unfavorable pattern may continue in the near term if current economic conditions persist.

See "Segment Results" as follows for additional discussion of sales by segment.

Segment Results

Our reporting segments are comprised of the following: Unum US, Unum UK, Colonial Life, Closed Block, and Corporate. In conjunction with our long-term care strategic review, effective with the fourth quarter of 2011 we modified our reporting segments to reclassify our long-term care products from the Unum US segment to the Closed Block segment. We also reclassified our other 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, which were previously reported in the Corporate and Other segment to the Closed Block segment. The inclusion of all closed blocks of business into one operating segment aligns with our reporting and monitoring of our closed blocks of business within a discrete segment and is consistent with our separation of these blocks of business from the lines of business which actively market new products. Prior period segment results have been restated to reflect this change in our reporting classifications.

Financial information for each of the reporting segments is as follows.

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, which are comprised of individual disability - recently issued insurance and voluntary benefits products. As previously noted, effective with the fourth quarter of 2011, we reclassified our long-term care products from the Unum US segment to the Closed Block segment.

Unum US Operating Results

Shown below are financial results for the Unum US segment. In the sections following, financial results and key ratios are also presented for the major lines of business within the segment.
(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income	$4,296.0	1.0 %	$4,255.4	(0.5)%	$4,278.4
Net Investment Income	951.4	1.1	941.5	0.8	934.3
Other Income	121.6	(1.0)	122.8	3.4	118.8
Total	5,369.0	0.9	5,319.7	(0.2)	5,331.5
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	3,113.5	(0.3)	3,124.4	(2.1)	3,192.1
Commissions	474.0	2.9	460.6	2.7	448.3
Interest and Debt Expense	1.0	(16.7)	1.2	(40.0)	2.0
Deferral of Acquisition Costs	(333.8)	3.3	(323.2)	0.5	(321.6)
Amortization of Deferred Acquisition Costs	298.7	(3.0)	307.9	4.8	293.8
Other Expenses	995.8	1.6	979.7	(2.0)	999.3
Total	4,549.2	—	4,550.6	(1.4)	4,613.9
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$819.8	6.6	$769.1	7.2	$717.6

Operating Ratios (% of Premium Income):						
Benefit Ratio	72.5	%	73.4	%	74.6	%
Other Expense Ratio	23.2	%	23.0	%	23.4	%
Before-tax Operating Income Ratio	19.1	%	18.1	%	16.8	%

Unum US Group Disability Operating Results

Shown below are financial results and key performance indicators for Unum US group disability.

(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Group Long-term Disability	$1,580.2	(3.6)%	$1,639.4	(5.1)%	$1,726.9
Group Short-term Disability	455.2	5.6	430.9	(0.4)	432.8
Total Premium Income	2,035.4	(1.7)	2,070.3	(4.1)	2,159.7
Net Investment Income	605.0	(1.6)	614.6	(2.4)	629.4
Other Income	89.4	3.1	86.7	(2.5)	88.9
Total	2,729.8	(1.5)	2,771.6	(3.7)	2,878.0
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	1,722.1	(1.5)	1,747.8	(6.2)	1,862.8
Commissions	159.5	(0.1)	159.7	(1.5)	162.2
Interest and Debt Expense	1.0	(16.7)	1.2	(40.0)	2.0
Deferral of Acquisition Costs	(61.0)	3.4	(59.0)	(5.6)	(62.5)
Amortization of Deferred Acquisition Costs	59.9	(5.7)	63.5	(5.6)	67.3
Other Expenses	547.0	0.6	543.7	(5.0)	572.6
Total	2,428.5	(1.2)	2,456.9	(5.7)	2,604.4
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$301.3	(4.3)	$314.7	15.0	$273.6
Operating Ratios (% of Premium Income):					
Benefit Ratio	84.6%		84.4%		86.3%
Other Expense Ratio	26.9%		26.3%		26.5%
Before-tax Operating Income Ratio	14.8%		15.2%		12.7%
Premium Persistency:					
Group Long-term Disability	90.2%		89.4%		86.9%
Group Short-term Disability	89.9%		88.6%		86.8%
Case Persistency:					
Group Long-term Disability	89.0%		88.4%		87.4%
Group Short-term Disability	88.0%		87.3%		86.5%

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Group disability premium income decreased in 2011 compared to 2010, as the ongoing high levels of unemployment and the competitive environment continued to pressure our premium income growth. In particular, premium growth from existing customers continued to be unfavorably impacted by lower salary growth and lower growth in the number of employees covered under an existing policy. Partially offsetting the unfavorable growth trend from existing customers was higher premium and case persistency for both group long-term disability and group short-term disability.

Net investment income was lower in 2011 compared to 2010, due primarily to a decrease in the level of assets supporting this line of business and a decline in the level of prepayment income on mortgage-backed securities, partially offset by an increase in bond call premiums. Other income includes ASO fees of $56.6 million and $57.6 million in 2011 and 2010, respectively, and $21.3 million and $17.3 million of fees from fee-based family medical leave products.

The benefit ratio was slightly higher in 2011 compared to 2010 due to an increase in group long-term and short-term disability incidence rates and a decrease in the claim reserve discount rate, effective with the third quarter of 2011, for group long-term disability new claim incurrals. These unfavorable impacts on the benefit ratio were mostly offset by a higher rate of group long-term disability recoveries.

The deferral of acquisition costs in 2011 was higher than 2010 due to a higher level of sales in 2011 and an increase in the associated acquisition costs. The amortization of acquisition costs in 2011 was lower than 2010 due to a decrease in amortization related to internal replacement transactions. Although we have continued our focus on operating effectiveness and expense management throughout 2011, the other expense ratio was slightly higher in 2011 relative to 2010 due primarily to an increase in expenses associated with the growth in the fee-based family medical leave products as well as lower premium income.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Group disability premium income decreased in 2010 compared to 2009, due in part to the high levels of unemployment and the resulting impact on growth from existing customers as well as the competitive environment. Partially offsetting the unfavorable growth trend from existing customers was higher premium and case persistency for both group long-term and short-term disability compared to 2009.

