UNUMPROVIDENT CORP
Form S-3
May 14, 2004
Table of Contents

As filed with the Securities and Exchange Commission on May 14, 2004

Registration No. 333-_________

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

UnumProvident Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1598430

(I.R.S. Employer Identification Number)

1 Fountain Square

Chattanooga, Tennessee 37402

(423) 755-1011

(Address, including zip code, and telephone number, including area code,

of the registrant s principal executive offices)

Susan N. Roth

Vice President, Corporate Secretary and Assistant General Counsel

UnumProvident Corporation

1 Fountain Square, Chattanooga, Tennessee 37402

(423) 755-1011

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Andrew S. Rowen

William G. Farrar

Sullivan & Cromwell LLP

125 Broad Street

New York, New York 10004-2498

Phone: (212) 558-4000

Facsimile: (212) 558-3588

Approximate date of commencement of proposed sale to public: From time to time after the effective date of this registration statement, as determined by market conditions and other factors.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit(4)	Proposed Maximum Aggregate Offering Price(4)	Amount of Registration Fee(5)
8.25% Adjustable Conversion-Rate Equity Security Units	12,000,000	$25	$300,000,000	$76,020
5.085% Senior Notes due 2009	(1)	$	$	$
Stock Purchase Contracts	12,000,000 (2)	$	$	$
Common Stock, $.10 par value	(3)	$	$	$

(1) The Senior Notes are offered as a component of the Adjustable Conversion-Rate Equity Security Units for no additional consideration.

(2) The Stock Purchase Contracts are offered as a component of the Adjustable Conversion-Rate Equity Security Units for no additional consideration.

(3) Shares of Common Stock may be issued to the holders of Adjustable Conversion-Rate Equity Security Units upon settlement or termination of the Stock Purchase Contracts for a purchase price of $25 per unit. The actual number of shares of Common Stock to be issued will not be determined until the date of settlement or termination of the related Stock Purchase Contract.

(4) Exclusive of accrued interest and distributions, if any.

(5) Calculated pursuant to Rule 457(o) of the rules and regulations under the Securities Act.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 14, 2004.

12,000,000 Units

UnumProvident Corporation

8.25% Adjustable Conversion-Rate Equity

Security Units

On May 11, 2004, we issued $300,000,000 aggregate stated amount of 8.25% Adjustable Conversion-Rate Equity Security Units in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. This prospectus will be used by selling securityholders to resell the equity security units.

Each equity security unit has a stated amount of $25 and initially consists of (a) a contract pursuant to which holders agree to purchase, for $25, shares of common stock of UnumProvident on May 15, 2007 and (b) a 1/40, or 2.5%, ownership interest in a 5.085% senior note due 2009 of UnumProvident with a principal amount of $1,000. The ownership interest in the senior note will initially be held as a component of each unit and will be pledged to secure the holder s obligation to purchase our common stock under the related purchase contract.

We will make quarterly contract adjustment payments to holders under the purchase contract at the annual rate of 3.165% of the stated amount of $25 per purchase contract. In addition, we will make quarterly interest payments on the senior notes at the initial annual rate of 5.085%. We have the right to defer the contract adjustment payments on the purchase contracts, but not the interest payments on the senior notes. The senior notes will be remarketed and the interest rate on the senior notes will be reset if the remarketing is successful. The senior notes are unsecured and rank equally with all of our other unsecured and unsubordinated debt.

The units may be sold from time to time by and for the account of the selling securityholders named in this prospectus or in supplements to this prospectus. The selling securityholders may sell all or a portion of the units from time to time in market transactions, in negotiated transactions or otherwise, and at prices and on terms which will be determined by the then prevailing market prices or at negotiated prices directly to purchasers, or through underwriters, broker-dealers, who may act as agents or as principals or agents, or by a combination of such methods. If required, at the time of a particular offering of units by a selling securityholder, a supplement to this prospectus will be circulated setting forth the name or names of any underwriters, broker-dealers or agents, any discounts, commissions or other terms constituting compensation for underwriters and any discounts, commissions or concessions allowed or reallowed or paid to agents or broker-dealers. The selling securityholders will receive all of the net proceeds from the sale of the securities and will pay all underwriting discounts and selling commissions, if any, applicable to any sale. We will not receive any proceeds from the sale by the selling securityholders of the units. The selling securityholders and any broker-dealers, agents or underwriters that participate in the distribution of any securities may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act of 1933, as amended. See Plan of Distribution beginning on page 72.

