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Unum Group
Form 10-Q
October 25, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

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) (Zip Code)

423.294.1011
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

218,748,493 shares of the registrant's common stock were outstanding as of October 23, 2018.

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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 Quarterly Report on Form 10-Q (including certain statements in the consolidated financial statements and related notes and Management's Discussion and Analysis), 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," "plans," "assumes," "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:

• Sustained periods of low interest rates.

• Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit 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 our claims operational processes, and changes in governmental programs.

• Unfavorable economic or business conditions, both domestic and foreign, that may result in decreases in sales, premiums, or persistency, as well as unfavorable claims activity.

• Changes in or interpretations of laws and regulations, including tax laws and regulations.

• Investment results, including, but not limited to, changes in interest rates, defaults, changes in credit spreads, impairments, and the lack of appropriate investments in the market which can be acquired to match our liabilities.

• A cyber attack or other security breach could result in the unauthorized acquisition of confidential data.

• The failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event.

• Execution risk related to our technology needs.

• Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.

• Changes in our financial strength and credit ratings.

• Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.

• Actual experience in the broad array of our products that deviates from our assumptions used in pricing, underwriting, and reserving.

• Changes in accounting standards, practices, or policies.

• Effectiveness of our risk management program.

• Contingencies and the level and results of litigation.

• Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.

• Ineffectiveness of our derivatives hedging programs due to changes in the economic environment, counterparty risk, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation.

Fluctuation in foreign currency exchange rates.

Ability to generate sufficient internal liquidity and/or obtain external financing.

Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.

Terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

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For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2017.

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 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	September 30 2018	December 31 2017
	(in millions of dollars) (Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: \$39,913.2; \$39,780.5)	\$43,071.3	\$45,457.8
Mortgage Loans	2,222.0	2,213.2
Policy Loans	3,720.2	3,571.1
Other Long-term Investments	694.2	646.8
Short-term Investments	1,238.2	1,155.1
Total Investments	50,945.9	53,044.0
Other Assets		
Cash and Bank Deposits	214.2	77.4
Accounts and Premiums Receivable	1,693.0	1,665.7
Reinsurance Recoverable	4,684.0	4,879.2
Accrued Investment Income	683.0	690.1
Deferred Acquisition Costs	2,276.9	2,184.6
Goodwill	346.0	338.6
Property and Equipment	521.0	504.8
Income Tax Receivable	19.0	—
Deferred Income Tax	157.4	—
Other Assets	709.4	628.7
Total Assets	\$62,249.8	\$64,013.1

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	September 30 2018	December 31 2017
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	\$1,674.1	\$1,605.2
Reserves for Future Policy and Contract Benefits	45,092.7	45,601.6
Unearned Premiums	428.0	373.1
Other Policyholders' Funds	1,551.4	1,595.0
Income Tax Payable	—	2.9
Deferred Income Tax	—	199.0
Short-term Debt	—	199.9
Long-term Debt	2,983.5	2,738.4
Payables for Collateral on Investments	238.2	396.2
Other Liabilities	1,763.7	1,726.9
Total Liabilities	53,731.6	54,438.2
Commitments and Contingent Liabilities - Note 11		
Stockholders' Equity		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 305,069,982 and 304,448,032 shares	30.5	30.5
Additional Paid-in Capital	2,314.3	2,303.3
Accumulated Other Comprehensive Income (Loss)	(868.5) 127.5
Retained Earnings	9,670.8	9,542.2
Treasury Stock - at cost: 86,347,280 and 81,900,950 shares	(2,628.9) (2,428.6)
Total Stockholders' Equity	8,518.2	9,574.9
Total Liabilities and Stockholders' Equity	\$62,249.8	\$64,013.1

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30 2018		Nine Months Ended September 30 2018	
	As Adjusted	As Adjusted	As Adjusted	As Adjusted
Revenue				
Premium Income	\$2,251.8	\$2,153.6	\$6,722.8	\$6,438.7
Net Investment Income	619.2	609.0	1,845.1	1,831.9
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	—	(1.0)	—
Net Realized Investment Gain, Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	6.7	9.8	2.9	28.9
Net Realized Investment Gain	6.7	9.8	1.9	28.9
Other Income	50.1	46.7	147.9	148.1
Total Revenue	2,927.8	2,819.1	8,717.7	8,447.6
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	2,578.9	1,765.6	6,190.9	5,266.6
Commissions	276.8	262.4	832.6	793.9
Interest and Debt Expense	42.7	40.1	125.3	119.8
Deferral of Acquisition Costs	(166.8)	(154.8)	(501.8)	(470.1)
Amortization of Deferred Acquisition Costs	136.9	123.7	428.6	403.5
Compensation Expense	224.2	223.8	666.1	650.6
Other Expenses	212.9	191.5	657.9	624.6
Total Benefits and Expenses	3,305.6	2,452.3	8,399.6	7,388.9
Income (Loss) Before Income Tax Expense (Benefit)	(377.8)	366.8	318.1	1,058.7
Income Tax Expense (Benefit)				
Current	2.7	139.4	172.7	301.8
Deferred	(95.8)	(24.9)	(128.9)	29.6
Total Income Tax Expense (Benefit)	(93.1)	114.5	43.8	331.4
Net Income (Loss)	\$(284.7)	\$252.3	\$274.3	\$727.3
Net Income (Loss) Per Common Share				
Basic	\$(1.30)	\$1.12	\$1.24	\$3.20
Assuming Dilution	\$(1.30)	\$1.12	\$1.24	\$3.19

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
Net Income (Loss)	\$(284.7)	\$252.3	\$274.3	\$727.3
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gain (Loss) on Securities Before Adjustment (net of tax expense (benefit) of \$(80.6); \$39.2; \$(525.0); \$334.7)	(305.0)	66.1	(1,982.1)	616.3
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of \$(69.8); \$(31.8); \$276.1; \$(261.7))	(260.2)	(66.9)	1,051.1	(499.5)
Change in Net Gain on Hedges (net of tax benefit of \$4.4; \$7.4; \$8.3; \$19.7)	(16.8)	(13.8)	(32.3)	(36.8)
Change in Foreign Currency Translation Adjustment (net of tax benefit of \$-; \$-; \$0.3; \$-)	(15.2)	31.8	(29.5)	88.7
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of \$1.3; \$1.5; \$4.0; \$4.3)	4.9	2.2	14.3	6.6
Total Other Comprehensive Income (Loss)	(592.3)	19.4	(978.5)	175.3
Comprehensive Income (Loss)	\$(877.0)	\$271.7	\$(704.2)	\$902.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2018	2017
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	\$30.5	\$30.4
Additional Paid-in Capital		
Balance at Beginning of Year	2,303.3	2,272.8
Common Stock Activity	11.0	22.4
Balance at End of Period	2,314.3	2,295.2
Accumulated Other Comprehensive Income (Loss)		
Balance at Beginning of Year	127.5	(51.0)
Adjustment to Adopt Accounting Standard Update - Note 2	(17.5)	—
Other Comprehensive Income (Loss)	(978.5)	175.3
Balance at End of Period	(868.5)	124.3
Retained Earnings		
Balance at Beginning of Year	9,542.2	8,744.0
Adjustment to Adopt Accounting Standard Update - Note 2	14.5	—
Net Income	274.3	727.3
Dividends to Stockholders (per common share: \$0.72; \$0.63)	(160.2)	(144.1)
Balance at End of Period	9,670.8	9,327.2
Treasury Stock		
Balance at Beginning of Year	(2,428.6)	(2,028.2)
Purchases of Treasury Stock	(200.3)	(300.3)
Balance at End of Period	(2,628.9)	(2,328.5)
Total Stockholders' Equity at End of Period	\$8,518.2	\$9,448.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2018	2017
	(in millions of dollars)	
	As	Adjusted
Cash Flows from Operating Activities		
Net Income	\$274.3	\$ 727.3
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(90.6)	(119.0)
Change in Deferred Acquisition Costs	(73.2)	(66.6)
Change in Insurance Reserves and Liabilities	1,101.6	348.1
Change in Income Taxes	(106.9)	81.4
Change in Other Accrued Liabilities	25.0	(6.6)
Non-cash Components of Net Investment Income	(120.9)	(145.7)
Net Realized Investment Gain	(1.9)	(28.9)
Depreciation	74.9	78.4
Other, Net	1.2	8.2
Net Cash Provided by Operating Activities	1,083.5	876.6
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	456.2	303.2
Proceeds from Maturities of Fixed Maturity Securities	2,234.9	1,848.5
Proceeds from Sales and Maturities of Other Investments	350.6	161.7
Purchases of Fixed Maturity Securities	(2,840.0)	(2,063.4)
Purchases of Other Investments	(448.5)	(313.5)
Net Purchases of Short-term Investments	(87.0)	(252.6)
Net Decrease in Payables for Collateral on Investments	(158.0)	(7.7)
Net Purchases of Property and Equipment	(95.6)	(64.7)
Net Cash Used by Investing Activities	(587.4)	(388.5)
Cash Flows from Financing Activities		
Short-term Debt Repayments	(200.0)	—
Issuance of Long-term Debt	290.7	—
Long-term Debt Repayments	(45.0)	(48.5)
Issuance of Common Stock	3.6	9.5
Repurchase of Common Stock	(205.8)	(307.2)
Dividends Paid to Stockholders	(160.2)	(144.1)
Other, Net	(42.6)	(28.1)
Net Cash Used by Financing Activities	(359.3)	(518.4)
Net Increase (Decrease) in Cash and Bank Deposits	136.8	(30.3)

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Cash and Bank Deposits at Beginning of Year	77.4	100.4
Cash and Bank Deposits at End of Period	\$214.2	\$ 70.1

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unum Group and Subsidiaries

September 30, 2018

Note 1 - Basis of Presentation

The accompanying consolidated financial statements of Unum Group and its subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2017.