Net investment income was lower in 2010 relative to 2009 due primarily to a decrease in the level of assets supporting this line of business and a decline in the level of prepayment income on mortgage-backed securities, partially offset by an increase in bond call premiums. Other income included ASO fees of $57.6 million and $59.2 million for 2010 and 2009, respectively, and $17.3 million of fees each year in both 2010 and 2009 from fee-based family medical leave products.

The benefit ratio was lower in 2010 compared to 2009 due primarily to a higher rate of claim recoveries for group long-term disability, offset partially by an increase in claim incidence rates for both group long-term and short-term disability.

Interest and debt expense related to the debt issued by Tailwind Holdings decreased in 2010 relative to 2009 due to lower rates of interest on the floating rate debt and a decrease in the amount of outstanding debt resulting from principal repayments.

The deferral of acquisition costs in 2010 was lower than 2009 due to a lower level of sales. The amortization of acquisition costs in 2010 was lower than 2009 due to a decrease in amortization related to internal replacement transactions and a declining balance in the deferred acquisition costs asset. The other expense ratio decreased slightly in 2010 relative to 2009, despite the decline in premium income, due to our continued focus on expense management.

Unum US Group Life and Accidental Death and Dismemberment Operating Results

Shown below are financial results and key performance indicators for Unum US group life and accidental death and dismemberment.

(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Group Life	$1,106.7	1.5 %	$1,090.3	3.1 %	$1,057.7
Accidental Death & Dismemberment	109.2	2.9	106.1	1.1	104.9
Total Premium Income	1,215.9	1.6	1,196.4	2.9	1,162.6
Net Investment Income	135.5	4.6	129.6	2.5	126.5
Other Income	2.2	(8.3)	2.4	26.3	1.9
Total	1,353.6	1.9	1,328.4	2.9	1,291.0
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	854.6	1.8	839.9	3.0	815.5
Commissions	95.5	6.9	89.3	4.6	85.4
Deferral of Acquisition Costs	(51.9)	5.3	(49.3)	2.5	(48.1)
Amortization of Deferred Acquisition Costs	43.1	(0.5)	43.3	(5.7)	45.9
Other Expenses	199.3	1.4	196.5	(0.6)	197.6
Total	1,140.6	1.9	1,119.7	2.1	1,096.3
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$213.0	2.1	$208.7	7.2	$194.7
Operating Ratios (% of Premium Income):					
Benefit Ratio	70.3 %		70.2 %		70.1 %
Other Expense Ratio	16.4 %		16.4 %		17.0 %
Before-tax Operating Income Ratio	17.5 %		17.4 %		16.7 %
Premium Persistency:					
Group Life	88.0 %		91.5 %		86.9 %
Accidental Death & Dismemberment	88.2 %		90.7 %		88.1 %
Case Persistency:					
Group Life	88.6 %		88.3 %		87.2 %
Accidental Death & Dismemberment	88.6 %		88.4 %		87.2 %

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Premium income for group life and accidental death and dismemberment increased in 2011 compared to 2010 due primarily to higher group life sales, partially offset by lower premium persistency in the large case group life products. Case persistency in 2011 was slightly higher than 2010. Net investment income was higher in 2011 compared to 2010 due primarily to an increase in the level of assets supporting this line of business, partially offset by a decline in the level of prepayment income on mortgage-backed securities.

The 2011 benefit ratio was consistent with the benefit ratio of 2010. Commissions and the deferral of acquisition costs were higher in 2011 compared to 2010 due primarily to a higher level of group life sales. The amortization of acquisition costs in 2011 was slightly lower than in 2010, due primarily to volatility in the level of amortization associated with internal replacement transactions. The other expense ratio in 2011 was consistent with 2010 as we continue our efforts to manage our expense levels relative to premium levels through operating effectiveness and expense management.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Premium income for group life and accidental death and dismemberment increased in 2010 relative to 2009 due primarily to favorable premium and case persistency. Premium and case persistency for the group life product line increased in both the core and large case market segments. Net investment income was higher in 2010 compared to 2009 due primarily to an increase in the level of assets supporting this line of business.

The benefit ratio for 2010 was consistent with 2009. Commissions were higher due to an increase in supplemental payments. The deferral of acquisition costs increased in 2010 compared to 2009 due primarily to the increase in commission expense. The amortization of acquisition costs in 2010 was lower than 2009 due primarily to a decrease in amortization related to internal replacement transactions. The other expense ratio decreased in 2010 in comparison to 2009 due to our continued focus on expense management.

Unum US Supplemental and Voluntary Operating Results

Shown below are financial results and key performance indicators for Unum US supplemental and voluntary product lines.

(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Individual Disability - Recently Issued	$464.7	1.5 %	$457.9	(1.3)%	$463.7
Voluntary Benefits	580.0	9.3	530.8	7.8	492.4
Total Premium Income	1,044.7	5.7	988.7	3.4	956.1
Net Investment Income	210.9	6.9	197.3	10.6	178.4
Other Income	30.0	(11.0)	33.7	20.4	28.0
Total	1,285.6	5.4	1,219.7	4.9	1,162.5
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	536.8	—	536.7	4.5	513.8
Commissions	219.0	3.5	211.6	5.4	200.7
Deferral of Acquisition Costs	(220.9)	2.8	(214.9)	1.8	(211.0)
Amortization of Deferred Acquisition Costs	195.7	(2.7)	201.1	11.4	180.6
Other Expenses	249.5	4.2	239.5	4.5	229.1
Total	980.1	0.6	974.0	6.7	913.2
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$305.5	24.3	$245.7	(1.4)	$249.3
Operating Ratios (% of Premium Income):					
Benefit Ratios:					
Individual Disability - Recently Issued	52.2 %		53.3 %		51.4 %
Voluntary Benefits	50.7 %		55.1 %		56.0 %
Other Expense Ratio	23.9 %		24.2 %		24.0 %
Before-tax Operating Income Ratio	29.2 %		24.9 %		26.1 %
Interest Adjusted Loss Ratio:					
Individual Disability - Recently Issued	30.8 %		32.5 %		32.5 %
Premium Persistency:					
Individual Disability - Recently Issued	89.3 %		90.7 %		89.6 %
Voluntary Benefits	80.5 %		80.1 %		79.9 %