Our common stock is listed on the New York Stock Exchange under the symbol UNM . The last reported sale price of our common stock on May 12, 2004 was $14.00 per share.

See Risk Factors beginning on page 14 to read about certain factors you should consider before buying units.

The units will be evidenced by a global unit deposited with The Depository Trust Company, or DTC. Except as described in this prospectus, beneficial interests in the global units will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated __________, 2004.

Table of Contents

12,000,000 Units

UnumProvident Corporation

8.25% Adjustable

Conversion-Rate Equity

Security Units

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the units offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

TABLE OF CONTENTS

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC s web site at http://www.sec.gov. The address of the SEC s web site is provided for the information of prospective investors and not as an active link. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York.

The SEC allows us to incorporate by reference into this prospectus the information in documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When we update the information contained in documents that have been incorporated by reference, by making future filings with the SEC, the information incorporated by reference in this prospectus is considered to be automatically updated and superceded. In other words, in all cases, if you are considering whether to rely on information contained in this prospectus or information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later. We incorporate by reference the documents listed below and any additional documents we file with the SEC after the initial filing of this registration statement and prior to the effectiveness thereof, and any filings we may make in the future under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, until our offering is completed:

Annual Report on Form 10-K for the year ended December 31, 2003;

Proxy Statement on Schedule 14A for 2004;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2004;

Current Reports on Form 8-K filed with the SEC since January 1, 2004; and

The description of our common stock set forth in our registration statement filed with the SEC pursuant to Section 12 of the Securities Exchange Act of 1934 and any amendment or report filed for the purpose of updating any such description.

You may request a copy of these filings, at no cost, by writing to or telephoning us at the following address:

Investor Relations

UnumProvident Corporation

1 Fountain Square

Chattanooga, Tennessee 37402

(423) 755-8996

i

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Those statements can be identified by the use of forward-looking language such as may, should, believes, expects, anticipates, estimates, intends, projects, goals, objectives, or other similar expressions. Our actual results, performance or achievements could be materia different from the results expressed in, or implied by, those forward-looking statements. Those statements are subject to risks and uncertainties, including but not limited to, the risks described in this prospectus and other documents incorporated by reference. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this prospectus.

Factors that may cause our actual results to differ materially from those we contemplate by the forward-looking statements include, among others, the following:

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

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

Incidence and recovery rates may be influenced by, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, new trends and developments in medical treatments, and the effectiveness of risk management programs.

Retained risks in our reinsurance operations are influenced primarily by the credit risk of the reinsurers and potential contract disputes. Any material changes in the reinsurers credit risk or willingness to pay according to the terms of the contract could have material effects on results.

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

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

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

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

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

Investment results, including, but not limited to, realized investment losses resulting from impairments, may differ from prior experience and negatively affect our results.

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

Rating agency actions, state insurance department and other enforcement actions, and negative media attention may adversely affect our business.

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

Table of Contents

The level and results of litigation may vary from prior experience and may adversely affect our business.

Events or consequences relating to terrorism and acts of war, both domestic and foreign, may adversely affect our business and may also affect the availability and cost of reinsurance.

For further discussion of risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors.

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. Except as required under federal securities laws, we do not intend, and assume no obligation, to update any particular forward-looking statement included or incorporated by reference in this prospectus.

The insurance laws of the states where our insurance company subsidiaries are domiciled and commercially domiciled require the prior approval of the state insurance commissioner for any acquisition of control of an insurance company domiciled in that state. Under these laws, control is presumed to exist if a person owns, directly or indirectly, 10% or more of the voting securities of the insurance company or its holding company. Accordingly, any acquisition of voting securities that results in ownership by a person of 10% or more of UnumProvident Corporation s voting securities will generally require the prior approval of the insurance commissioners of all of these states.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere, or incorporated by reference, in this prospectus. This summary does not contain all of the information that you should consider before investing in our units. You should read carefully this entire prospectus, including the Risk Factors section, and the information incorporated by reference, which are described under Where You Can Find More Information . In this prospectus, UnumProvident, we, our, ours and us refer to UnumProvident Corporation unless the context otherwise requires.

