



Putting People First.





*“Every claim is a customer...
a real person with real needs.
And I can help.”*

Velvet Hernandez-Johnson, ALHC
Senior Customer Care Specialist
UnumProvident

Putting People First.

At its heart, UnumProvident is a company of people serving people. We take our responsibility to our customers very seriously.

As specialists in disability income protection, we provide assistance to people during what can be an extremely difficult time in their lives. Last year we replaced over \$3.8 billion in lost income to help support families. Equally as important, we offered this financial support with the respectful and responsive attention each customer deserves.

In the course of managing more disability claims than any other company, we have amassed the resources and information to help employers better manage workplace absence. As a result, we create problem-solving management tools and benefit programs to help employers achieve a healthier, safer and more productive workplace.

On behalf of 13,000 employees worldwide, we thank the businesses and individuals who depend on our company for their income protection insurance, the brokers and consultants who recommend us to their clients, and the shareholders who believe in our mission and our company. We are working hard everyday to continue earning your confidence.



Pictured on the cover and at left are members of our Customer Care Center organization. These professionals and their peers—claims managers, vocational case managers and clinical professionals—form the foundation of our company’s commitment to customers at claim time. Each day, these expert individuals work closely with customers to support their needs throughout disability, recovery and return to work. Our Customer Care professionals make a difference. One person at a time.



“UnumProvident’s support was above and beyond what I expected. I wanted my life back and I got it.”

Deb Mosley, attorney and customer
Three years out from her breast cancer diagnosis, cancer free, and very busy in her professional practice.

Financial Highlights

	2002	2001	2000
(in millions of dollars, except share data)			
		Restated (a)	
Operating Statement Data			
Premium Income	\$ 7,453.1	\$ 7,078.2	\$ 7,057.0
Operating Revenue Excluding Net Realized Investment Loss	\$ 9,928.0	\$ 9,435.4	\$ 9,446.9
Net Realized Investment Loss Revenue	(315.0)	(99.1)	(53.5)
	\$ 9,613.0	\$ 9,336.3	\$ 9,393.4
Operating Income Before Net Realized Investment Loss, Extraordinary Loss, and Cumulative Effect of Accounting Principle Change	\$ 613.9	\$ 607.6	\$ 573.1
Net Realized Investment Loss	(315.0)	(99.1)	(53.5)
Tax Credit on Net Realized Investment Loss	109.4	35.6	19.3
Income Before Extraordinary Loss and Cumulative Effect of Accounting Principle Change	\$ 408.3	\$ 544.1	\$ 538.9
Net Income	\$ 401.2	\$ 541.2	\$ 538.9
Financial Position			
Assets	\$45,259.5	\$42,442.7	\$40,363.9
Stockholders' Equity (Book Value)	\$ 6,843.2	\$ 5,939.9	\$ 5,575.5
Per Common Share Information			
Assuming Dilution:			
Operating Income Before Net Realized Investment Loss, Extraordinary Loss, and Cumulative Effect of Accounting Principle Change	\$ 2.53	\$ 2.49	\$ 2.37
Net Realized Investment Loss	(1.30)	(0.41)	(0.22)
Tax Credit on Net Realized Investment Loss	0.45	0.15	0.08
Extraordinary Loss	—	(0.01)	—
Cumulative Effect of Accounting Principle Change	(0.03)	—	—
Net Income	\$ 1.65	\$ 2.22	\$ 2.23
Dividends	\$ 0.59	\$ 0.59	\$ 0.59
Book Value	\$ 28.33	\$ 24.52	\$ 23.12
Book Value Excluding Net Unrealized Gain on Securities	\$ 24.25	\$ 23.69	\$ 22.13
Price Per Share (closing price on last trading day of year)	\$ 17.54	\$ 26.51	\$ 26.88

(a) The Company has restated previously reported financial information related to other than temporary impairments on certain of its fixed maturity securities. See Note 1 of the "Notes to Consolidated Financial Statements" in the Company's Form 10-K for the fiscal year ended December 31, 2002, included herein.

Annual Meeting Notice

The Annual Meeting of Shareholders will be held on Wednesday, May 28, 2003 at 10:00 a.m. at the Company's Colonial headquarters, located at 1200 Colonial Life Boulevard, Columbia, South Carolina.

A "safe harbor" is provided for "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Statements in this annual report which are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. These risks and uncertainties include such general matters as general economic conditions, events or consequences relating to terrorism and acts of war, competitive factors, including pricing pressures, legislative or regulatory changes, and the interest rate environment. More specifically, they include fluctuations in insurance reserve liabilities, projected new sales and renewals, persistency rates, incidence and recovery rates, pricing and underwriting projections, retained risks in reinsurance operations, availability and cost of reinsurance, level and results of claim-related litigation, investment results, rating agency actions, state insurance department actions, negative media attention, and effectiveness with supporting product offerings and providing customer service. For further information about risks and uncertainties that could affect actual results, see the sections entitled "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" in the Company's Form 10-K for the fiscal year ended December 31, 2002.