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Premium income was higher in 2011 compared to 2010 due primarily to growth in our voluntary benefits product line. Premium persistency for the individual disability - recently issued product line decreased, while the premium persistency for the voluntary benefits product line increased slightly. Net investment income was higher in 2011 compared to 2010 due to primarily to an increase in the level of assets supporting these lines of business, partially offset by a decline in the level of prepayment income on mortgage-backed securities and a decline in bond call premiums.

The interest adjusted loss ratio for the individual disability - recently issued line of business in 2011 was lower than 2010 due to lower incidence rates. The benefit ratio for voluntary benefits was lower in 2011 compared to 2010 due primarily to a lower average paid claim size for voluntary life and lower paid incidence and prevalence rates for voluntary disability.

Commissions and the deferral of acquisition costs were higher in 2011 than 2010 due to higher sales. The amortization of deferred acquisition costs was lower in 2011 compared to 2010 due to favorable premium persistency relative to assumptions for certain issue years within certain of our product lines as well as prospective unlocking for favorable mortality experience relative to assumptions for our interest-sensitive voluntary life products. The other expense ratio in 2011 was lower than 2010 as we continue to focus on expense management.

The individual disability - recently issued product line had goodwill of approximately $187.5 million at December 31, 2011, none of which is currently believed to be at risk for future impairment. The fair value of this product line is significantly in excess of its carrying value.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Premium income increased in 2010 relative to 2009 due primarily to sales growth in the voluntary benefits product line and higher persistency. Premium income declined in 2010 relative to 2009 for individual disability - recently issued due to lower sales, partially offset by favorable persistency. Net investment income increased in 2010 relative to 2009 due to an increase in the level of assets supporting these lines of business and an increase in bond call premiums, partially offset by a decline in the level of prepayment income on mortgage-backed securities.

The interest adjusted loss ratio for the individual disability - recently issued line of business in 2010 was consistent with 2009, with a higher rate of claim recoveries generally offsetting the higher paid claim incidence rates. The benefit ratio for voluntary benefits decreased in 2010 when compared to 2009 due primarily to a lower average paid claim size in the voluntary life product line, particularly in the second half of 2010.

Commissions in 2010 were higher than 2009 due to the increase in voluntary benefits sales. The deferral of acquisition costs in 2010 was slightly higher than the level of 2009. The amortization of deferred acquisition costs was higher in 2010 relative to 2009 due to an acceleration of amortization resulting from lower persistency for certain issue years in certain of the product lines. The other expense ratio in 2010 was slightly higher than the level of 2009.

Unum US Sales
(in millions of dollars)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Sales by Product					
Fully Insured Products					
Group Disability, Group Life, and AD&D					
Group Long-term Disability	$165.0	11.3 %	$148.2	(18.6)%	$182.1
Group Short-term Disability	84.9	5.7	80.3	(4.3)	83.9
Group Life	185.3	11.0	166.9	(9.7)	184.9
AD&D	17.6	(2.8)	18.1	(3.2)	18.7
Subtotal	452.8	9.5	413.5	(11.9)	469.6
Supplemental and Voluntary					
Individual Disability - Recently Issued	55.6	30.2	42.7	(17.2)	51.6
Voluntary Benefits	198.9	6.3	187.2	15.6	161.9
Subtotal	254.5	10.7	229.9	7.7	213.5
Total Fully Insured Products	707.3	9.9	643.4	(5.8)	683.1
ASO Products	6.4	1.6	6.3	(18.2)	7.7
Total Sales	$713.7	9.9	$649.7	(5.9)	$690.8
Sales by Market Sector					
Group Disability, Group Life, and AD&D					
Core Market (< 2,000 lives)	$322.1	9.6 %	$294.0	(8.3)%	$320.6
Large Case Market	130.7	9.4	119.5	(19.8)	149.0
Subtotal	452.8	9.5	413.5	(11.9)	469.6
Supplemental and Voluntary	254.5	10.7	229.9	7.7	213.5
Total Fully Insured Products	707.3	9.9	643.4	(5.8)	683.1
ASO Products	6.4	1.6	6.3	(18.2)	7.7
Total Sales	$713.7	9.9	$649.7	(5.9)	$690.8

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Unum US sales improved in 2011 compared to 2010, with growth in each of our product lines, other than accidental death and dismemberment, and growth in each of our major market segments. Sales in our group core market segment were 9.6 percent higher in 2011 compared to 2010, with increases in each of the product lines within this market segment. The number of new accounts added in our group core market segment during 2011 was 4.4 percent higher than the number of new accounts added during 2010.

Sales in our group large case market segment were 9.4 percent higher in 2011 compared to 2010 due to higher group long-term disability and group life sales, partially offset by lower group short-term disability and accidental, death, and dismemberment sales. Our sales mix of group products in 2011 was approximately 71 percent core market and 29 percent large case market.

Sales of voluntary benefits were 6.3 percent higher in 2011 compared to 2010 due primarily to higher sales from existing customers. The number of new accounts added in the voluntary benefits product line was 2.9 percent higher in 2011 than the number of new accounts added during 2010.