UnumProvident Corporation

We are the surviving corporation in the merger on June 30, 1999 of Provident Companies Inc., the leading individual disability insurance provider in North America, with Unum Corporation, the leading group disability insurance provider. We are the parent holding company for a group of insurance and non-insurance companies that collectively operate throughout North America, the United Kingdom, and, to a limited extent, in certain other countries around the world. Our principal operating subsidiaries in the United States are Unum Life Insurance Company of America (Unum America), Provident Life and Accident Insurance Company (Accident), The Paul Revere Life Insurance Company (Paul Revere Life), and Colonial Life & Accident Insurance Company (Colonial). We, through our subsidiaries, are the largest provider of group and individual disability insurance in North America and the United Kingdom. We also provide a complementary portfolio of other insurance products, including long-term care insurance, life insurance, employer- and employee-paid group benefits, and related services.

Consolidated Ratio of Earnings to Fixed Charges

Our consolidated ratio of earnings to fixed charges including our consolidated subsidiaries is computed by dividing earnings by fixed charges. The following table sets forth our consolidated ratio of earnings to fixed charges for the periods shown:

	For the Year Ended December 31,					For the Three Months Ended March 31,
	1999[(2)]	2000	2001	2002	2003[(2)]	2004[(3)]
Ratio of Earnings to Fixed Charges[(1)]	0.0x	5.2x	5.0x	4.3x	(1.1)x	(13.3)x

(1) For purposes of computing the ratio of earnings to fixed charges, earnings as adjusted consist of income (loss) from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest and debt expense, amortization of deferred debt costs, and the estimated interest portion of rent expense.

(2) Earnings were inadequate to cover fixed charges. The coverage deficiency totaled $159.0 million for 1999 and $435.2 million for 2003.

(3) Earnings were inadequate to cover fixed charges. The coverage deficiency totaled $770.2 million for the three months ended March 31, 2004.

As of the date of this prospectus, we have no preferred stock outstanding.

1

Table of Contents

The Offering

What are the equity security units?

Each equity security unit, which we refer to as a unit, consists of and represents:

(1) a purchase contract pursuant to which:

- you will agree to purchase, and we will agree to sell, for $25, a number of shares of our common stock on May 15, 2007 (the stock purchase date) to be determined based on the average trading price of our common stock for a period preceding that date, calculated in the manner described below; and

- we will pay you contract adjustment payments on a quarterly basis at the annual rate of 3.165% of the stated amount of $25, subject to our right to defer such payments, as specified below; and

(2) a 1/40, or 2.5%, ownership interest in a 5.085% senior note due May 15, 2009 of UnumProvident with a principal amount of $1,000, on which we will pay interest at the initial annual rate of 5.085% until a successful remarketing of the senior notes and at the reset rate (as described below) thereafter. Interest will be payable quarterly in arrears through and including the stock purchase date and, thereafter, semi-annually in arrears.

The ownership interests in the senior notes that are a component of your units will be owned by you, but have initially been pledged to the collateral agent for our benefit to secure your obligations under the related purchase contracts. We refer in this description to the purchase contracts, together with the pledged ownership interest in the senior notes (or, after a successful remarketing or a special event redemption, the pledged treasury securities), as normal units.

Each holder of normal units may elect at any time on or before the seventh business day prior to the stock purchase date (subject to certain exceptions) to withdraw from the pledge the pledged ownership interest in the senior notes (or, after a successful remarketing or special event redemption described below, the pledged treasury securities) underlying the normal units, thereby creating stripped units. To create stripped units, the holder must substitute, as pledged securities, specifically identified treasury securities that will pay $25 (the amount due under the purchase contract) per unit on the stock purchase date, and the pledged ownership interest in the senior notes or treasury securities will be released from the pledge and delivered to the holder. Holders of stripped units may recreate normal units by re-substituting the senior notes (or, after a successful remarketing or a special event redemption, the applicable treasury securities) for the treasury securities underlying the stripped units.

