

Unum Group
Form DEFA14A
May 10, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Unum Group

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Proxy Solicitation Discussion
Unum Group | May 2013

Unum's Human Capital Committee and Board of Directors adhere to a philosophy and demonstrated practice of pay for performance and believe that the Company's executive compensation programs are fully aligned with the interests of shareholders.

Executive pay is targeted at the median of the appropriate comparison groups that include companies Unum competes with in the marketplace.

In evaluating performance, the Committee considers total shareholder return over the short and long-term, operating performance and the overall strength and strategic position of the Company. The Committee's compensation decisions for 2012 reflect this.

While calendar year 2012 total shareholder returns lagged proxy peers and resulted in lower incentive awards for the CEO, the Company's total shareholder return has significantly exceeded its peers and the overall market during his ten-year tenure as

CEO. Further, total shareholder return in the first quarter of 2013, as well as for the trailing twelve months, also exceeded peers and the market.

The Company had strong performance relative to peers in 2012 in a number of important metrics including EPS growth, return on equity, and book value growth.

Executive Summary

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In 2012, the Committee and management completed a review of our executive compensation program. As part of the process, we evaluated the reports of proxy advisory firms as well as feedback from our shareholder outreach

program

to

institutional investors conducted in the first half of 2012.

Based on the feedback received, the Committee has taken or authorized the following principle actions to be taken in 2013 to better align the interests of shareholders and executives:

established new performance goals for our long-term incentive plan to reduce overlap with the performance goals in our short-term incentive plan

introduced performance share units which are based on three-year prospective goals with a modifier tied to relative total shareholder return

enhanced

our

disclosure

of

short-

and

long-term

performance

metrics

by

including

threshold,

maximum and actual performance for each metric

Shareholder Outreach

3

Decisions the Committee made in 2013 for the CEO's 2012 performance reflected both Company performance and total shareholder return.

His short-term incentive award was down 25.5% year-over-year; payout was 68% of target

His long-term incentive award was down 22%; payout was 91% of target

Calendar year 2012 was a transition year for the changes in the long-term incentive plans. While the CEO's grant for 2012 performance (made in early 2013) reflects the new mix of performance shares and performance-based restricted stock units, the changes are not yet reflected in the Summary Compensation table.

By
2014,
these
changes

will
be
fully
incorporated
in
the
Summary
Compensation
table
which forms the basis for quantitative analysis by proxy advisory firms.
2012 Compensation Decisions
4

The
two
pay
for
performance
elements
the
Committee
decided
in
February
2013,

based
on
2012
performance,
are
the
annual
incentive
award
and
the
long
term
incentive
award.

A
comparison
of
proxy
peers
shows
our
CEO
incentive
compensation
to
be
well
aligned.

2012 Compensation Decisions
CEO INCENTIVE COMPENSATION COMPARISON
Annual Incentive Award
Long Term Incentive Award

\$5,463

\$5,000

\$1,489

\$2,291

\$ s in thousands

\$ s in thousands

* See Appendix for list of Unum's Proxy Peers and details related to the calculation of peer median

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Unum

Peer Median *

Unum

Peer Median *

Unum CEO at 21 percentile

Unum CEO at 53 percentile

st

rd

We acknowledge that total shareholder return for calendar year 2012 lagged our Proxy peers and the Committee considered this in its decision making process and reflected it in the award made.

Unum's cumulative total shareholder return over the last 10 years have exceeded those of our proxy peers and the broader market.

Total Shareholder Return

CONSISTENT VALUE CREATION

* Through 3/31/2013

*

*

Cumulative Total Shareholder Returns

250.0%

200.0%

150.0%

100.0%

50.0%

0.0%

YTD2013

1-Year

FY2012

3-Year

5-Year

10-Year

Proxy Peer Average

S&P 500

UNM

6

Unum's strong performance through a difficult economic period reflects the Company's commitment to disciplined risk management and shareholder value creation.

Total Shareholder Return

CONSISTENT VALUE CREATION

140

120

100

80

60

40

20

-

2007

2008

2009

2010

2011

2012

2013*

Unum Group

S&P 500

Proxy Peer Median

7

Indexed Total Shareholder Returns

* Through 3/31/2013

Operating Earnings Per Share

Company Performance

Years 2004-2007 do not reflect the impact of ASU 2010-26 and special items

* EPS Compound Annual Growth Rate

Operating earnings per share, which we define as operating earnings or loss per diluted common share, is a non-GAAP financial measure. We provide a reconciliation of this measure to net income or loss per share, the most directly comparable GAAP measure.