Sales in our individual disability - recently issued line of business, which are primarily concentrated in the multi-life market, were 30.2 percent higher in 2011 compared to 2010. The year over year increase was primarily due to strong sales in our larger sized markets, as well as the unusually low volume of sales we experienced during 2010 for this line of business.

We believe that the group core market and voluntary benefits market, which combined together are approximately 73 percent of our Unum US sales for 2011 and grew approximately 8.3 percent relative to 2010, represent significant growth opportunities. We will also seek disciplined and opportunistic growth, generally at the market growth rate, in the group large case and individual disability markets. While in the short-term we expect economic trends to continue to pressure sales growth, we believe we are well positioned for economic recovery.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Unum US sales in 2010 were negatively impacted by economic conditions and the competitive environment, as sales declined 5.9 percent in 2010 relative to 2009. Sales in our group core market segment decreased 8.3 percent in 2010 compared to 2009, with lower group long-term and short-term disability sales and lower group life and accidental death and dismemberment sales. The number of new accounts added in our group core market segment during 2010 was 3.0 percent lower than the number of new accounts added during 2009. Sales in the group large case market segment decreased 19.8 percent in 2010 compared to 2009, due in part to one large case sold in 2009. Our 2010 sales mix was approximately 71 percent core market and 29 percent large case market, compared to our 2009 sales mix of approximately 68 percent core market and 32 percent large case market.

Sales of voluntary benefits increased 15.6 percent in 2010 relative to 2009, and the number of new accounts increased 13.3 percent. Sales in our individual disability - recently issued line of business decreased 17.2 percent in 2010 compared to 2009.

Segment Outlook

Although we experienced premium and sales growth during 2011, we believe that premium and sales growth, particularly growth in existing customer accounts, will continue to be pressured by ongoing high levels of unemployment and the competitive environment. Opportunities for premium and sales growth are expected to re-emerge as the economy improves and employment growth resumes. We expect some volatility in net investment income to continue as a result of fluctuations in bond calls and other types of miscellaneous net investment income. We intend to continue to manage our expense levels relative to premium levels through operating effectiveness and performance management.

Certain risks and uncertainties are inherent in the disability insurance business. Components of claims experience, such as incidence and recovery rates, may be worse than we expect. Disability claim incidence and claim recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence. Within the group disability market, pricing and renewal actions can be taken to react to higher claim rates, but 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. The current economic conditions may lead to a higher rate of claim incidence, lower levels of claim recoveries, or lower claim discount rates. We have previously taken steps to improve our risk profile, including reducing our exposure to volatile business segments through diversification by market size, product segment, and industry segment. We believe our claims management organization is positioned for stable and sustainable performance levels. We are uncertain as to whether the higher claim incidence experienced in 2011 was due to the normal volatility that occurs in our group disability business or was related to the economy. As a result of the continued decline in interest rates, during 2011, we lowered our claim discount rate for new claim incurrals in group disability. We are initiating price increases for our group disability products during 2012 as a result of higher claim incidence and the lower claim discount rate. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

We believe our Unum US growth strategy is sound and that we will be able to leverage the capabilities, products, and relationships and reputation we have built to deliver growth as the benefits market stabilizes. We continue to see future growth opportunity based on employee choice, defined employer funding, superior service, and effective communication. We intend to maintain our discipline and will continue (i) directing the majority of our efforts on capturing opportunities emerging in our core group and voluntary markets to grow them at above-market rates, (ii) focusing on margins in large case group insurance, while leveraging core market, voluntary, and other shorter-term investments to grow at market rates, and (iii) seeking opportunities to improve margins and return in our supplemental lines of business. We believe we are well positioned strategically in our markets and that opportunities for continued disciplined growth exist in our group core market segment and in the voluntary markets. While the current economic conditions have impacted our ability to grow premium income and will continue to do so until we return to a more normal economic environment, we expect to achieve marginal year over year growth in our premium income during 2012. We anticipate that the benefit ratio in our group disability product line will be generally consistent with the levels of 2011 and 2010, depending on claim incidence rates and claim discount rates. We think future profit margin improvement is achievable, driven primarily by our continued product mix shift and expense efficiencies as our claims performance gradually flattens.

We began offering group dental benefits through a partnership with United Concordia, beginning with an initial launch in a selected market during the fourth quarter of 2011, with additional markets expected to be added throughout 2012. The product offering will include flexible plan designs aligned with our other employer-sponsored benefit coverages and will be targeted to the group core market segment.

Unum UK Segment

The Unum UK segment includes insurance for group long-term disability, group life, and supplemental and voluntary lines of business. The supplemental and voluntary lines of business are comprised of individual disability, critical illness, and voluntary benefits products. Unum UK's products are sold primarily in the United Kingdom through field sales personnel and independent brokers and consultants.

Operating Results

Shown below are financial results and key performance indicators for the Unum UK segment.

(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Group Long-term Disability	$419.6	(0.4)%	$421.2	(12.7)%	$482.4
Group Life	203.6	18.6	171.6	16.1	147.8
Supplemental and Voluntary	64.4	11.4	57.8	3.4	55.9
Total Premium Income	687.6	5.7	650.6	(5.2)	686.1
Net Investment Income	189.9	11.4	170.5	36.9	124.5
Other Income	0.3	(75.0)	1.2	(50.0)	2.4
Total	877.8	6.7	822.3	1.1	813.0
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	493.8	13.3	435.8	16.6	373.6
Commissions	45.7	3.6	44.1	(5.6)	46.7
Deferral of Acquisition Costs	(30.6)	8.1	(28.3)	(2.7)	(29.1)
Amortization of Deferred Acquisition Costs	29.2	8.1	27.0	(11.5)	30.5
Other Expenses	147.7	9.5	134.9	(4.8)	141.7
Total	685.8	11.8	613.5	8.9	563.4
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$192.0	(8.0)	$208.8	(16.3)	$249.6
Operating Ratios (% of Premium Income):					
Benefit Ratio	71.8%		67.0%		54.5%
Other Expense Ratio	21.5%		20.7%		20.7%
Before-tax Operating Income Ratio	27.9%		32.1%		36.4%
Premium Persistency:					
Group Long-term Disability	86.6%		91.3%		88.5%
Group Life	89.3%		92.7%		80.1%
Supplemental and Voluntary	87.3%		88.9%		88.2%