In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of full year performance.

Note 2 - Accounting Developments

Accounting Updates Adopted in 2018:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 230 "Statement of Cash Flows"	This update provided clarifying guidance intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The update addressed eight specific cash flow issues that relate to various types of transactions. The guidance is to be applied retrospectively.	January 1, 2018	The adoption of this update resulted in the reclassification of certain cash inflows from investing activities to cash inflows from operating activities within our consolidated statements of cash flows. This reclassification related to cash distributions from equity method investees and the bifurcation of those distributions as either returns on investment or returns of investment. The adoption of this update had no effect on our financial position or results of operations. See the summary tables contained herein for the financial statement impacts of this retrospective adoption.
ASC 606 "Revenue from Contracts with Customers"	These updates superseded virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the scope of these updates are insurance contracts, although our fee-based service products are included within the scope. Our fee-based service products, which are primarily sold in our Unum US segment, are reported	January 1, 2018	The adoption of these updates did not have an impact on our financial position or results of operations and did not result in expanded disclosures due to the immaterial nature of our fee-based service products relative to our overall

in other income within our consolidated statements of operations and represent less than one percent of our total revenue. The core principle of this guidance is that revenue recognition should depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Accordingly, we continue to recognize revenue for these fee-based service products as services are rendered. The guidance is to be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. business.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 715 "Compensation - Retirement Benefits"	This update required the service cost component of net periodic pension and postretirement benefit costs to be included as a component of compensation costs in an entity's statement of income. Other components of net periodic pension and postretirement benefit costs are required to be presented separately from the service cost along with a disclosure identifying the line items in which these costs are presented in the statement of income. The amendments in this update are to be applied retrospectively or prospectively depending on the specific requirement of the update.	January 1, 2018	The adoption of this update resulted in the reclassification of service cost from the other expenses line item to the compensation expense line item on our consolidated statements of operations but had no effect on our financial position or results of operations. We elected to use the practical expedient for the retrospective application of this update. See the summary tables contained herein for the financial statement impacts of this retrospective adoption.
ASC 740 "Income Taxes"	This update eliminated the exception that required the tax effect of intra-entity asset transfers other than inventory to be deferred until the transferred asset is sold to a third party or otherwise recovered through use. It required recognition of tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. The guidance is to be applied retrospectively.	January 1, 2018	The adoption of this update did not have an impact on our financial position or results of operations.
ASC 815 "Derivatives and Hedge Accounting"	This update provided targeted improvements to accounting for hedging activities for both nonfinancial and financial risk components, aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements, eases certain documentation and effectiveness assessment requirements, and enhances transparency through expanded disclosures. For cash flow and net investment hedges existing at the date of adoption, the guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated	January 1, 2018	We elected to early adopt this update. The adoption of this update did not have an impact on our financial position or results of operations; however, it expanded our disclosures. This update will also simplify hedge documentation requirements and expand available hedging strategies.

other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year the guidance is adopted. The amended presentation and disclosure guidance is required prospectively. Early adoption is permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 825 "Financial Instruments - Overall"	<p>This update changed the accounting and disclosure requirements for certain financial instruments. These changes include a requirement to measure equity investments, other than those that result in consolidation or are accounted for under the equity method, at fair value through net income unless the investment qualifies for certain practicability exceptions. In addition, the update clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale fixed maturity securities. Changes also included the modification of certain disclosures around the fair value of financial instruments, including the requirement for separate presentation of financial assets and liabilities by measurement category, as well as the elimination of certain disclosures around methods and significant assumptions used to estimate fair value. The guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to accumulated other comprehensive income with a corresponding adjustment to retained earnings as of the beginning of the fiscal year the guidance is adopted.</p>	January 1, 2018	<p>See the summary tables contained herein for the financial statement impacts of this modified retrospective adoption on our financial statement line items at January 1, 2018.</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

Summary of Financial Statement Impacts of Accounting Updates Adopted in 2018:

For the Nine Months
Ended September 30,
2017

Historical Accounting Method
As Adjusted
Effect of Change
(in millions of dollars)

Adjustments due to ASC 230

Consolidated Statements of Cash Flow

Cash Flows from Operating Activities

Other, Net

\$(2.4) \$ 8.2 \$ 10.6

Cash Flows from Investing Activities

Proceeds from Sales and Maturities of Other Investments 172.3 161.7 (10.6)

For the Three Months Ended September 30, 2017 For the Nine Months Ended September 30, 2017

Historical Accounting Method As Adjusted Effect of Change
Historical Accounting Method As Adjusted Effect of Change
(in millions of dollars) (in millions of dollars)

Adjustments due to ASC 715

Consolidated Statements of Operations

Compensation Expense

\$221.8 \$ 223.8 \$ 2.0 \$ 644.7 \$ 650.6 \$ 5.9

Other Expenses

193.5 191.5 (2.0) 630.5 624.6 (5.9)

Balance at December 31, 2017
Balance at January 1, 2018
Effect of Change
(in millions of dollars)

Adjustments due to ASC 825

Consolidated Balance Sheets

Assets

Investments

Other Long-term Investments

\$646.8 \$ 643.0 \$ (3.8)

Liabilities

Deferred Income Tax

199.0 198.2 (0.8)

Stockholders' Equity

Accumulated Other Comprehensive Income (Loss) 127.5 110.0 (17.5)

Retained Earnings 9,542.2 9,556.7 14.5

For the adoption of these updates, certain reclassifications have been made to prior year amounts in order to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 220 "Income Statement - Reporting Comprehensive Income"	<p>This update allows entities to make an optional accounting policy election to reclassify the stranded tax effects arising as a result of the recognition of the enactment of the tax bill, H.R. 1, An Act to Provide Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, more commonly known as the Tax Cuts and Jobs Act (TCJA) from accumulated other comprehensive income to retained earnings. Tax effects that are stranded in accumulated other comprehensive income for reasons other than the TCJA may not be reclassified. This update requires additional disclosures on whether an entity elects to reclassify the stranded tax effects and its policy for releasing tax effects from accumulated other comprehensive income. This guidance may be applied in the period of adoption or retrospectively to each period in which the effect of the change in federal income tax rate in the TCJA is recognized, with early adoption permitted.</p>	January 1, 2019	The adoption of this update will expand certain of our disclosures but will have no impact on our financial position or results of operations because we do not intend to make the optional accounting policy election to reclassify the stranded tax effects resulting from the TCJA from accumulated other comprehensive income to retained earnings.
ASC 310 "Receivables - Nonrefundable Fees and Other Costs"	<p>This update shortens the amortization period to the earliest call date for certain callable debt securities held at a premium. This update does not impact securities held at a discount. The guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Early adoption is permitted.</p>	January 1, 2019	We have determined the population of our callable debt securities that are within the scope of this update and do not expect this update to have a material impact on our financial position or results of operations.
ASC 718 "Compensation - Stock Compensation"	<p>This update generally aligns the accounting guidance for share-based payments issued to non-employees with guidance for share-based payments issued to employees. Specifically, the update requires non-employee share-based payments to be measured using the grant date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered rather than being remeasured through the performance completion date. Additionally, for non-employee share-based payments that contain performance conditions, the update will change the criteria regarding the recognition of compensation cost to when achievement of a performance condition is probable rather</p>	January 1, 2019	The adoption of this update is not expected to have a material effect on our financial position or results of operations.