If the senior notes are successfully remarketed or a special event redemption occurs, in each case as described herein, the applicable ownership interest in the treasury securities will replace the ownership interest in a senior note as a component of each unit and will be pledged to the collateral agent for our benefit to secure your obligations under the purchase contract.

What are the purchase contracts?

The purchase contract underlying a unit obligates you to purchase, and us to sell, for $25, on the stock purchase date, a number of newly issued shares of our common stock equal to the settlement rate described below. The settlement rate will be based on the average trading price of the common stock for a period preceding that date, calculated in the manner described below.

What payments will we make to holders of the units and the senior notes?

If you hold normal units, we will pay you (a) quarterly contract adjustment payments on the underlying purchase contracts at the annual rate of 3.165% of the $25 stated amount through and including the stock

Table of Contents

purchase date, and (b) quarterly interest payments on the ownership interests in senior notes that are pledged in respect of your normal units at the initial annual rate of 5.085% through and including February 15, 2007, the last quarterly payment date before the stock purchase date. On the stock purchase date, you will also receive a cash payment in respect of each of your normal units, equal to 1/40, or 2.5%, of the quarterly interest payment payable on the $1,000 principal amount of a senior note at the initial annual rate of 5.085%.

If you hold stripped units and do not separately hold senior notes, you will receive only the quarterly contract adjustment payments at the annual rate of 3.165% of the $25 stated amount.

The contract adjustment payments on normal and stripped units are subject to our deferral right as described below. We are not entitled to defer interest payments on any senior notes, whether held as part of, or separately from, the units.

If you hold senior notes separately from the units and do not separately hold stripped units, you will receive only the interest payable on the senior notes. The senior notes, whether held separately from or as part of the units, will initially pay interest at the annual rate of 5.085%. If the senior notes are successfully remarketed, however, the rate of interest payable from the settlement date of the successful remarketing until their maturity on May 15, 2009 will be the reset rate, which will be a rate established by the remarketing agent, that meets the requirements described herein. If the remarketing agent cannot establish a reset rate on a remarketing date, the remarketing agent will not reset the interest rate on the senior notes and the interest rate will continue to be the initial annual rate of 5.085%, until the remarketing agent, on a later remarketing date prior to the stock purchase date, can establish a reset rate meeting the requirements described herein.

We are a holding company with no operations of our own. Our ability to pay our obligations under the purchase contracts and senior notes depends on our ability to obtain cash dividends or other cash payments or obtain loans from our subsidiaries, which are separate and distinct legal entities that will have no obligations to pay any dividends or to lend or advance us funds and which may be restricted from doing so by other financing arrangements, charter provisions or regulatory requirements. Our obligations under the purchase contracts and the senior notes will be effectively subordinated to the obligations of our subsidiaries, including policyholder claims.

What are the payment dates?

Subject to our deferral right in respect of the contract adjustment payments described below, we will make contract adjustment payments quarterly in arrears on each of February 15, May 15, August 15, and November 15, commencing on August 15, 2004 and ending on the stock purchase date. We will initially make interest payments on the senior notes quarterly in arrears on each of February 15, May 15, August 15, and November 15, commencing on August 15, 2004, and, following the stock purchase date, semi-annually in arrears on each of May 15 and November 15 until maturity on May 15, 2009.

Can we defer payments?

We can defer payment of all or part of the contract adjustment payments on the purchase contracts until no later than the stock purchase date. Additional contract adjustment payments will accrue on any deferred installments of contract adjustment payments at a rate of 8.25% per year until paid, compounded quarterly, to but excluding the stock purchase date, unless your purchase contract has been early settled or terminated. We are not entitled to defer interest payments on the senior notes.

What is the reset rate?

To facilitate the remarketing of the senior notes at the remarketing price described below, the remarketing agent will reset the rate of interest on the senior notes, effective from the settlement date of a successful remarketing until their maturity on May 15, 2009. The reset rate will be the rate sufficient to cause the then current market value of each outstanding senior note to be equal to at least 100.25% of the remarketing value described below (or, if the remarketing agent is unable to remarket the senior notes at such a price, at a price below 100.25% in the discretion of the remarketing agent, but in no event less than 100.00%). Resetting the interest rate on the

Table of Contents

senior notes at this rate is designed to enable the remarketing agent to remarket the senior notes in the remarketing and purchase the necessary treasury securities, the proceeds of which will be applied in settlement of the purchase contracts and to provide funds for the cash payment on the normal units due on the stock purchase date.