Foreign Currency Translation

The functional currency of Unum UK is the British pound sterling. Unum UK's premiums, net investment income, claims, and expenses are received or paid in pounds, and we hold pound-denominated assets to support Unum UK's pound-denominated policy reserves and liabilities. We translate Unum UK's pound-denominated financial statement items into dollars for our consolidated financial reporting. We translate income statement items using an average exchange rate for the reporting period, and we translate balance sheet items using the exchange rate at the end of the period. We report unrealized foreign currency translation gains and losses in accumulated other comprehensive income in our consolidated balance sheets.

Fluctuations in the pound to dollar exchange rate have an effect on Unum UK's reported financial results and our consolidated financial results. In periods when the pound strengthens relative to the preceding period, as occurred in 2011 compared to 2010, translating pounds into dollars increases current period results relative to the prior period. In periods when the pound weakens relative to the preceding period, as occurred in 2010 compared to 2009, translating into dollars decreases current period results relative to the prior periods.

(in millions of pounds, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Group Long-term Disability	£261.6	(3.9)%	£272.3	(11.9)%	£309.0
Group Life	127.0	14.5	110.9	17.9	94.1
Supplemental and Voluntary	40.1	7.2	37.4	5.1	35.6
Total Premium Income	428.7	1.9	420.6	(4.1)	438.7
Net Investment Income	118.4	7.4	110.2	38.4	79.6
Other Income	0.1	(88.9)	0.9	(43.8)	1.6
Total	547.2	2.9	531.7	2.3	519.9
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	307.7	9.3	281.4	18.1	238.3
Commissions	28.5	—	28.5	(4.4)	29.8
Deferral of Acquisition Costs	(19.1)	4.4	(18.3)	(1.1)	(18.5)
Amortization of Deferred Acquisition Costs	18.2	4.6	17.4	(10.8)	19.5
Other Expenses	92.1	5.4	87.4	(3.1)	90.2
Total	427.4	7.8	396.4	10.3	359.3
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	£119.8	(11.5)	£135.3	(15.8)	£160.6
Weighted Average Pound/Dollar Exchange Rate	1.603		1.543		1.554

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Premium income was higher in 2011 compared to 2010, although premium growth continued to be pressured by pricing actions resulting from the competitive U.K. market. The 2011 growth in group life premium income was due primarily to an increase in the inforce block of business from prior year sales. Persistency, although below the level of

2010, remains strong. Net investment income was higher in 2011 compared to 2010 due primarily to an increase in the level of assets supporting this business segment, an increase in bond calls, and higher returns from inflation index-linked bonds. These index-linked bonds support the claim reserves associated with certain of our group policies that provide for inflation-linked increases in benefits.

The benefit ratio was higher in 2011 compared to 2010 due to unfavorable risk experience in group long-term disability, which was driven in part by the impact of higher inflation on claim reserves associated with disability policies containing an inflation-linked benefit increase feature. We invest in index-linked bonds to support the claim reserves associated with group policies that provide for inflation-linked increases in benefits. Although over the intermediate-term the investment return from index-linked bonds generally matches the index-linked claim payments and reserves, the effect on investment income from the inflation index-linked bonds may not be completely offset by a similar change in claim payments and reserves in each quarterly period. Also unfavorably impacting the benefit ratio for group long-term disability was a lower level of claim resolutions during 2011 compared to 2010, partially offset by improved claim incidence levels during 2011. Group life risk results were favorable in 2011 compared to the prior year, driven by improved mortality experience.

Commissions and the deferral and amortization of acquisition costs were generally consistent in 2011 compared to 2010. Other expenses in 2011 were higher than 2010 due to elevated development and marketing expenditures related to Unum UK's growth plans. The other expense ratio for 2011 was favorably impacted by higher premium income relative to the prior year.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Premium income decreased for 2010 relative to 2009 due primarily to lower premium growth from existing customers and pricing actions due to the competitive U.K. market, partially offset by higher persistency. Net investment income increased in 2010 relative to 2009 due primarily to an increase in the level of assets supporting this business segment as well as an increase from inflation index-linked bonds.

The benefit ratio increased in 2010 relative to 2009 due primarily to unfavorable risk results for the group long-term disability product line, which was driven primarily by lower premium income and the impact of higher inflation on claim reserves associated with disability policies containing an inflation-linked benefit increase feature, as discussed above, as well as a lower level of claim resolutions. The level of disability claim incidence improved over the level of 2009. Risk results for the group life line of business were also unfavorable in 2010 when compared to 2009 due to an increase in claim size for the dependent life line of business.

Commissions and the deferral of acquisition costs in 2010 were generally consistent with the level of 2009. The decrease in amortization of deferred acquisition costs in 2010 relative to 2009 is due primarily to a decrease in amortization related to internal replacement transactions. The other expense ratio in 2010 remained consistent when compared to 2009 due to a continued focus on expense management.

Sales

Shown below are sales results in dollars and in pounds for the Unum UK segment.