than upon actual achievement of the performance condition. The guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption, with early adoption permitted. For purposes of determining the cumulative effect adjustment, the guidance shall be applied only to equity-classified non-employee share-based payments for which a measurement date has not been established and liability-classified non-employee share-based payments that have not been settled as of the date of adoption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 842 "Leases"	<p>This update changes the accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of lease payments, and a corresponding right-of-use asset, adjusted for certain items, is also recorded. Expense recognition for lessees will remain similar to current accounting requirements for capital and operating leases. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The guidance is to be applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings at either the beginning of the earliest comparative period presented or at the beginning of the period of adoption. The guidance also allows practical expedients related to adoption considerations for leases that commenced before the date of adoption. Early adoption is permitted.</p>	January 1, 2019	<p>The adoption of this update will not have a material impact on our financial position or results of operations, however, it will result in the recognition of a lease liability and a corresponding right-of-use asset on our balance sheet related to our operating leases. We expect to adopt the guidance using a modified retrospective approach at the beginning of the period of adoption and intend to apply practical expedients to leases that commenced prior to the date of adoption. This guidance will also expand our disclosures.</p>
ASC 326 "Financial Instruments - Credit Losses"	<p>This update amends the guidance on the impairment of financial instruments. The update adds an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modifies the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognized as an allowance rather than as a reduction in the amortized cost of the security. The reversal of previously recognized credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures will also be required, including information used to develop the allowance for losses. The guidance is to be applied to most instruments in scope using a modified retrospective approach at the beginning of the earliest comparative period presented with</p>	January 1, 2020	<p>We have not yet determined the expected impact on our financial position or results of operations.</p>

early adoption permitted. For available-for-sale fixed maturity securities, the update is applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 350 "Intangibles - Goodwill and Other"	<p>This update eliminates the requirement to calculate the implied fair value of goodwill (the second step in the current two-step test) to measure a goodwill impairment charge. Instead, entities should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the excess of the carrying amount over the fair value, with the loss not to exceed the total amount of goodwill allocated to that reporting unit. The guidance is to be applied prospectively, with early adoption permitted for goodwill impairment tests performed on testing dates after January 1, 2017.</p>	January 1, 2020	<p>The adoption of this update is not expected to have a material effect on our financial position or results of operations.</p>
ASC 820 "Fair Value Measurement"	<p>This update amends the fair value measurement guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removes certain disclosures related to Level 1 and Level 2 transfers and also removes the discussion regarding valuation processes of Level 3 fair value measurements. The update modifies guidance related to investments in certain entities that calculate net asset value to explicitly require disclosure regarding timing of liquidation of the investee's assets and timing of redemption restrictions. The update adds disclosures around the changes in unrealized gains and losses in other comprehensive income for recurring Level 3 investments held at the end of the reporting period and adds disclosures regarding certain unobservable inputs on Level 3 fair value measurements. The guidance is to be applied retrospectively or prospectively depending on the specific requirement of the update. Entities are permitted to early adopt any removed or modified disclosures and may delay adoption of the additional disclosures until their effective date.</p>	January 1, 2020	<p>We have not yet determined the expected impact on our disclosures.</p>
ASC 715 "Compensation - Retirement Benefits"	<p>This update amends the defined benefit pension and other postretirement benefit guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removes the requirement to disclose the effects of a one-percentage point change in the assumed healthcare cost trend and the requirement to disclose amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost of the next year. This update adds a requirement to describe the reasons for significant gains and losses related to changes in the benefit obligation for the period. The update also clarifies that the projected benefit obligation (PBO) and accumulated benefit obligation (ABO) and fair value of plan assets</p>	December 31, 2020	<p>We have not yet determined the expected impact on our disclosures.</p>

are to be disclosed for plans with PBOs or ABOs in excess of plan assets. The guidance is to be applied retrospectively and early adoption is permitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	<p>This update significantly amends the accounting and disclosure requirements for long-duration insurance contracts. These changes include a requirement to review, and if necessary, update cash flow assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts at least annually, with changes recognized in earnings. In addition, an entity will be required to update the discount rate assumption at each reporting date using a yield that is reflective of an upper-medium grade fixed-income instrument, with changes recognized in other comprehensive income. These changes result in the elimination of the provision for risk of adverse deviation and premium deficiency (or loss recognition) testing. The update also requires that an entity measure all market risk benefits associated with deposit contracts at fair value, with changes recognized in earnings except for the portion attributable to a change in the instrument-specific credit risk, which is to be recognized in other comprehensive income. This update also simplifies the amortization of deferred acquisition costs by requiring amortization on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are no longer subject to an impairment test. Significant additional disclosures will also be required, which include disaggregated rollforwards of certain liability balances and the disclosure of qualitative and quantitative information about expected cash flows, estimates, and assumptions. The application of this guidance will vary based upon the specific requirements of the update but will generally result in either a modified retrospective or full retrospective approach with changes applied as of the beginning of the earliest period presented. Early adoption is permitted.</p>	January 1, 2021	We have not yet determined the expected impact on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, which are classified as available-for-sale securities, derivative financial instruments, and unrestricted equity securities at fair value in our consolidated balance sheets. We report our investments in private equity partnerships at our share of the partnerships' net asset value (NAV) as a practical expedient for fair value.

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.

We classify financial instruments in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs:

Level 1 - the highest category of the fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - 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.

Level 3 - 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.

Valuation Methodologies of Financial Instruments Measured at Fair Value

Valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities. The income approach converts future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

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 provides more observable data than the income approach, considering the type of investments we hold. 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 documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, 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 2018, we have applied valuation approaches and techniques on a consistent basis to similar assets and liabilities and consistent with those approaches and techniques used at year end 2017.

Fixed Maturity and Equity Securities

We use observable and unobservable inputs in measuring the fair value of our fixed maturity and equity securities. For securities categorized as Level 1, fair values equal active Trade Reporting and Compliance Engine (TRACE) pricing or unadjusted broker market maker prices. For securities categorized as Level 2 or Level 3, inputs that may be used in valuing each class of securities at any given time period are disclosed below. Actual inputs used to determine fair values will vary for each reporting period depending on the availability of inputs which may, at times, be affected by the lack of market liquidity.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
United States Government and Government Agencies and Authorities		
Valuation Method	Principally the market approach	Not applicable
Valuation Techniques / Inputs	Prices obtained from external pricing services	
States, Municipalities, and Political Subdivisions		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Relevant reports issued by analysts and rating agencies Audited financial statements	Analysis of similar bonds, adjusted for comparability Non-binding broker quotes Security and issuer level spreads

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Foreign Governments

Valuation Method

Principally the market approach

Principally the market approach

Valuation Techniques /
Inputs

Prices obtained from external pricing
services

Non-binding broker quotes

Call provisions

Analysis of similar bonds, adjusted for
comparability

Non-binding broker quotes

Security and issuer level spreads

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Public Utilities		
Valuation Method	Principally the market and income approaches	Principally the market and income approaches
Valuation Techniques / Inputs	TRACE pricing Prices obtained from external pricing services Non-binding broker quotes Benchmark yields Transactional data for new issuances and secondary trades Security cash flows and structures Recent issuance / supply Matrix pricing Security and issuer level spreads Security creditor ratings/maturity/capital structure/optionality Public covenants Comparative bond analysis Relevant reports issued by analysts and rating agencies Audited financial statements	Change in benchmark reference Analysis of similar bonds, adjusted for comparability Discount for size - illiquidity Non-binding broker quotes Lack of marketability Security and issuer level spreads Volatility of credit Matrix pricing
Mortgage/Asset-Backed Securities		
Valuation Method	Principally the market and income approaches	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Non-binding broker quotes Security cash flows and structures Underlying collateral Prepayment speeds/loan performance/delinquencies Relevant reports issued by analysts and rating agencies Audited financial statements	Analysis of similar bonds, adjusted for comparability Non-binding broker quotes Security and issuer level spreads
All Other Corporate Bonds		
Valuation Method	Principally the market and income approaches	Principally the market and income approaches

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Valuation Techniques /
Inputs

TRACE pricing

Prices obtained from external pricing services

Non-binding broker quotes

Change in benchmark reference

Analysis of similar bonds, adjusted for comparability

Discount for size - illiquidity

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
All Other Corporate Bonds - Continued		
	Benchmark yields	Non-binding broker quotes
	Transactional data for new issuances and secondary trades	Lack of marketability
	Security cash flows and structures	Security and issuer level spreads
	Recent issuance / supply	Volatility of credit
	Matrix pricing	Matrix pricing
	Security and issuer level spreads	
	Security creditor ratings/maturity/capital structure/optionality	
	Public covenants	
	Comparative bond analysis	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Redeemable Preferred Stocks		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Non-binding broker quotes	Non-binding broker quotes
	Benchmark yields	
	Comparative bond analysis	
	Call provisions	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Equity Securities		
Valuation Method	Principally the market approach	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Financial statement analysis
	Non-binding broker quotes	Non-binding broker quotes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

The management of our investment portfolio includes establishing pricing policy and reviewing the reasonableness of sources and inputs used in developing pricing. 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 an asset is sold, 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 month end reporting period.