The reset rate will be determined by the remarketing agent on the third business day (as defined below) prior to February 15, 2007, the last quarterly payment date before the stock purchase date. If the remarketing agent cannot establish a reset rate meeting these requirements on the remarketing date and, as a result, the senior notes cannot be remarketed as described below, the interest rate will not be reset and will continue to be the initial rate of the senior notes. However, the remarketing agent may thereafter attempt to establish a reset rate meeting these requirements, and the remarketing agent may attempt to remarket the senior notes, on the subsequent dates described below. If a reset rate cannot be established on a given date, the remarketing will not occur on that date. If the remarketing agent fails to remarket the senior notes that form part of the normal units by the end of the third business day immediately preceding the stock purchase date, we will be entitled to exercise our rights as a secured party with respect to such senior notes and, subject to applicable law, may retain the pledged senior notes or sell them in one or more public or private sales to satisfy in full such holder s obligation to purchase shares of common stock under the related purchase contracts.

The reset of the interest rate on the senior notes in connection with a successful remarketing will not change the amount of the cash payment due to holders of normal units on the stock purchase date, which, as described above, will be an amount per normal unit equal to 1/40, or 2.5%, of the quarterly interest payment payable on $1,000 principal amount of a senior note at the initial annual rate of 5.085%.

Business day means any day that is not a Saturday, Sunday or day on which banking institutions and trust companies in the State of New York or at a place of payment are authorized or required by law, regulation or executive order to close.

What is remarketing?

The remarketing agent will attempt to remarket the senior notes of holders of normal units and will use the proceeds to purchase treasury securities, which the participating holders of normal units will pledge to secure their obligations under the related purchase contracts. Holders of normal units may elect not to participate in any remarketing by following the procedures described below. The cash paid upon maturity of the pledged treasury securities underlying the normal units of such holders will be used to satisfy such holders obligations to purchase shares of common stock on the stock purchase date, as well as to provide funds to make the cash payment to holders of normal units due on the stock purchase date. This will be one way for holders of normal units to satisfy their obligations to purchase shares of common stock under the related purchase contracts. The remarketing agent will attempt to remarket the senior notes that are included in normal units on one or more occasions starting on the remarketing date, which will be the third business day prior to February 15, 2007, which is the last quarterly payment date before the stock purchase date, or, if the remarketing agent fails to remarket the senior notes on that date, a later date as described below. As described below, a holder of a senior note in which interests are not held as part of normal units may elect to have the separately held senior note remarketed along with the senior notes in which interests are held as part of the normal units.

We will enter into a remarketing agreement with a nationally recognized investment banking firm that will act as remarketing agent. The remarketing agent will agree to use commercially reasonable best efforts to remarket the senior notes that are included in normal units (as well as separately held senior notes) that are participating in the remarketing, at a price per senior note equal to at least 100.25% of the remarketing value (or, if the remarketing agent is unable to remarket the senior notes at such a price, at a price below 100.25% in the discretion of the remarketing agent, but in no event less than 100.00%). The remarketing value of a senior note will be equal to the sum of:

(1)

the value at the remarketing date (or any subsequent remarketing date) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the interest payment scheduled to be payable on the senior note on that date, assuming for this purpose, even if not true, that the interest rate on the senior notes remains at the initial rate; and

Table of Contents

(2) the value at the remarketing date (or any subsequent remarketing date) of such amount of treasury securities that will pay, on or prior to the stock purchase date, an amount of cash equal to the principal amount of the senior note.

The remarketing agent will use the proceeds from a successful remarketing of the senior notes included in normal units to purchase, in its discretion, the amount and the types of treasury securities described in (1) and (2) above in respect of each such senior note that has been remarketed. The remarketing agent will purchase such treasury securities in open market transactions or at treasury auction and deliver them through the purchase contract agent to the collateral agent to secure the obligations under the related purchase contracts of the holders of the normal units whose senior notes participated in the remarketing. The remarketing agent will deduct out of the proceeds in excess of the remarketing value as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing. The remarketing agent will remit the remaining portion of the proceeds, if any, for payment to the holders of the normal units participating in the remarketing.