(in millions)

	Year Ended December 31						
	2011	% Change		2010	% Change		2009
Group Long-term Disability	$47.8	(10.0	)%	$53.1	(6.5	)%	$56.8
Group Life	43.8	(23.6	)	57.3	6.5		53.8
Supplemental and Voluntary	8.6	(2.3	)	8.8	(30.2	)	12.6
Total Sales	$100.2	(15.9	)	$119.2	(3.2	)	$123.2
Group Long-term Disability	£29.8	(13.4	)%	£34.4	(5.8	)%	£36.5
Group Life	27.5	(25.9	)	37.1	11.1		33.4
Supplemental and Voluntary	5.4	(5.3	)	5.7	(28.8	)	8.0
Total Sales	£62.7	(18.8	)	£77.2	(0.9	)	£77.9

Sales in Unum UK's group long-term disability and group life product lines were lower in 2011 compared to 2010 due to a decline in sales in both the core market, which we define for Unum UK as employee groups with fewer than 500 lives, and in the large case market. These declines were partially offset by higher sales to existing customers. Sales in the supplemental and voluntary line of business decreased in 2011 compared to 2010.

Sales in Unum UK decreased slightly in 2010 compared to 2009, with the decrease in sales in the group long-term disability line of business being attributable to a decline in sales in the large case market, partially offset by higher sales to existing customers and higher core market sales. The sales growth in group life was attributable to higher sales in the large case markets as well as higher sales to existing customers, partially offset by slightly lower core market sales. The decrease in sales in supplemental and voluntary was due to a decline in sales in the large case market. Negatively affecting year over year comparisons is an increase in 2009 sales which resulted from the exit of another large insurance provider from the U.K. group risk market.

Segment Outlook

The challenging economic and competitive pricing environment in the U.K. continue to negatively impact Unum UK's premium growth, and we expect this may continue in the near term if current economic and competitive conditions in the U.K. persist. Our sales growth may also continue to be impacted by a prolonged competitive pricing environment in the U.K. The level of disability claim incidence in 2011 was favorable relative to the same period of 2010, but our claim resolutions were unfavorable relative to the 2010 due in part to a lower level of early duration claims and the impact of the economic environment on our ability to resolve claims. The current economic conditions may lead to a higher rate of claim incidence, lower levels of claim recoveries, or lower claim discount rates. We are initiating price increases for our group disability and group life products during 2012 to mitigate the impact of the current economic conditions. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly. Continued fluctuations in the U.S. dollar relative to the British pound sterling impact our reported operating results.

Our current growth strategy focuses on generating organic growth and expanding our role as the leading provider of group disability insurance in the U.K. Our strategy for future growth combines optimizing the performance of our existing business while developing new market opportunities. We intend to optimize performance of the existing business by (i) increasing underwriting and pricing discipline, (ii) improving our claims management processes, and (iii) expanding our broker market capabilities and sales effectiveness. We intend to develop new market opportunities by raising awareness of the need for income protection, including seeking to increase coverage of currently insured groups to include a greater percentage of the workforce, and by offering a suite of employer and employee paid workplace solutions using integrated products with simpler, defined choices and flexible funding options through a streamlined and efficient platform with online capabilities matched to broker and employer needs.

In the current competitive pricing market and economic environment, we continue to have a cautious outlook for premium growth. We anticipate returning to more normalized levels of premium growth through stable persistency and price increases, as well as increased sales to existing and new customers which we expect to occur commensurate with the timing of the U.K. economic recovery. We expect our overall benefit ratio in 2012 to be favorable compared to 2011. We expect our profit margins to continue at a favorable level, consistent with 2011.

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 independent contractor agency sales force and brokers.
Operating Results
Shown below are financial results and key performance indicators for the Colonial Life segment.
(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Accident, Sickness, and Disability	$695.3	5.2 %	$661.0	5.6 %	$625.8
Life	190.7	8.0	176.5	6.6	165.6
Cancer and Critical Illness	249.3	4.7	238.2	6.5	223.7
Total Premium Income	1,135.3	5.5	1,075.7	6.0	1,015.1
Net Investment Income	132.4	8.1	122.5	7.2	114.3
Other Income	0.5	(28.6)	0.7	40.0	0.5
Total	1,268.2	5.8	1,198.9	6.1	1,129.9
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	589.4	10.2	534.7	11.3	480.6
Commissions	245.9	5.7	232.6	8.0	215.3
Deferral of Acquisition Costs	(252.9)	2.6	(246.4)	7.6	(229.0)
Amortization of Deferred Acquisition Costs	189.0	1.0	187.2	4.9	178.5
Other Expenses	214.7	2.9	208.6	2.5	203.6
Total	986.1	7.6	916.7	8.0	849.0
Operating Income Before Income Tax and Net Realized Investment Gains and Losses	$282.1	—	$282.2	0.5	$280.9
Operating Ratios (% of Premium Income):					
Benefit Ratio	51.9 %		49.7 %		47.3 %
Other Expense Ratio	18.9 %		19.4 %		20.1 %
Before-tax Operating Income Ratio	24.8 %		26.2 %		27.7 %
Persistency:					
Accident, Sickness, and Disability	73.8 %		75.9 %		74.4 %
Life	85.0 %		86.0 %		84.7 %
Cancer and Critical Illness	84.0 %		84.9 %		83.8 %

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

Premium income was higher in 2011 compared to 2010 due primarily to prior period sales growth and stable persistency for the life and cancer and critical illness lines of business, partially offset by lower persistency for the accident, sickness, and disability line of business. Although we experienced premium growth in 2011, the growth rate continued to be negatively impacted by economic conditions that we believe affected the buying patterns of employees. Net investment income was higher in 2011 compared to 2010 due primarily to growth in the level of assets and higher bond call premiums, partially offset by a decrease in income from partnership investments.

The overall benefit ratio was higher in 2011 compared to 2010 due to less favorable risk results in the accident, sickness, and disability product line due to a higher level of incurred claims in our accident and disability products. Risk results in the life product line were slightly lower in 2011 compared to 2010. Risk results in the cancer and critical illness product line were generally consistent in 2011 compared to 2010.