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.

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.

At September 30, 2018, 20.5 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

The remaining 79.5 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below:

66.1 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.

3.6 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, 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.

9.8 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.

Derivatives

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 LIBOR-setting syndicate in determining the effect of credit risk on our derivatives' fair values. If net 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. For purposes of valuing net counterparty risk, we measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Private Equity Partnerships

Our private equity partnerships represent funds that are primarily invested in private credit, private equity, and real assets, as described below. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. There is generally not a public market for these investments.

The following table presents additional information about our private equity partnerships as of September 30, 2018, including commitments for additional investments which may or may not be funded:

Investment Category	Fair Value (in millions of dollars)	Redemption Term / Redemption Notice	Unfunded Commitments (in millions of dollars)
Private Credit	(a) \$ 162.5	Not redeemable	\$ 71.8
	20.1	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	8.8
Total Private Credit	182.6		80.6
Private Equity	(b) 126.5	Not redeemable	186.4
Real Assets	(c) 127.4	Not redeemable	84.6
	30.2	Quarterly / 90 days notice	—
Total Real Assets	157.6		84.6
Total Partnerships	\$ 466.7		\$ 351.6

(a) Private Credit - The limited partnerships described in this category employ various investment strategies, generally providing direct lending or other forms of debt financing including first-lien, second-lien, mezzanine, and subordinated loans. The limited partnerships have credit exposure to corporates, physical assets, and/or financial assets within a variety of industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail) in North America and, to a lesser extent, outside of North America. As of September 30, 2018, the estimated remaining life of the investments that do not allow for redemptions is approximately 24 percent in the next 3 years, 46 percent during the period from 3 to 5 years, 27 percent during the period from 5 to 10 years, and 3 percent after the period of 15 years.

(b) Private Equity - The limited partnerships described in this category employ various strategies generally investing in controlling or minority control equity positions directly in companies and/or assets across various industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail), primarily in private markets within North America and, to a lesser extent, outside of North America. As of September 30, 2018, the estimated remaining life of the investments that do not allow for redemptions is approximately 26 percent

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in the next 3 years, 26 percent during the period from 3 to 5 years, 45 percent during the period from 5 to 10 years, 1 percent during the period from 10 to 15 years, and 2 percent after the period of 15 years.

Real Assets - The limited partnerships described in this category employ various strategies, which include investing in the equity and/or debt financing of physical assets, including infrastructure (energy, power, water/wastewater, communications), transportation (including airports, ports, toll roads, aircraft, railcars) and real estate in North (c) America, Europe, South America, and Asia. As of September 30, 2018, the estimated remaining life of the investments that do not allow for redemptions is approximately 2 percent in the next 3 years, 21 percent during period from 3 to 5 years, 74 percent during the period from 5 to 10 years, and 3 percent during the period from 10 to 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

The following tables present information about financial instruments measured at fair value on a recurring basis by fair value level, based on the observability of the inputs used:

	September 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
	(in millions of dollars)				
Assets					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$679.6	\$1,099.9	\$—	\$—	\$1,779.5
States, Municipalities, and Political Subdivisions	—	2,256.1	63.9	—	2,320.0
Foreign Governments	—	766.8	31.6	—	798.4
Public Utilities	333.7	6,933.8	122.4	—	7,389.9
Mortgage/Asset-Backed Securities	—	1,626.5	0.5	—	1,627.0
All Other Corporate Bonds	7,798.7	20,425.6	891.8	—	29,116.1
Redeemable Preferred Stocks	—	18.9	21.5	—	40.4
Total Fixed Maturity Securities	8,812.0	33,127.6	1,131.7	—	43,071.3
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	20.4	—	—	20.4
Credit Default Swaps	—	0.5	—	—	0.5
Equity Securities	14.9	12.6	1.1	—	28.6
Private Equity Partnerships	—	—	—	466.7	466.7
Total Other Long-term Investments	14.9	33.5	1.1	466.7	516.2
Total Financial Instrument Assets Carried at Fair Value	\$8,826.9	\$33,161.1	\$1,132.8	\$466.7	\$43,587.5
Liabilities					
Other Liabilities					
Derivatives					
Interest Rate Swaps and Forwards	\$—	\$7.3	\$—	\$—	\$7.3
Foreign Exchange Contracts	—	39.2	—	—	39.2
Embedded Derivative in Modified Coinsurance Arrangement	—	—	13.8	—	13.8
Total Derivatives	—	46.5	13.8	—	60.3
Total Financial Instrument Liabilities Carried at Fair Value	\$—	\$46.5	\$13.8	\$—	\$60.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2017				Total
	Level 1	Level 2	Level 3	NAV	
(in millions of dollars)					
Assets					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$460.1	\$1,022.4	\$—	\$—	\$1,482.5
States, Municipalities, and Political Subdivisions	—	2,336.9	—	—	2,336.9
Foreign Governments	—	863.9	—	—	863.9
Public Utilities	154.2	7,874.6	207.7	—	8,236.5
Mortgage/Asset-Backed Securities	—	1,973.6	—	—	1,973.6
All Other Corporate Bonds	3,556.1	25,816.2	1,150.1	—	30,522.4
Redeemable Preferred Stocks	—	19.2	22.8	—	42.0
Total Fixed Maturity Securities	4,170.4	39,906.8	1,380.6	—	45,457.8
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	19.5	—	—	19.5
Equity Securities	0.2	10.4	1.1	—	11.7
Private Equity Partnerships	—	—	—	407.2	407.2
Total Other Long-term Investments	0.2	29.9	1.1	407.2	438.4
Total Financial Instrument Assets Carried at Fair Value	\$4,170.6	\$39,936.7	\$1,381.7	\$407.2	\$45,896.2
Liabilities					
Other Liabilities					
Derivatives					
Interest Rate Swaps	\$—	\$5.1	\$—	\$—	\$5.1
Foreign Exchange Contracts	—	46.9	—	—	46.9
Credit Default Swaps	—	0.2	—	—	0.2
Embedded Derivative in Modified Coinsurance Arrangement	—	—	15.9	—	15.9
Total Derivatives	—	52.2	15.9	—	68.1
Total Financial Instrument Liabilities Carried at Fair Value	\$—	\$52.2	\$15.9	\$—	\$68.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Transfers of assets between Level 1 and Level 2 are as follows:

	Three Months Ended September 30			
	2018		2017	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$225.5	\$ 38.1	\$751.9	\$ —
Public Utilities	77.7	323.4	236.7	387.5
All Other Corporate Bonds	2,650.2	2,519.1	3,022.8	2,944.7
Total Fixed Maturity Securities	\$2,953.4	\$ 2,880.6	\$4,011.4	\$ 3,332.2
	Nine Months Ended September 30			
	2018		2017	
	Transfers into			
	Level 1 from Level 2	Level 2 from Level 1	Level 1 from Level 2	Level 2 from Level 1
	(in millions of dollars)			
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	\$233.4	\$ —	\$465.8	\$ —
Public Utilities	244.0	57.4	463.6	67.1
All Other Corporate Bonds	4,710.3	1,200.1	4,966.7	1,249.9
Total Fixed Maturity Securities	\$5,187.7	\$ 1,257.5	\$5,896.1	\$ 1,317.0
Equity Securities	\$—	\$ 0.2	\$—	\$ —