THOMAS R. WATJEN
President and
Chief Executive Officer

To Our Shareholders, Customers and Employees

This past year presented many challenges for our Company. Some were environmental, while others were more specific to UnumProvident. With respect to the environment, the business landscape in 2002 was not kind to our business. The combination of low and declining interest rates, record high corporate bond defaults, and low levels of consumer confidence placed pressure on our results. We cannot, however, attribute our 2002 performance exclusively to the environment. We faced some unique challenges, including adverse media and regulatory attention associated with certain views of our claims practices and the initial uncertainty surrounding our comment letter discussions with the Securities and Exchange Commission.

Nevertheless, it was also a year in which the value of our commitment to our customers grew ever stronger as we provided over \$3.8 billion in disability benefits to individuals and their families. Complementing this financial commitment was our continued emphasis on expanding our offering of products and services to most effectively meet the needs of our customers and producers. Despite the challenging business environment, we continued to invest in our Company's future and that of our clients. I'll share more on this in a moment.

Perhaps most importantly as I look back over this past year, I am extremely proud of the contribution our employees made in helping us move through this difficult period. Our employees are the "face" of our Company to our customers and their advisors. When the uncertain business environment or a sometimes critical media piece challenged our people, they tirelessly did their part to deliver on our commitments. I will do everything possible to ensure that our people continue to be our most important asset.

In March 2003, our Board initiated a change in senior management at UnumProvident, asking me to take over as President and Chief Executive Officer. This was a difficult decision for our Board to make, but one that was necessary for our Company to restore the confidence of the investment community. I take my new role very seriously, approach it with great enthusiasm, and thank the Board for the confidence it has placed in me by asking me to lead our Company. I am also encouraged that our Board has strongly endorsed the strategy and direction of UnumProvident, which continues to focus on these three basic principles:

- Comprehensive income protection solutions
- Benefits emphasizing returning people to work
- Highly responsive service for customers and their advisors

The challenge we have ahead of us is to better execute that strategy and to deliver consistent results for our shareholders, a challenge that I wholeheartedly accept on behalf of our management group.

Our results for 2002 were below our expectations. Although the weak economy can explain part of these results, we did not execute our plan consistently across all areas of the Company. I would draw your attention to the following:

- Our operating earnings, which exclude net realized investment gains and losses, increased 1.0 percent to \$613.9 million in 2002 from \$607.6 million in 2001. This result is below our long-range target for earnings growth. Net income, which reflects the impact of realized investment losses, decreased 25.9 percent to \$401.2 million in 2002 from \$541.2 million in 2001. We were disappointed with the level of investment losses, and we expect to make adjustments to our investment strategy in 2003.
- Premium income excluding our closed blocks grew 6.4 percent in 2002, driven primarily by our emphasis on our core group long-term disability business, where the breadth of our product offering, return-to-work services, and service expertise is highly valued by employers and their employees. As expected, we experienced slower growth in new sales in the group life and fully insured short-term disability lines as we repositioned these offerings in the marketplace. Our ability to offer integrated solutions has led to accelerated, profitable growth in certain areas, particularly our voluntary workplace offering, where sales through our brokerage channel increased 48%. A large portion of this success was the result of leveraging our existing customer or advisor relationships.
- We have maintained and deepened the strength of our relationships with existing customers as indicated by improved persistency and success with our renewal program. These results reflect our commitment to serving our customers well through superior service – “every customer, every time.” Long-term relationships with our customers and their advisors are important to our Company. In 2003, we will continue to be disciplined in our new business development, while focusing significant resources on retaining our existing customers.
- As noted earlier, the financial markets remain challenging. Investment income is an important component in our financial results, and declining interest rates on our new investments have placed pressure on these overall

results. Our attention to asset/liability and interest rate management has served us well as we have maintained an adequate interest rate spread, or margin, in our lines of business. Although our investment losses remain well above historical levels, the core principles of our investment strategy have generally continued to serve us well. Looking ahead, however, we intend to reduce the risk in our investment portfolio to more closely reflect the economic outlook and the general appetite for risk among our key constituents.

- Claims results continue to be a challenge for our Company. The weaker economic environment—particularly the lower level of consumer confidence—has raised the level of new claims in our business. Our recovery rates, although well above industry averages, are also impacted by this more challenging environment. As we look forward, we expect to see a continuation of the challenging environment we experienced in the past year. This remains a critically important part of our business, and we are committed to continuing to enhance the quality of our return-to-work processes.
- Finally, our subsidiaries performed well in 2002. In particular, GENEX Services, the industry’s third leading disability case management company; Unum Limited, our United Kingdom operation, which maintains the number one position in that important market; and our Canadian operation all achieved record years in their primary businesses. In addition, I am very pleased about early signs that the management adjustments made at Colonial during 2002 are already beginning to positively impact our results. I am confident that the momentum established in 2002 is sustainable in 2003.