Commissions and the deferral of acquisition costs were both higher in 2011 compared to 2010 due primarily to an increase in costs related to growth in new business premium. The amortization of deferred acquisition costs continues to increase as the level of the deferred asset grows. The other expense ratio was lower in 2011 compared to 2010 due primarily to higher premium income and a continued focus on expense management.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Premium income increased in 2010 relative to 2009 due primarily to increased sales and favorable persistency, although premium growth was negatively impacted in both years due to economic conditions. Net investment income increased in 2010 in comparison to 2009 due to growth in the level of assets, an increase in income from partnership investments, and an increase in bond call premiums.

The overall benefit ratio increased in 2010 relative to 2009 due to unfavorable experience in the accident, sickness, and disability product line resulting from an increase in the level of paid claims and reserves driven by a higher level of claim incidence and slightly higher average claim sizes. The cancer and critical illness benefit ratio increased relative to 2009 due primarily to the continued higher levels of large claims on the older block of cancer products, partially offset by a refinement of the loss adjustment expense reserve calculation. Somewhat negatively affecting year over year comparisons is the release of active life reserves in the second quarter of 2009 in our cancer and critical illness product line. The life benefit ratio decreased in 2010 relative to 2009 due primarily to favorable mortality.

Commissions and the deferral of acquisition costs both increased in 2010 compared to 2009 due primarily to increased sales. The amortization of deferred acquisition costs in 2010 was higher relative to 2009 due to the continued increase in the level of deferred acquisition costs, offset partially by the decrease in amortization related to certain of our interest-sensitive policies. The other expense ratio decreased in 2010 compared to 2009 due primarily to a continued focus on expense management.

Sales
(in millions of dollars)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Accident, Sickness, and Disability	$242.9	2.3 %	$237.4	7.4 %	$221.1
Life	65.5	(0.3)	65.7	(3.8)	68.3
Cancer and Critical Illness	57.5	3.2	55.7	2.4	54.4
Total Sales	$365.9	2.0	$358.8	4.4	$343.8

Colonial Life's sales were higher in 2011 relative to 2010, with new account sales 1.6 percent above the level of 2010, and existing account sales 2.2 percent higher than in 2010. Commercial market sales were 2.5 percent higher in 2011 compared to 2010, driven primarily by a sales increase of 4.4 percent in the core commercial market segment, which we define as accounts with fewer than 1,000 lives. Sales in the large case commercial market segment decreased 7.4 percent in 2011 compared to 2010. In the public sector market, sales were generally consistent in 2011 as compared to 2010. Sales results for 2011 were unfavorably impacted by our decision to discontinue selling our limited benefit medical product during 2011. The number of new accounts declined 1.8 percent in 2011 compared to 2010, while the average new case size was 3.4 percent higher for 2011 relative to 2010.

Colonial Life's sales were higher in 2010 compared to 2009, with 4.2 percent growth in new account sales, and 4.4 percent growth in existing account sales relative to the prior year. Commercial market sales were 8.1 percent higher in 2010 compared to 2009, driven primarily by a sales increase of 9.3 percent in the core commercial market segment. Sales in the large case commercial market segment increased 2.6 percent in 2010 compared to 2009. In the public sector market, sales were 8.1 percent lower in 2010 compared to 2009. The number of new accounts added in 2010 was 13.6 percent higher than 2009, while the average new case size was 8.2 percent lower relative to 2009.

Segment Outlook

Our premium growth in 2011 was in line with the level of growth in 2010 but is below the level of our long-term growth expectations. We believe slower sales and premium growth levels may continue in the near term if the current economic conditions persist and continue to affect employment growth and the buying patterns of employees. We expect volatility in net investment income to continue during 2012 as a result of fluctuations in bond calls and other types of miscellaneous net investment income. Periods of economic downturns have historically had minimal impact on the risk results of Colonial Life, due primarily to a diversified product portfolio that is designed with short duration, indemnity benefits. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

We believe we have a stable business model, with service levels and customer retention that allow us to focus on and deliver premium growth despite the recent marketplace changes and uncertainties. We believe we are well positioned for growth and that opportunities exist to accelerate growth during the next several years by (i) focusing on target market segments, (ii) driving new sales in the public sector market, (iii) growing the reach and effectiveness of our distribution, and (iv) effectively serving our customers.

During 2012, we expect premium growth to be modest relative to our long-term outlook. We believe that strong profit margins will continue, and we expect our overall benefit ratio to be generally consistent with the level of 2011. We believe premium growth will re-accelerate as the economy improves, employment growth resumes, and our growth strategies gain momentum.

Closed Block Segment

As previously noted, effective with the fourth quarter of 2011, we modified our reporting segments. The Closed Block segment now consists of our closed individual disability and long-term care lines of business, as well as certain other insurance products. The individual disability line of business generally consists of those policies in-force before the substantial changes in product offerings, pricing, distribution, and underwriting, which generally occurred during the period 1994 through 1998. A small amount of new business continued to be sold after these changes, but we stopped selling new individual disability policies in this segment at the beginning of 2004 other than update features contractually allowable on existing policies. Long-term care includes group long-term care, which we announced in February 2012 that we would discontinue selling, and individual long-term care, which we discontinued selling in 2009. The other insurance products line of business consists of certain other products no longer actively marketed, including individual life and corporate-owned life insurance, reinsurance pools and management operations, group pension, health insurance, and individual annuities.