Transfers between Level 1 and Level 2 occurred due to the change in availability of either a TRACE or broker market maker price. Depending on current market conditions, the availability of these Level 1 prices can vary from period to period. For fair value measurements of financial instruments that were transferred either into or out of Level 1 or 2, we reflect the transfers using the fair value at the beginning of the period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Changes in assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Three Months Ended September 30, 2018							Fair Value of End of Period
	Fair Value of Beginning of Period	Total Realized and Unrealized Investment Gains (Losses) Included in Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers Into	Level 3 Transfers Out	
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$36.5	\$ —	(1.5)	\$ —	\$ —	\$28.9	\$ —	\$63.9
Foreign Governments	31.5	—	0.1	—	—	—	—	31.6
Public Utilities	169.2	—	(1.2)	—	—	66.9	(112.5)	122.4
Mortgage/Asset-Backed Securities	0.5	—	—	—	—	—	—	0.5
All Other Corporate Bonds	816.3	—	(6.9)	—	(21)	0 358.8	(255.4)	891.8
Redeemable Preferred Stocks	21.6	—	(0.1)	—	—	—	—	21.5
Total Fixed Maturity Securities	1,075.6	—	(9.6)	—	(21)	0 454.6	(367.9)	1,131.7
Equity Securities	1.1	—	—	—	—	—	—	1.1
Embedded Derivative in Modified Coinsurance Arrangement	(19.9)	6.1	—	—	—	—	—	(13.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

	Three Months Ended September 30, 2017							Fair Value End of Period
	Fair Value Beginning of Period	Total Realized and Unrealized Investment Gains (Losses) Included in Other Comprehensive Income or Loss	Purchases	Sales	Level 3 Transfers Into	Out of	Fair Value End of Period	
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$36.8	\$— (1.1)	\$ —	\$ —	\$52.9	\$ —	\$88.6	
Public Utilities	192.5	— —	—	—	133.8	(118.2)	208.1	
All Other Corporate Bonds	853.2	— 14.3	38.9	(33)	2 390.0	(169.9)	1,093.3	
Redeemable Preferred Stocks	23.1	— (0.1)	—	—	—	—	23.0	
Total Fixed Maturity Securities	1,105.6	— 13.1	38.9	(33)	2 576.7	(288.1)	1,413.0	
Equity Securities	1.2	— 0.1	—	—	—	—	1.3	
Embedded Derivative in Modified Coinsurance Arrangement	(31.9)	6.7—	—	—	—	—	(25.2)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

	Nine Months Ended September 30, 2018					Level 3		Fair Value of End of Period
	Total Realized and Unrealized Investment Gains (Losses) Included in					Transfers		
	Fair Value Beginning of Year	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of		
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$—	\$ (1.6)	\$ —	—\$(0.4)	\$65.9	\$ —	\$63.9	
Foreign Governments	—	(1.2)	—	—	32.8	—	31.6	
Public Utilities	207.7	(6.7)	—	—	120.7	(199.3)	122.4	
Mortgage/Asset-Backed Securities	—	—	—	—	0.5	—	0.5	
All Other Corporate Bonds	1,150.8	(49.5)	47.0	(117.7)	471.0	(614.9)	891.8	
Redeemable Preferred Stocks	22.8	(1.3)	—	—	—	—	21.5	
Total Fixed Maturity Securities	1,380.6	(60.3)	47.0	(118.1)	690.9	(814.2)	1,131.7	
Equity Securities	1.1	—	—	—	—	—	1.1	
Embedded Derivative in Modified Coinsurance Arrangement	(15.2)	—	—	—	—	—	(13.8)	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

	Nine Months Ended September 30, 2017							
	Fair Value Beginning of Year (in millions of dollars)	Total Realized and Unrealized Investment Gains (Losses) Included in		Purchases	Sales	Level 3 Transfers		Fair Value End of Period
Earnings		Other Comprehensive Income or Loss	Into			Out of		
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$89.5	\$—	\$(0.9)	\$	—	\$	—	\$88.6
Public Utilities	265.3	—	0.2	8.0	(4.8)	78.0	(138.6)	208.1
All Other Corporate Bonds	1,459.7	(0)	625.1	88.9	(13)	438.0	(786.0)	1,093.3
Redeemable Preferred Stocks	23.2	—	(0.2)	—	—	—	—	23.0
Total Fixed Maturity Securities	1,837.7	(0)	624.2	96.9	(136.6)	516.0	(924.6)	1,413.0
Equity Securities	1.2	—	0.1	—	—	—	—	1.3
Embedded Derivative in Modified Coinsurance Arrangement	(46.7))	21.5	—	—	—	—	(25.2)

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses only for the time during which the applicable financial instruments were classified as 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. Gains which are included in earnings and are attributable to the change in fair value of assets or liabilities valued using significant unobservable inputs and still held at period end were \$6.1 million and \$2.1 million for the three and nine months ended September 30, 2018, respectively, and \$6.7 million and \$21.5 million for the three and nine months ended September 30, 2017, respectively. These amounts relate entirely to the change in fair value of an embedded derivative in a modified coinsurance arrangement and are reported as a component of realized investment gains and losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

The table below provides quantitative information regarding the significant unobservable inputs used in Level 3 fair value measurements derived from internal models. Certain securities classified as Level 3 are excluded from the table below due to limitations in our ability to obtain the underlying inputs used by external pricing sources.

		September 30, 2018			
		Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
		(in millions of dollars)			
Fixed Maturity Securities					
All Other Corporate Bonds - Private	\$223.1	Market Approach	Comparability Adjustment Lack of Marketability Volatility of Credit Market Convention	(a) 0.69% - 0.69% / 0.69% (b) 0.25% - 0.25% / 0.25% (c) 0.14% - 5.56% / 0.56% (d) Priced at Par	
Equity Securities - Private	1.1	Market Approach	Market Convention	(d) Priced at Cost or Owner's Equity	
Embedded Derivative in Modified Coinsurance Arrangement	(13.8)	Discounted Cash Flows	Projected Liability Cash Flows	(e) Actuarial Assumptions	
		December 31, 2017			
		Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
		(in millions of dollars)			
Fixed Maturity Securities					
All Other Corporate Bonds - Private	\$244.4	Market Approach	Comparability Adjustment Lack of Marketability Volatility of Credit Market Convention	(a) 0.20% - 0.20% / 0.20% (b) 0.25% - 0.25% / 0.25% (c) 0.12% - 6.25% / 0.50% (d) Priced at Par	
Equity Securities - Private	1.1	Market Approach	Market Convention	(d) Priced at Cost or Owner's Equity	
Embedded Derivative in Modified Coinsurance Arrangement	(15.9)	Discounted Cash Flows	Projected Liability Cash Flows	(e) Actuarial Assumptions	

(a) Represents basis point adjustments for changes in benchmark spreads associated with various industry sectors

(b) Represents basis point adjustments to apply a discount due to the illiquidity of an investment

(c) Represents basis point adjustments for credit-specific factors

(d) Represents a decision to price based on par value, cost, or owner's equity when limited data is available

(e) Represents various actuarial assumptions required to derive the liability cash flows including incidence, termination, and lapse rates

Isolated increases in unobservable inputs other than market convention will result in a lower fair value measurement, whereas isolated decreases will result in a higher fair value measurement. The unobservable input for market convention is not sensitive to input movements. The projected liability cash flows used in the fair value measurement of our Level 3 embedded derivative are based on expected claim payments. If claim payments increase, the projected liability cash flows will increase, resulting in a decrease in the fair value of the embedded derivative. Decreases in

projected liability cash flows will result in an increase in the fair value of the embedded derivative.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

The methods and assumptions used to estimate fair values of financial instruments not carried at fair value are discussed as follows:

Mortgage Loans: Fair values are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings and maturities. Loans with similar characteristics are aggregated for purposes of the calculations.

Policy Loans: Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal \$3,451.5 million and \$3,307.5 million as of September 30, 2018 and December 31, 2017, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Our shares of FHLB common stock are carried at cost, which approximates fair value.

Long-term Debt: Fair values for long-term debt are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements.

FHLB Funding Agreements: Funding agreements with the FHLB represent cash advances used for the purpose of investing in fixed maturity securities. Carrying amounts approximate fair value.