I want to return to an earlier point regarding our commitment to continued enhancement of the quality of the products and services we offer our clients. Customers look to leaders in times like these, and we willingly accept that responsibility. In 2002, we could have been distracted easily from expanding our products and services offering in the marketplace; however, we did not allow that to happen. I could point to many examples, but let me touch on a few: the introduction of our enhanced web-enabled billing service, which now supports over 21,000 customers and is part of a fully web-enabled offering for our corporate customers; the introduction

of several new enrollment services and technology solutions to enhance our benefit enrollment and communication capabilities, resulting in a solid increase in the number of lives supported by our new benefit administration service platform; and our continued commitment to local service for our mid-size and larger customers, with over 285 knowledgeable, locally based customer relationship managers and service support resources.

Lastly, I would point to the significant commitments we made this past year in the area of Absence Management. Rising healthcare costs are heavily impacting the employee benefits industry. Traditionally, employers have attempted to manage healthcare costs by focusing more on medical coverage and less on the total financial and family impact of employee absence. Our research has confirmed that the majority of a company's employee medical costs in any given year are generated by as few as 10 percent of the company's workforce. That 10 percent of employees, not unexpectedly, are those who experience either an occupational or non-occupational disability and are absent from work. These are the employees we specialize in helping recover and return to a more complete lifestyle. Success in managing absences can lead to lower disability costs, lower medical costs, and an improved quality of life for the employees and their families. In 2003, we intend to actively promote our ability to help our clients manage this increasingly difficult area within their business.

Perhaps it is this high level of commitment to the business and the continued support of our customers and their advisors that made certain media misrepresentations of our Company in 2002 so painful for me personally. Our response has been to stick to the facts and to not lose focus on our primary mission of serving our policyholders. We are very proud of what we do to support our customers in their time of need. Specifically, it's important to reinforce the following facts regarding our return-to-work commitment:

- We have a fair and thorough claims process, supported by significant clinical resources who meet the individual needs of our customers with personalized attention.
- We pay claims, with over \$3.8 billion in disability benefits paid in 2002 to help our customers and

their families. Our payments to our policyholders, and the \$24.8 billion of reserves we have to meet future obligations, have increased every year I have been associated with the Company.

- We are an ethical organization, seeking to do what's right. When we make mistakes we move swiftly to correct them and learn from these experiences.

I encourage you to review more completely our commitment by visiting our website at www.unumprovident.com. I also want to thank the many thousands of customers and independent advisors who gave us their loyal support during 2002. Your positive response to our Company, and what we do each day, has been greatly appreciated by all of our employees.

I want to thank our Board of Directors for their guidance in these challenging times. The two co-chairmen of the recently established Office of the Chairman of the Board, Bill Pollard and Larry Pugh, have been especially helpful during this period of management transition. I also want to thank Lois Rice, who will be retiring at this year's Annual Meeting, for her 10 years as a Director. We have benefited from her insight and wish her the best in the future.

We acknowledge that we have work to do during 2003 to restore investor confidence and to position this unique Company to be more fairly valued in the market. Challenging decisions remain ahead, and management is committed to making them. In doing so, we are confident that we will begin to restore investor confidence. I extend my thanks personally and on behalf of the 13,000 employees of UnumProvident and our affiliates for your support in the past and for your confidence in our future.



Thomas R. Watjen
President and Chief Executive Officer
UnumProvident Corporation

Board of Directors

William L. Armstrong
Former United States Senator
Chairman, Cherry Creek
Mortgage Company
Denver, Colorado

Jon S. Fossel
Retired Chairman and
Chief Executive Officer,
Oppenheimer Funds
Denver, Colorado

Ronald E. Goldsberry
Chairman,
OnStation Corporation
San Francisco, California

Hugh O. Maclellan, Jr.
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The Maclellan Foundation, Inc.
Chattanooga, Tennessee

A. S. (Pat) MacMillan, Jr.
Chief Executive Officer,
Team Resources, Inc.
Atlanta, Georgia

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Harvard Business School
Cambridge, Massachusetts

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The ServiceMaster
Company
Downers Grove, Illinois

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Retired Chairman,
VF Corporation
Greensboro, North Carolina

Lois D. Rice
Guest Scholar,
Brookings Institution
Washington, D.C.