Operating Results

Shown below are financial results and key performance indicators for the Closed Block segment.
(in millions of dollars, except ratios)

	Year Ended December 31				
	2011	% Change	2010	% Change	2009
Operating Revenue					
Premium Income					
Individual Disability	$787.0	(7.1)%	$847.0	(5.7)%	$898.5
Long-term Care	608.1	1.5	599.2	0.8	594.7
All Other	0.2	(94.3)	3.5	29.6	2.7
Total Premium Income	1,395.3	(3.8)	1,449.7	(3.1)	1,495.9
Net Investment Income	1,189.7	2.0	1,166.4	5.4	1,106.8
Other Income	106.1	(6.6)	113.6	(13.3)	131.1
Total	2,691.1	(1.4)	2,729.7	(0.1)	2,733.8
Benefits and Expenses					
Benefits and Change in Reserves for Future Benefits	3,012.8	33.4	2,259.2	0.6	2,245.3
Commissions	113.6	(3.8)	118.1	(6.9)	126.8
Interest and Debt Expense	10.5	(10.3)	11.7	(29.5)	16.6
Deferral of Acquisition Costs	(11.0)	12.2	(9.8)	(29.5)	(13.9)
Amortization of Deferred Acquisition Costs	16.9	(32.4)	25.0	6.8	23.4
Impairment of Long-term Care Deferred Acquisition Costs	289.8	—	—	—	—
Other Expenses	180.0	(13.4)	207.9	(1.6)	211.2
Total	3,612.6	38.3	2,612.1	0.1	2,609.4
Operating Income (Loss) Before Income Tax and Net Realized Investment Gains and Losses	$(921.5)	N.M.	$117.6	(5.5)	$124.4
Interest Adjusted Loss Ratios:					
Individual Disability (1)	108.0%		85.0%		81.6%
Long-term Care (2)	179.3%		80.8%		76.5%

Operating Ratios (% of Premium Income):						
Other Expense Ratio	12.9	%	14.3	%	14.1	%
Before-tax Operating Income (Loss) Ratio (3)	(66.0	)%	8.1	%	8.3	%
Premium Persistency:						
Individual Disability	92.9	%	93.0	%	93.2	%
Long-term Care	96.0	%	95.8	%	95.1	%

N.M. = not a meaningful percentage

(1) Included in this ratio for 2011 is a before-tax reserve charge of $183.5 million. Excluding this charge, the interest adjusted loss ratio for individual disability would have been 84.7%.

(2) Included in this ratio for 2011 is a before-tax reserve charge of $573.6 million. Excluding this charge, the interest adjusted loss ratio for long-term care would have been 84.9%.

(3) Included in this ratio for 2011 are before-tax charges of $183.5 million for individual disability reserves, $573.6 million for long-term care reserves, and $289.8 million for impairment of our long-term care deferred acquisition costs. Excluding these charges, the before-tax operating income ratio would have been 9.0%.

Individual Disability

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

The decrease in premium income in 2011 compared to 2010 is due to the run-off of this closed line of business driven by expected policy terminations and maturities. Net investment income was lower in 2011 compared to 2010 due to a decrease in bond call premiums and a lower level of assets supporting this closed line of business.

Other income, which includes the underlying results of certain blocks of reinsured business and the net investment income of portfolios held by those ceding companies to support the block we have reinsured, decreased in 2011 compared to 2010 due to lower investment income in the portfolios held by the ceding companies.

Risk results were unfavorable relative to the prior year due to the previously discussed 2011 reserve charge. Excluding the reserve charge, risk results were slightly favorable compared to 2010 due to higher claim recoveries, partially offset by higher claim incidence rates. See "Claim Reserve Increase for Individual Disability Closed Block Business" included herein in this Item 7.

Interest and debt expense in 2011 was lower than in 2010 due to a decline in the amount of outstanding debt issued by Northwind Holdings as a result of principal repayments. The other expense ratio was favorable in 2011 compared to 2010 due to lower claim litigation costs and lower expenses related to claim volumes, partially offset by lower premium income.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

The decrease in premium income for 2010 compared to 2009 is due to the expected due to run-off of this closed line of business. Net investment income for 2010 was slightly higher than 2009, with higher bond call premiums mostly offset by a lower level of assets supporting this closed line of business.

Other income decreased in 2010 relative to 2009 due to less favorable investment results from the portfolios held by the ceding companies as well as less favorable risk results from the reinsured business.

The interest adjusted loss ratio for 2010 increased relative to 2009 due to lower claim recoveries and lower claim settlements, partially offset by lower claim incidence rates.

Interest and debt expense in 2010 declined when compared to 2009 due to lower rates of interest on our floating rate debt issued by Northwind Holdings and a decrease in the amount of outstanding debt resulting from principal repayments. The other expense ratio decreased in 2010 compared to 2009 due primarily to lower claims management and claim litigation costs relative to the declining level of premium income.

Long-term Care

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010

The increase in premium income for 2011 relative to 2010 was driven by strong persistency and higher sales of group long-term care, which increased 36.5 percent in 2011 compared to 2010. Net investment income was higher in 2011 compared to 2010 due to primarily to an increase in the level of assets supporting this line of business, partially offset by a decline in the level of prepayment income on mortgage-backed securities and a decrease in bond call premiums.

Risk results were unfavorable relative to the prior year due to the previously discussed 2011 reserve charge. Excluding the reserve charge, risk results were unfavorable compared to 2010 due to increases in active life reserves, which were driven by favorable premium persistency relative to assumptions for certain issue years. Claim incidence rates for long-term care were also higher in 2011 compared to 2010.

The deferral of acquisition costs was higher in 2011 relative to 2010 due to the increase in deferrable expenses associated with higher sales of group long-term care products. The amortization of deferred acquisition costs was lower in 2011 than in 2010 due to lower levels of accelerated amortization related to favorable premium persistency relative to assumptions for certain issue years. As previously discussed, at December 31, 2011 we determined that our long-term care deferred acquisition costs of $289.8 million were not recoverable, and we recognized an impairment charge at that time. See "Long-term Care Strategic Review" included herein in this Item 7 for dis