Unfunded Commitments to Investment Partnerships: Unfunded equity commitments represent amounts that we have committed to fund certain investment partnerships. These commitments are legally binding, subject to the partnerships meeting specified conditions. Carrying amounts of these financial instruments approximate fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

The following table presents the carrying amounts and estimated fair values of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

	September 30, 2018			Total	Carrying Value
	Estimated Fair Value				
	Level 1	Level 2	Level 3		
(in millions of dollars)					
Assets					
Mortgage Loans	\$—	\$2,214.0	\$—	\$2,214.0	\$2,222.0
Policy Loans	—	—	3,809.8	3,809.8	3,720.2
Other Long-term Investments					
Miscellaneous Long-term Investments	—	32.1	100.6	132.7	132.7
Total Financial Instrument Assets Not Carried at Fair Value	\$—	\$2,246.1	\$3,910.4	\$6,156.5	\$6,074.9
Liabilities					
Long-term Debt	\$47.7	\$3,070.2	\$—	\$3,117.9	\$2,983.5
Payables for Collateral on Investments					
Federal Home Loan Bank (FHLB) Funding Agreements	—	219.5	—	219.5	219.5
Other Liabilities					
Unfunded Commitments	—	3.7	—	3.7	3.7
Total Financial Instrument Liabilities Not Carried at Fair Value	\$47.7	\$3,293.4	\$—	\$3,341.1	\$3,206.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2017				Carrying Value
	Estimated Fair Value				
	Level 1	Level 2	Level 3	Total	
	(in millions of dollars)				
Assets					
Mortgage Loans	\$—	\$2,306.2	\$—	\$2,306.2	\$2,213.2
Policy Loans	—	—	3,677.5	3,677.5	3,571.1
Other Long-term Investments					
Miscellaneous Long-term Investments	—	34.1	128.2	162.3	162.3
Total Financial Instrument Assets Not Carried at Fair Value	\$—	\$2,340.3	\$3,805.7	\$6,146.0	\$5,946.6
Liabilities					
Long-term Debt	\$1,171.8	\$1,876.9	\$—	\$3,048.7	\$2,738.4
Payables for Collateral on Investments					
Federal Home Loan Bank (FHLB) Funding Agreements	—	350.0	—	350.0	350.0
Other Liabilities					
Unfunded Commitments	—	3.7	—	3.7	3.7
Total Financial Instrument Liabilities Not Carried at Fair Value	\$1,171.8	\$2,230.6	\$—	\$3,402.4	\$3,092.1

The carrying values of financial instruments such as short-term investments, cash and bank deposits, accounts and premiums receivable, accrued investment income, securities lending agreements, and short-term debt approximate fair value due to the short-term nature of the instruments. As such, these financial instruments are not included in the above chart.

Fair values for insurance contracts other than investment contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, which seeks to minimize exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments

Fixed Maturity Securities

At September 30, 2018 and December 31, 2017, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows:

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$1,691.7	\$ 113.4	\$ 25.6	\$1,779.5
States, Municipalities, and Political Subdivisions	2,049.2	280.5	9.7	2,320.0
Foreign Governments	644.1	156.0	1.7	798.4
Public Utilities	6,592.2	851.1	53.4	7,389.9
Mortgage/Asset-Backed Securities	1,591.0	57.1	21.1	1,627.0
All Other Corporate Bonds	27,306.0	2,195.0	384.9	29,116.1
Redeemable Preferred Stocks	39.0	1.6	0.2	40.4
Total Fixed Maturity Securities	\$39,913.2	\$ 3,654.7	\$ 496.6	\$43,071.3
	December 31, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$1,311.1	\$ 176.1	\$ 4.7	\$1,482.5
States, Municipalities, and Political Subdivisions	1,942.8	395.4	1.3	2,336.9
Foreign Governments	673.0	191.3	0.4	863.9
Public Utilities	6,952.7	1,296.4	12.6	8,236.5
Mortgage/Asset-Backed Securities	1,873.2	105.1	4.7	1,973.6
All Other Corporate Bonds	26,988.7	3,633.5	99.8	30,522.4
Redeemable Preferred Stocks	39.0	3.0	—	42.0
Total Fixed Maturity Securities	\$39,780.5	\$ 5,800.8	\$ 123.5	\$45,457.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

The following charts indicate the length of time our fixed maturity securities have been in a gross unrealized loss position.

	September 30, 2018			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$390.6	\$ 10.4	\$181.3	\$ 15.2
States, Municipalities, and Political Subdivisions	359.3	7.5	34.1	2.2
Foreign Governments	34.4	0.7	12.3	1.0
Public Utilities	633.4	33.6	228.4	19.8
Mortgage/Asset-Backed Securities	515.6	9.1	212.7	12.0
All Other Corporate Bonds	7,839.8	282.6	1,164.0	102.3
Redeemable Preferred Stocks	10.8	0.2	—	—
Total Fixed Maturity Securities	\$9,783.9	\$ 344.1	\$1,832.8	\$ 152.5
	December 31, 2017			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$157.9	\$ 3.0	\$58.8	\$ 1.8
States, Municipalities, and Political Subdivisions	45.7	0.5	22.3	0.7
Foreign Governments	13.2	0.4	—	—
Public Utilities	213.2	7.9	133.5	4.7
Mortgage/Asset-Backed Securities	252.5	1.4	144.7	3.3
All Other Corporate Bonds	1,355.1	26.8	785.2	73.0
Total Fixed Maturity Securities	\$2,037.6	\$ 40.0	\$1,144.5	\$ 83.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

The following is a distribution of the maturity dates for fixed maturity securities. The maturity dates have not been adjusted for possible calls or prepayments.

	September 30, 2018				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized	Gross Gain	Fair Value	Gross Loss	Fair Value
	Cost				
	(in millions of dollars)				
1 year or less	\$992.6	\$ 13.5	\$ 949.8	\$ 5.4	\$ 50.9
Over 1 year through 5 years	6,062.7	298.6	5,345.8	41.6	973.9
Over 5 years through 10 years	12,558.1	826.6	7,993.7	185.4	5,205.6
Over 10 years	18,708.8	2,458.9	16,266.6	243.1	4,658.0
	38,322.2	3,597.6	30,555.9	475.5	10,888.4
Mortgage/Asset-Backed Securities	1,591.0	57.1	898.7	21.1	728.3
Total Fixed Maturity Securities	\$39,913.2	\$ 3,654.7	\$ 31,454.6	\$ 496.6	\$ 11,616.7
	December 31, 2017				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized	Gross Gain	Fair Value	Gross Loss	Fair Value
	Cost				
	(in millions of dollars)				
1 year or less	\$1,625.1	\$ 30.9	\$ 1,638.8	\$ 3.1	\$ 14.1
Over 1 year through 5 years	5,579.9	453.6	5,810.9	18.5	204.1
Over 5 years through 10 years	12,091.1	1,169.8	11,916.5	53.2	1,291.2
Over 10 years	18,611.2	4,041.4	21,333.1	44.0	1,275.5
	37,907.3	5,695.7	40,699.3	118.8	2,784.9
Mortgage/Asset-Backed Securities	1,873.2	105.1	1,576.4	4.7	397.2
Total Fixed Maturity Securities	\$39,780.5	\$ 5,800.8	\$ 42,275.7	\$ 123.5	\$ 3,182.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

The following chart depicts an analysis of our fixed maturity security portfolio between investment-grade and below-investment-grade categories as of September 30, 2018:

	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss Amount	Percent of Total Gross Unrealized Loss	
	(in millions of dollars)				
Investment-Grade	\$39,839.9	\$ 3,577.7	\$411.2	82.8	%
Below-Investment-Grade	3,231.4	77.0	85.4	17.2	
Total Fixed Maturity Securities	\$43,071.3	\$ 3,654.7	\$496.6	100.0	%

The unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities. Below-investment-grade fixed maturity securities are generally more likely to develop credit concerns than investment-grade securities. At September 30, 2018, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of September 30, 2018, we held 550 individual investment-grade fixed maturity securities and 91 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 174 investment-grade fixed maturity securities and 23 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year.

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

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.

We held no fixed maturity securities as of September 30, 2018 or December 31, 2017 for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

At September 30, 2018, we had commitments of \$115.1 million to fund private placement fixed maturity securities, the amount of which may or may not be funded.

Variable Interest Entities

We invest in variable interests issued by variable interest entities. These investments include tax credit partnerships, private equity partnerships, and special purpose entities. For those variable interests that are not consolidated in our financial statements, we are not the primary beneficiary because we have neither the power to direct the activities that are most significant to economic performance nor the responsibility to absorb a majority of the expected losses. The determination of whether we are the primary beneficiary is performed at the time of our initial investment and at the date of each subsequent reporting period.

As of September 30, 2018, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$567.3 million, comprised of \$100.6 million of tax credit partnerships and \$466.7 million of private equity partnerships. At December 31, 2017, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$535.4 million, comprised of \$128.2 million of tax credit partnerships and \$407.2 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

The Company invests in tax credit partnerships primarily for the receipt of income tax credits and tax benefits derived from passive losses on the investments. Amounts recognized in the consolidated statements of operations are as follows:

	Three Months Ended September 30 2018		Nine Months Ended September 30 2017	
	2018	2017	2018	2017
	(in millions of dollars)			
Income Tax Credits	\$10.4	\$10.4	\$31.1	\$31.3
Amortization, net of tax	(7.1)	(5.8)	(21.1)	(17.4)
Income Tax Benefit	\$3.3	\$4.6	\$10.0	\$13.9

Contractually, we are a limited partner in these tax credit partnerships, and our maximum exposure to loss is limited to the carrying value of our investment, which includes \$3.7 million of unfunded unconditional commitments at September 30, 2018. See Note 3 for commitments to fund private equity partnerships.