9.6%

SOLID PROFITABILITY

\$4.00

8

\$3.00

\$2.00
\$1.00
\$0.00
2004
2005
2006
2007
2008
2009
2010
2011
2012
1Q12
1Q13
\$0.73
\$0.80

(Excluding AOCI)
Balance Sheet
BUILDING BOOK VALUE
11.9%
Book Value Per Share

Book
value
per
share,
excluding

accumulated
other
comprehensive
income
(AOCI),
is
a
non-GAAP
financial
measure.

Refer
to

the
Appendix
for

a
reconciliation
of
this
measure

to net income or loss per share, the most directly comparable GAAP measure.

\$30.24

\$27.03

\$23.20

\$25.69

\$26.33

\$29.55

12/31/2009

12/31/2010

12/31/2011

12/31/2012

3/31/2012

3/31/2013

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Capital Management
CONSISTENT RETURN OF CAPITAL TO SHAREHOLDERS

*

Projection for 2013

This forward-looking statement is not based on historical information and is subject to numerous assumptions, risks and uncertainties beyond our control.

For a discussion of

factors
that
could
cause
actual
results
to
differ
from
those
contained
in
this
forward-looking
statement,
see
Part
1,
Item
1A
of
our
annual
report on Form 10-K for the year ended December 31, 2012 and our subsequently filed Form 10-Q.

TOTAL

\$2,676 million

\$578 million

Share Repurchases

2008

2009

\$700 million

2010

2011

\$356 million

\$620 million

Dividend Increase

+10%

+12%

+14%

2012

\$500 million

+24%

2013

\$500* million

TBD

Rating Agency

Actions

S&P Upgrade

Moody's Upgrade
Fitch Upgrade
A.M. Best Upgrade
S&P Upgrade
Moody's Upgrade
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Both
Glass
Lewis
and
ISS
have
issued
reports
recommending
a
FOR
vote

on
all
items
being
voted
on
at
the
annual
meeting
with
one
exception

ISS
has
recommended
an

against
vote on Say-on-Pay.

Glass Lewis noted favorably the changes the Company made after soliciting shareholder input. In its analysis, Glass Lewis acknowledged the Company outperformed its peers in several important operating metrics such as EPS growth and ROE. It did note the underperformance in 2012 TSR. It viewed CEO compensation to be in line with peers using a three year weighted average. Overall, it raised its pay for performance grade for the Company.

ISS acknowledged the changes the Company made but felt the Company was not sufficiently responsive to shareholder concerns. The Company disagrees with this conclusion as our direct dialogue with shareholders indicated two primary concerns which the Company has addressed: a preference for three year goals in the long term incentive plan and a reduction in the overlap of goals in the short term and long term incentive plans.

We
have
a
distinctly
different
proxy
peer
group
from
that
used
by
ISS

only
35%
overlap. We believe that our proxy peer group is the most appropriate given who we compete with for talent and capital.

As we have done in the past, we will continue to reach out to shareholders as well as proxy advisory firms for feedback and input on our executive compensation programs.

Proxy Advisory Firms

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The Board and the Human Capital Committee strongly believe that Unum's compensation programs have been designed and implemented in the best interests of shareholders and tightly align pay to Company performance. Therefore, the Board urges shareholders to vote FOR all the voting items, including Say-on-Pay.

Even if you have already voted, you can change your vote at any time before the 2013 Annual meeting as described in more detail in the 2013 Proxy Statement.

For assistance in changing your vote, contact Innisfree M&A Incorporated toll-free at 1-888-750-5834.

Voting Recommendations

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Appendix

Proxy Peers include the following companies:

Peer Median Compensation based on most current compensation disclosed in 2013 proxy filing or subsequent Form 4/8-K filings, noting the following:

Aetna:

Aggregate annual incentive includes value of both RSUs and cash awards.

Genworth:

Excluded for purposes of determining peer median for annual incentive because no bonus data available for new CEO effective January 2013. For purposes of determining peer median LTI includes 3-year annualized value of 1,000,000 SARs and 100,000 RSUs granted upon hire.

Humana:

New CEO effective in January 2013; annual incentive based on performance in prior role.

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Marsh & McLennan:

New CEO effective in January 2013; annual incentive based on performance in prior role.

Prudential:

Aggregate annual incentive includes value of both deferred Book Value Units and cash awards.

Proxy Peers

Aetna

Lincoln

Aflac

Marsh & McLennan

Aon

Metlife

Assurant

Principal Financial

Cigna

Protective Life

CAN Financial

Prudential Financial

Genworth Financial

Stancorp Financial

Hartford Financial Services

Torchmark

Humana

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Reconciliation of Non-GAAP Financial Measures
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