A holder of normal units may elect not to participate in any remarketing and, instead, retain the ownership interests in senior notes underlying those normal units by delivering, in respect of each senior note to be retained, the treasury securities having the value described in (1) and (2) above, in the amount and the types specified by the remarketing agent, to the purchase contract agent on the fourth business day prior to the first day of a remarketing period (as defined below) to satisfy its obligations under the related purchase contracts. Whether or not a holder of normal units participates in the remarketing, the interest rate on the senior notes in which interests are included in those units will nevertheless be reset if the remarketing is successful.

Prior to any remarketing, we plan to file and obtain effectiveness of a registration statement in respect of remarketing if so required under the U.S. federal securities laws at the time.

What happens if the remarketing agent does not successfully remarket the senior notes on the remarketing date?

If the remarketing agent cannot establish a reset rate meeting the requirements described above on the remarketing date and therefore cannot remarket the senior notes participating in the remarketing on the remarketing date at a price per senior note equal to at least 100.25% (or, less than 100.25%, but no less than 100.00%, if the remarketing agent has decided in his discretion to remarket at such rate) of the remarketing value, the remarketing agent will attempt to establish a reset rate meeting these requirements on each of the two business days immediately following the initial proposed remarketing date. If the remarketing agent cannot establish a reset rate meeting these requirements on either of those days, it will attempt to establish such a reset rate on each of the three business days immediately preceding April 1, 2007. If the remarketing agent cannot establish such a reset rate during that period, it will further attempt to establish such a reset rate on the third business day immediately preceding the stock purchase date. We refer to each of these periods as a remarketing period. Any subsequent remarketing will be at a price per senior note equal to at least 100.25% (or, less than 100.25%, but no less than 100.00%, if the remarketing agent has decided in his discretion to remarket at such rate) of the remarketing value on the subsequent remarketing date. If the remarketing agent fails to remarket the senior notes underlying the normal units at that price by the end of the third business day immediately preceding the stock purchase date, any holder of normal units that has not otherwise settled its purchase contracts in cash on the business day immediately preceding the stock purchase date (but without regard to the notice requirements otherwise applicable to cash settlement) will be deemed to have directed us to retain the securities pledged as collateral in satisfaction of the holder s obligations under the related purchase contracts and we will exercise our rights as a secured party and may, subject to applicable law, retain or dispose of such securities to satisfy in full such holder s obligation to purchase our common stock under the related purchase contracts on the stock purchase date. In no event will a holder of a purchase contract be liable for any deficiency between such proceeds and the purchase price for the shares of common stock under the purchase contract.

If I am not a party to a purchase contract, may I still participate in a remarketing of my senior notes?

Holders of senior notes in which interests are not included as part of normal units may elect to have their senior notes included in the remarketing in the manner described in Description of the Equity Security Units Optional Remarketing below. The remarketing agent will use commercially reasonable best efforts to

5

Table of Contents

remarket the separately held senior notes included in the remarketing at a price per senior note equal to at least 100.25% of the remarketing value (or, if the remarketing agent is unable to remarket the senior notes at such a rate, at a rate below 100.25% in the discretion of the remarketing agent, but in no event less than 100.00%), determined on the same basis as for the other senior notes being remarketed. After deducting as a remarketing fee an amount not exceeding 25 basis points (0.25%) of the total proceeds from such remarketing, the remaining portion of the proceeds will be remitted for payment to the holders whose separate senior notes were remarketed in the remarketing. If a holder of senior notes elects to have its senior notes remarketed during any remarketing period but the remarketing agent fails to remarket the senior notes during such remarketing period, the senior notes will be promptly returned to the custodial agent for release to the holder at the end of that period.

What is the settlement rate?

The settlement rate is the number of newly issued shares of common stock that we are obligated to sell and you are obligated to purchase upon settlement of a purchase contract on the stock purchase date.