We are the sole beneficiary of a special purpose entity which is consolidated in our financial statements. This entity is a securitized asset trust containing a highly rated bond for principal protection which we contributed into the trust at the time it was established. There are no restrictions on the asset held in this trust, and the trust is free to dispose of the asset at any time. The fair values of the bond were \$155.6 million and \$154.1 million as of September 30, 2018 and December 31, 2017, respectively. The bond is reported as a component of fixed maturity securities in our consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

Mortgage Loans

Our mortgage loan portfolio is well diversified by both geographic region and property type to reduce risk of concentration. All of our mortgage loans are collateralized by commercial real estate. When issuing a new loan, our general policy is not to exceed a loan-to-value ratio, or the ratio of the loan balance to the estimated fair value of the underlying collateral, of 75 percent. We update the loan-to-value ratios at least every three years for each loan, and properties undergo a general inspection at least every two years. Our general policy for newly issued loans is to have a debt service coverage ratio greater than 1.25 times on a normalized 25 year amortization period. We update our debt service coverage ratios annually. Mortgage loans by property type and geographic region are presented below.

	September 30, 2018		December 31, 2017	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Property Type				
Apartment	\$428.9	19.3 %	\$360.0	16.3 %
Industrial	626.5	28.2	601.2	27.2
Office	587.8	26.5	692.3	31.3
Retail	533.9	24.0	527.6	23.8
Other	44.9	2.0	32.1	1.4
Total	\$2,222.0	100.0%	\$2,213.2	100.0%
Region				
New England	\$50.3	2.3 %	\$56.1	2.5 %
Mid-Atlantic	161.8	7.3	155.5	7.0
East North Central	343.9	15.5	282.0	12.8
West North Central	205.0	9.2	210.1	9.5
South Atlantic	478.7	21.5	494.4	22.3
East South Central	89.4	4.0	88.8	4.0
West South Central	213.3	9.6	247.4	11.2
Mountain	243.0	10.9	251.2	11.4
Pacific	436.6	19.7	427.7	19.3
Total	\$2,222.0	100.0%	\$2,213.2	100.0%

We evaluate each of our mortgage loans individually for impairment and assign an internal credit quality rating based on a comprehensive rating system used to evaluate the credit risk of the loan. The factors we use to derive our internal credit ratings may include the following:

↳ Loan-to-value ratio

↳ Debt service coverage ratio based on current operating income

↳ Property location, including regional economics, trends and demographics

↳ Age, condition, and construction quality of property

↳ Current and historical occupancy of property

↳ Lease terms relative to market

- Tenant size and financial strength
- Borrower's financial strength
- Borrower's equity in transaction
- Additional collateral, if any

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

Although all available and applicable factors are considered in our analysis, loan-to-value and debt service coverage ratios are the most critical factors in determining whether we will initially issue the loan and also in assigning values and determining impairment. We assign an overall rating to each loan using an internal rating scale of Aa (highest quality) to B (lowest quality). We review and adjust, as needed, our internal credit quality ratings on an annual basis. This review process is performed more frequently for mortgage loans deemed to have a higher risk of delinquency.

Mortgage loans, sorted by the applicable credit quality indicators, are as follows:

	September 30, 2018	December 31, 2017
(in millions of dollars)		
Internal Rating		
Aa	\$0.1	\$ 0.4
A	462.9	445.7
Baa	1,748.4	1,753.0
Ba	10.6	14.1
Total	\$2,222.0	\$ 2,213.2
Loan-to-Value Ratio		
<= 65%	\$1,104.4	\$1,101.7
> 65% <= 75%	1,072.2	1,041.6
> 75% <= 85%	24.8	49.3
> 85%	20.6	20.6
Total	\$2,222.0	\$2,213.2

At September 30, 2018 we held one mortgage loan that was greater than 90 days past due regarding principal and/or interest payments which was modified in a troubled debt restructuring during the second quarter of 2018. The loan had a principal balance of \$3.6 million prior to the restructuring, wherein the terms of the loan were modified to reduce monthly payments to interest-only at the current note rate and to permit a discounted payoff by September 2018. At the time of restructuring in the second quarter of 2018, we recorded an allowance for credit losses and recognized an impairment loss of \$0.2 million resulting in a net realizable value for the loan of \$3.4 million. The payoff of the loan did not occur in September 2018 and therefore, the loan was considered impaired as of September 30, 2018. No further allowance for credit losses was necessary for the loan. There were no troubled debt restructurings during the three and nine months ended September 30, 2017. At December 31, 2017, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

Our average investment in impaired mortgage loans was \$1.1 million for the three and nine months ended September 30, 2018. We did not hold any impaired mortgage loans during the three and nine months ended September 30, 2017, nor did we recognize any interest income on mortgage loans subsequent to impairment during the three and nine months ended September 30, 2018 or 2017.

There have been no changes to our accounting policies or methodology from the prior period regarding estimating the allowance for credit losses on our mortgage loans. There was no activity in the allowance for credit losses during the three and nine months ended September 30, 2018 or 2017 other than the previously mentioned impairment loss of \$0.2 million.

At September 30, 2018, we had commitments of \$47.3 million to fund certain commercial mortgage loans, the amount of which may or may not be funded.

Transfers of Financial Assets

To manage our cash position more efficiently, we may enter into repurchase agreements with unaffiliated financial institutions. We generally use repurchase agreements as a means to finance the purchase of invested assets or for short-term general business purposes until projected cash flows become available from our operations or existing investments. Our repurchase agreements are typically outstanding for less than 30 days. We post collateral through our repurchase agreement transactions whereby the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

counterparty commits to purchase securities with the agreement to resell them to us at a later, specified date. The fair value of collateral posted is generally 102 percent of the cash received.

Our investment policy also permits us to lend fixed maturity securities to unaffiliated financial institutions in short-term securities lending agreements. These agreements increase our investment income with minimal risk. Our securities lending policy requires that a minimum of 102 percent of the fair value of the securities loaned be maintained as collateral. We may receive cash and/or securities as collateral under these agreements. Cash received as collateral is typically reinvested in short-term investments. If securities are received as collateral, we are not permitted to sell or re-post them.

As of September 30, 2018, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$181.9 million, for which we received collateral in the form of cash and securities of \$2.1 million and \$187.6 million, respectively. As of December 31, 2017, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$159.2 million, for which we received collateral in the form of cash and securities of \$30.5 million and \$135.6 million, respectively. We had no outstanding repurchase agreements at September 30, 2018 or December 31, 2017.

The remaining contractual maturities of our securities lending agreements disaggregated by class of collateral pledged are as follows:

	September 30, 2018	December 31, 2017
	Overnight and Continuous	
	(in millions of dollars)	
United States		
Government and		
Government	\$ —	\$ 0.2
Agencies and		
Authorities		
Public Utilities	—	0.5
All Other Corporate	2.1	29.8
Bonds		
Total Borrowings	2.1	30.5
Gross Amount of		
Recognized		
Liability for	2.1	30.5
Securities Lending		
Transactions		
Amounts Related to		
Agreements Not		
Included in		
Offsetting	\$ —	\$ —
Disclosure		
Contained Herein		

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Certain of our U.S. insurance subsidiaries are members of regional FHLBs. Membership, which requires that we purchase a minimum amount of FHLB common stock on which we receive dividends, provides access to low-cost funding. Advances received from the FHLB are used for the purchase of fixed maturity securities. Additional common stock purchases may be required, based on the amount of funds we borrow from the FHLBs. The carrying value of common stock owned, collateral posted, and advances received are as follows:

	September 30, 2018		December 31, 2017	
	(in millions of dollars)			
Carrying Value of FHLB Common Stock	\$32.1	\$	34.1	
Advances from FHLB	219.5	350.0		
Carrying Value of Collateral Posted to FHLB				
Fixed Maturity Securities	\$217.0	\$	213.3	
Commercial Mortgage Loans	228.1	331.5		
Total Carrying Value of Collateral Posted to FHLB	\$445.1	\$	544.8	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

Offsetting of Financial Instruments

We enter into master netting agreements with each of our derivatives counterparties. These agreements provide for conditional rights of set-off upon the occurrence of an early termination event. An early termination event is considered a default, and it allows the non-defaulting party to offset its contracts in a loss position against any gain positions or payments due to the defaulting party. Under our agreements, default type events are defined as failure to pay or deliver as contractually agreed, misrepresentation, bankruptcy, or merger without assumption. See Note 5 for further discussion of collateral related to our derivative contracts.