John W. Rowe
Chairman, President
and Chief Executive Officer,
Exelon Corporation
Chicago, Illinois

Thomas R. Watjen
President and
Chief Executive Officer
of the Company

*Co-Chairman of Office of
the Chairman of the Board

Committees of the Board

Executive Committee

William L. Armstrong
Hugh O. Maclellan, Jr.
C. William Pollard
Lawrence R. Pugh
John W. Rowe

Finance Committee

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Jon S. Fossel
Ronald E. Goldsberry
Cynthia A. Montgomery

Audit Committee

John W. Rowe, Chairman
Jon S. Fossel
Ronald E. Goldsberry
Cynthia A. Montgomery
C. William Pollard

Governance Committee

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William L. Armstrong
Hugh O. Maclellan, Jr.
A. S. (Pat) MacMillan, Jr.
Lois D. Rice

Compensation Committee

C. William Pollard, Chairman
A. S. (Pat) MacMillan, Jr.
Lawrence R. Pugh
Lois D. Rice
John W. Rowe

Senior Management

Executive Officers

Thomas R. Watjen
President and
Chief Executive Officer

F. Dean Copeland
Senior Executive Vice President,
General Counsel and
Chief Administrative Officer

Robert O. Best
Senior Vice President,
Customer Loyalty Services, and
Chief Information Officer

Joseph R. Foley
Senior Vice President,
Product and Market Development

Robert C. Greiving
Senior Vice President and
Chief Financial Officer

Kevin P. McCarthy
Senior Vice President,
Underwriting

Ralph W. Mohney, Jr.
Senior Vice President,
Return-to-Work Services–
Development

George A. Shell, Jr.
Senior Vice President,
Return-to-Work Services–
Operations

Senior Officers

Donald E. Boggs
Senior Vice President,
Deputy Risk Manager–
Underwriting

J. Christopher Collins
Senior Vice President and
Deputy General Counsel

Jean E. Duke
President and
Chief Financial Officer,
Colonial Life & Accident
Insurance Company

Eileen C. Farrar
Senior Vice President,
Human Resources

Todd H. Fuhs
Senior Vice President,
Pricing/Portfolio Strategy

David G. Fussell
Senior Vice President,
Investments

Peter C. Madeja
President and CEO,
GENEX Services, Inc.

Donna T. Mundy
Senior Vice President,
Government Relations

Susan Ring
Chairman and
Managing Director,
Unum Limited

Richard A. Wolf
Senior Vice President,
Field Sales

North American Corporate Locations

1 Fountain Square
Chattanooga, TN 37402
423-755-1011

2211 Congress Street
Portland, ME 04122
207-575-2211

18 Chestnut Street
Worcester, MA 01608
508-799-4441

655 N. Central Avenue
Suite 800
Glendale, CA 91203
818-291-4500

1122 International Blvd.
P.O. Box 5044
Burlington, Ontario L7R4C1
905-319-9501

1200 Colonial Life Blvd.
Columbia, SC 29210
803-798-7000

440 East Swedesford Road,
Suite 3050
Wayne, PA 19087
610-964-5100

International Locations

Milton Court
Dorking, Surrey RH4 3LZ
England
011-44-130-688-7766

Sanbancho UF Bldg.
2nd Floor
6-3, Sanban-cho, Chiyoda-ku
Tokyo 102-0075 Japan
011-803-5276-1391

North American Regional Locations

New York – Northeast
99 Park Avenue
6th Floor
New York, NY 10016
212-953-1130
800-223-1969

Boston – Mid-Atlantic
100 Summer Street
Suite 1400
Boston, MA 02110
617-728-3400
800-343-7808

Charlotte – Southeast
5605 Carnegie Blvd.
Suite 300
Charlotte, NC 28209
704-571-3600
888-779-7101

Memphis – Midwest
6075 Poplar Avenue
Suite 630
Memphis, TN 38119
901-683-8680
800-621-6403

Dallas – Southwest
The Millennium Building I
15455 North Dallas Parkway
Suite 700
Addison, TX 75001
972-661-8686
800-442-0915

San Francisco – West
1277 Treat Blvd.
Suite 300
Walnut Creek, CA 94596
925-944-4700
800-367-6166

Canada
30 Adelaide Street East
Suite 600
Toronto, Ontario M5C 3G8
416-594-3700
800-387-1555

Principal Subsidiaries

Provident Life and Accident Insurance Company,
Chattanooga, Tennessee

Unum Life Insurance Company of America,
Portland, Maine

The Paul Revere Life Insurance Company,
Worcester, Massachusetts

Colonial Life & Accident Insurance Company,
Columbia, South Carolina

First Unum Life Insurance Company,
New York, New York

Provident Life and Casualty Insurance Company,
Chattanooga, Tennessee

GENEX Services, Inc.,
Wayne, Pennsylvania

Unum Limited,
Dorking, England

Unum Japan Accident Insurance Company Limited,
Tokyo, Japan

Provident Investment Management, LLC,
Chattanooga, Tennessee

UNUMPROVIDENT CORPORATION
1 Fountain Square Chattanooga, TN 37402
www.unumprovident.com