The settlement rate for each purchase contract, subject to adjustment under specified circumstances, will be as follows:

- if the applicable market value, determined as described below, of our common stock is equal to or greater than $16.95, the settlement rate will be 1.4748 shares of common stock per purchase contract;

- if the applicable market value of our common stock is less than $16.95 but greater than $14.74, the settlement rate will be equal to $25 divided by the applicable market value of our common stock per purchase contract; or

- if the applicable market value of our common stock is less than or equal to $14.74, the settlement rate will be 1.6961 shares of common stock per purchase contract.

Applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

At the option of each holder, a purchase contract may be settled early by the early delivery of cash to the purchase contract agent, as described below, in which case the settlement rate will be 1.4748 shares of common stock per purchase contract.

Besides participating in a remarketing, how else can I satisfy my obligations under the purchase contract?

Besides participating in the remarketing, your obligations under the purchase contract may also be satisfied:

if you have created stripped units or elected not to participate in the remarketing, by delivering and pledging specified treasury securities in substitution for your senior notes and applying the cash payments received upon maturity of those pledged treasury securities;

through the early delivery of cash to the purchase contract agent on or prior to the seventh business day prior to the stock purchase date in the manner described in Description of the Equity Security Units Early Settlement below;

by delivering cash on the business day prior to the stock purchase date for settlement of the purchase contracts in the manner described in Description of the Equity Security Units Notice to Settle with Cash below; or

if we are involved in a merger, acquisition or consolidation prior to the stock purchase date in which at least 30% of the consideration for our common stock consists of cash or cash equivalents, through an early settlement of the purchase contract as described in Description of the Equity Security Units Early Settlement Upon Cash Merger.

In addition, the purchase contracts, our related rights and obligations and those of the holders of the units, including their rights to receive accumulated contract adjustment payments or deferred contract adjustment payments and obligations to purchase our common stock, will automatically terminate upon our bankruptcy, insolvency or reorganization. Upon such a termination of the purchase contracts, the pledged senior notes or treasury securities will be released and distributed to you. If we become the subject of a case under the federal bankruptcy code, a delay may occur as a result of the imposition of an automatic stay under the bankruptcy code and continue until the automatic stay has been lifted. The automatic stay will not be lifted until such time as the bankruptcy judge agrees to lift it and allows your collateral to be returned to you.

If the purchase contract is settled early or is terminated as the result of our bankruptcy, insolvency or reorganization, a holder will have no further right to receive any accrued contract adjustment payments or deferred contract adjustment payments.

Under what circumstances may we redeem the senior notes before they mature?

If the tax laws change or are interpreted by the tax authorities or the courts in a way that adversely affects our tax consequences with respect to the senior notes, or if the accounting rules change in a way that adversely affects our accounting treatment of the purchase contracts or the units, then we may elect to redeem the senior notes. If the senior notes are redeemed before a successful remarketing, the money received from the redemption will be used by the collateral agent to purchase a portfolio of zero-coupon U.S. treasury securities that mature on or prior to each payment date of the senior notes through the stock purchase date, in an aggregate amount equal to the principal on the senior notes included in normal units and the interest that would have been due on such payment date on the senior notes included in normal units. For a holder of normal units, these treasury securities will replace the senior notes as the collateral securing such holder s obligations to purchase shares of common stock under the purchase contracts. If your senior notes are not components of normal units, you, rather than the collateral agent, will receive the related redemption payment. If the senior notes are redeemed, then each unit will consist of a purchase contract for shares of common stock and an ownership interest in the portfolio of treasury securities.

What is the maturity of the senior notes?

The senior notes will mature on May 15, 2009.

What are the U.S. federal income tax consequences related to the equity security units and senior notes?

If you purchase units in the offering, you will be treated for U.S. federal income tax purposes as having acquired two distinct interests: (i) purchase contracts and (ii) ownership interests in the senior notes constituting those units, and by purchasing the units you agree to treat the purchase contracts and ownership interests in the senior notes in that manner for all tax purposes. In addition, you agree to treat the senior notes as indebtedness of UnumProvident for all tax purposes. You must allocate the purchase price of the units between purchase contracts and ownership interests in the senior notes in proportion to their respective fair market values, which will establish your initial tax basis in each component of the units. We expect to report the fair market value of each purchase contract as $0.00 and the fair market value of each senior note as $1,000 (or $25.00 for each 1/40, or 2.5%, ownership interest in a senior note included in a normal unit).

