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Unum Group Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operating Instructions) We'll take our first question from the site of Darin Arita, Deutsche Bank.

Darin Arita - Deutsche Bank

Can you talk about, with the U.S. disability, the difference in claims incidence and recovery rates that you are seeing between the core market and the large case market?

Kevin McCarthy

In general, we typically see lower levels of incidence rates in disability in the core market versus the larger case market. We do see some better recovery rates in the small case marketplace primarily, I think, driven by industry mix. Whereas in the large case market, you've got industries like manufacturing, wholesale, retail, transportation, utilities, those kind of companies. Whereas in the small, medium-sized marketplace, it's more professional services, financial services, education and healthcare.

So, in general, as we move our mix shift from large case to core market, that's a positive effect of that in the loss ratio.

Darin Arita - Deutsche Bank

Has the difference, though, in experience changed at all in the past few quarters?

Kevin McCarthy

I think we continue to get improvement in our claim recovery performance across all size segments. This particular quarter, we had an improvement in particular in shorter duration recoveries as well. Also, we had lower average-size new claims in terms of indemnity levels. We had lower paid incidence and we had higher average-sized recoveries. So, all of those contributed to the improvement in our loss ratio in the quarter.

Darin Arita - Deutsche Bank

Just turning to capital. Looking at it building up, you've got a lot more holding company liquidity, the RBC ratios there, in excess of 330%. In your discussion with the rating agencies, what do you think it takes to get your ratings to move higher from here?

Tom Watjen

Let me start, but ask maybe Tom White to supplement that. I would start by the fact, this is certainly the environment for us to continue to build capital. I think I will always feel very good, obviously, about the capital business we have right now, and the economic, and financial environment we have right now. Sort of warehousing capital is very important. So I think you're going to continue to see us continue to do so and, hopefully, continue to generate the solid operating performance we have right now.

Tom, I think, hopefully, over the long-term, that continues to enhance the rating picture for the company, but maybe you want to add to that.

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