For U.S. federal income tax purposes, we intend to treat the senior notes as contingent payment debt instruments subject to the noncontingent bond method of accruing original issue discount. As discussed more fully under U.S. Federal Income Tax Consequences Senior Notes Original Issue Discount below, the effects of this method will be (1) to require you, regardless of your usual method of tax accounting, to use an accrual method with respect to interest on the senior notes, (2) to require you, for all accrual periods through February 15, 2007, and possibly thereafter, to accrue interest income in excess of distributions actually received by you, and (3) generally to result in ordinary rather than capital treatment of any gain or loss on the sale, exchange or disposition of an ownership interest in the senior notes or the units to the extent attributable to the senior notes.

Table of Contents

Prospective investors are urged to consult their own tax advisors with respect to the U.S. federal income tax consequences of the purchase, ownership and disposition of units, the ownership interests in senior notes and the common stock acquired under a purchase contract in light of their own particular circumstances, as well as with respect to the effect of any state, local or foreign tax laws.

What are the ERISA considerations?

Plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, or ERISA, or Section 4975 of the Internal Revenue Code of 1986, as amended, may invest in the units subject to the considerations set forth in ERISA Considerations below.

Table of Contents

Explanatory Diagrams

The following diagrams demonstrate some of the key features of the purchase contracts, normal units, stripped units and senior notes, and the transformation of normal units into stripped units and senior notes. The following diagrams assume that the senior notes are successfully remarketed, the interest rate on the senior notes is reset, there is no early settlement and the payment of contract adjustment payments is not deferred.

Purchase Contracts

Normal units and stripped units both include a purchase contract under which you agree to purchase shares of common stock on the stock purchase date.

The number of shares of common stock to be purchased under each purchase contract will depend on the applicable market value. The applicable market value means the average of the closing price per share of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the stock purchase date.

---

(1) The reference price is $14.74, which is equal to the closing price of shares of our common stock on May 6, 2004.

(2) The threshold appreciation price is $16.95, which is 115% of the reference price.

(3) For each of the percentage categories shown, the percentage of the shares of common stock to be delivered on the stock purchase date to a holder of normal units or stripped units is determined by dividing:

the related number of shares of common stock to be delivered, calculated in the manner indicated in the footnote for each such category, by

an amount equal to $25, the stated amount of the unit, divided by the reference price.

(4) If the applicable market value of our common stock is less than or equal to the reference price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of $25 by the reference price.

Table of Contents

(5) If the applicable market value of our common stock is between the reference price and the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of $25 by the applicable market value.

(6) If the applicable market value of our common stock is greater than or equal to the threshold appreciation price, the number of shares of common stock to be delivered will be calculated by dividing the stated amount of $25 by the threshold appreciation price.

Normal Units

A normal unit consists of two components as illustrated below:

Purchase Contract		**Ownership Interest in Senior Note**
		(Owed to Holder)
(Owed to Holder)		Interest on a 1/40, or 2.5%,
Common Stock		ownership interest in
+	+	$1,000 principal amount
contract adjustment payments		5.085% per year payable quarterly
3.165% per year payable quarterly, subject		until Stock Purchase Date and
to deferral		semi-annually thereafter
		(reset in connection with remarketing)
		(Owed to Holder)
(Owed to UnumProvident)		$25 at Maturity
$25 at Stock Purchase Date		(as a 1/40, or 2.5%, ownership interest
(May 15, 2007)		in $1,000 principal amount)
		(May 15, 2009)

Normal Unit

After a successful remarketing or special event redemption, the normal units will include specified treasury securities in lieu of the senior notes.

If you hold a normal unit, you will hold an ownership interest in a senior note and, after a successful remarketing or special event redemption, an ownership interest in specified treasury securities, but will pledge that interest to the collateral agent for our benefit to secure your obligations under the purchase contract.

If you hold a normal unit, you may also substitute a specified amount of treasury securities for the ownership interest in a senior note if you decide not to participate in the remarketing.

10

Table of Contents

Stripped Units

A stripped unit consists of two components as illustrated below:

Purchase Contract	Zero Coupon Treasury Security
(Owed to Holder)	
Common Stock	
+	
contract adjustment payments	
3.165% per year payable quarterly,	
subject to deferral	