We have securities lending agreements with unaffiliated financial institutions that post collateral to us in return for the use of our fixed maturity securities. A right of set-off exists that allows us to keep and apply collateral received in the event of default by the counterparty. Default within a securities lending agreement would typically occur if the counterparty failed to return the securities borrowed from us as contractually agreed. In addition, if we default by not returning collateral received, the counterparty has a right of set-off against our securities or any other amounts due to us.

Shown below are our financial instruments that either meet the accounting requirements that allow them to be offset in our balance sheets or that are subject to an enforceable master netting arrangement or similar agreement. Our accounting policy is to not offset these financial instruments in our balance sheets. Net amounts disclosed below have been reduced by the amount of collateral pledged to or received from our counterparties.

September 30, 2018

	Gross Amount of Recognized Financial Instruments	Gross Amount Offset in Balance Sheet	Net Amount Presented in Balance Sheet	Gross Amount Not Offset in Balance Sheet	Cash	Collateral	Net Amount
(in millions of dollars)							
Financial Assets:							
Derivatives	\$20.9	\$ —	—\$ 20.9	\$(4.4)	\$(16.5)	\$ —	\$ —
Securities Lending	181.9	—	181.9	(179.8)	(2.1)	—	—
Total	\$202.8	\$ —	—\$ 202.8	\$(184.2)	\$(18.6)	\$ —	\$ —
Financial Liabilities:							
Derivatives	\$46.5	\$ —	—\$ 46.5	\$(41.9)	\$ —	\$ 4.6	\$ 4.6
Securities Lending	2.1	—	2.1	(2.1)	—	—	—
Total	\$48.6	\$ —	—\$ 48.6	\$(44.0)	\$ —	\$ 4.6	\$ 4.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

	December 31, 2017					
	Gross Amount of Recognized Financial Instruments		Gross Amount Not Offset in Balance Sheet		Gross Amount Not Offset in Balance Sheet	
	Gross Amount	Net Amount Presented in Balance Sheet	Financial Instruments	Collateral	Financial Cash	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	\$ 19.5	\$ —	—\$ 19.5	\$(4.2)	\$(15.3)	\$ —
Securities Lending	159.2	—	159.2	(128.7)	(30.5)	—
Total	\$ 178.7	\$ —	—\$ 178.7	\$(132.9)	\$(45.8)	\$ —
Financial Liabilities:						
Derivatives	\$ 52.2	\$ —	—\$ 52.2	\$(42.9)	\$ —	\$ 9.3
Securities Lending	30.5	—	30.5	(30.5)	—	—
Total	\$ 82.7	\$ —	—\$ 82.7	\$(73.4)	\$ —	\$ 9.3

Net Investment Income

Net investment income reported in our consolidated statements of operations is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
	(in millions of dollars)			
Fixed Maturity Securities	\$560.4	\$564.8	\$1,682.7	\$1,700.5
Derivatives	16.5	14.4	48.1	41.8
Mortgage Loans	27.9	25.8	84.3	76.8
Policy Loans	4.7	4.5	13.7	13.3
Other Long-term Investments				
Equity Securities ¹	1.7	0.4	2.0	1.0
Private Equity Partnerships ²	10.5	3.7	28.8	17.3
Other	1.4	2.5	5.0	7.8
Short-term Investments	7.9	3.5	17.5	8.0
Gross Investment Income	631.0	619.6	1,882.1	1,866.5
Less Investment Expenses	8.4	7.1	26.8	24.0
Less Investment Income on Participation Fund Account Assets	3.4	3.5	10.2	10.6
Net Investment Income	\$619.2	\$609.0	\$1,845.1	\$1,831.9

¹ The net unrealized loss recognized in net investment income for the three and nine months ended September 30, 2018 related to equity securities still held at September 30, 2018 was \$0.3 million and \$0.6 million, respectively.

² The net unrealized gain recognized in net investment income for the three and nine months ended September 30, 2018 related to private equity partnerships still held at September 30, 2018 was \$2.7 million and \$8.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 4 - Investments - Continued

Realized Investment Gain and Loss

Realized investment gains and losses are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2018	2017	2018	2017
	(in millions of dollars)			
Fixed Maturity Securities				
Gross Gains on Sales	\$4.8	\$4.3	\$9.4	\$8.6
Gross Losses on Sales	(3.8)	(1.2)	(8.3)	(3.5)
Other-Than-Temporary Impairment Loss	—	—	(1.0)	—
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	0.1	0.8	0.2	3.4
Gross Losses on Sales	—	—	—	(0.2)
Impairment Loss	(0.6)	(0.9)	(0.8)	(0.9)
Embedded Derivative in Modified Coinsurance Arrangement	6.1	6.7	2.1	21.5
All Other Derivatives	0.2	0.2	0.9	(0.3)
Foreign Currency Transactions	(0.1)	(0.1)	(0.6)	0.3
Net Realized Investment Gain	\$6.7	\$9.8	\$1.9	\$28.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments

Purpose of Derivatives

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, risk related to matching duration for our assets and liabilities, foreign currency risk, and credit risk. Historically, we have utilized current and forward interest rate swaps, current and forward currency swaps, forward treasury locks, currency forward contracts, forward contracts on specific fixed income securities, and credit default swaps. Transactions hedging interest rate risk are primarily associated with our individual and group long-term care and individual and group disability products. All other product portfolios are periodically reviewed to determine if hedging strategies would be appropriate for risk management purposes. We do not use derivative financial instruments for speculative purposes.

Derivatives designated as cash flow hedges and used to reduce our exposure to interest rate and duration risk are as follows:

Interest rate swaps are used to hedge interest rate risks and to improve the matching of assets and liabilities. An interest rate swap is an agreement in which we agree with other parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts. We use interest rate swaps to hedge the anticipated purchase of fixed maturity securities thereby protecting us from the potential adverse impact of declining interest rates on the associated policy reserves. We also use interest rate swaps to hedge the potential adverse impact of rising interest rates in anticipation of issuing fixed rate long-term debt.

Forward treasury locks are used to minimize interest rate risk associated with the anticipated purchase or disposal of fixed maturity securities. A forward treasury lock is a derivative contract without an initial investment where we and the counterparty agree to purchase or sell a specific U.S. Treasury bond at a future date at a pre-determined price.

Derivatives designated as fair value hedges and used to reduce our exposure to interest rate and duration risk are as follows:

Interest rate swaps are used to effectively convert certain of our fixed rate securities into floating rate securities which are used to fund our floating rate long-term debt. Under these swap agreements, we receive a variable rate of interest and pay a fixed rate of interest. Additionally, we use interest rate swaps to effectively convert certain fixed rate, long-term debt into floating rate long-term debt. Under these swap agreements, we receive a fixed rate of interest and pay a variable rate of interest.

Derivatives designated as either cash flow or fair value hedges and used to reduce our exposure to foreign currency risk are as follows:

Foreign currency interest rate swaps are used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. Under these swap agreements, we agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

Derivatives not designated as hedging instruments and used to reduce our exposure to foreign currency risk, credit losses on securities owned, and interest rate risk are as follows:

Foreign currency interest rate swaps previously designated as hedges were used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. These derivatives were effective hedges prior to novation to a new counterparty. In conjunction with the novation, these derivatives were re-designated as hedges. We agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment. We hold offsetting swaps wherein we agree to pay fixed rate principal and interest payments in the functional currency of the operating segment in exchange for fixed rate foreign currency-denominated payments.

Credit default swaps are used as economic hedges against credit risk but do not qualify for hedge accounting. A credit default swap is an agreement in which we agree with another party to pay, at specified intervals, a fixed-rate fee in exchange for insurance against a credit event on a specific investment. If a defined credit event occurs, our counterparty may either pay us a net cash settlement or we may surrender the specific investment to them in exchange for cash equal to the full notional amount of the swap. Credit events typically include events such as bankruptcy, failure to pay, or certain types of debt restructuring.

Interest rate swap was used to effectively convert certain of our floating rate, long-term debt into fixed rate long-term debt. Under this swap agreement, we received a variable rate of interest and paid a fixed rate of interest.

Derivative Risks

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest and exchange rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives should generally offset the market risk associated with the hedged financial instrument or liability. To help limit the credit exposure of the derivatives, we enter into master netting agreements with our counterparties whereby contracts in a gain position can be offset against contracts in a loss position. We also typically enter into bilateral, cross-collateralization agreements with our counterparties to help limit the credit exposure of the derivatives. These agreements require the counterparty in a loss position to submit acceptable collateral with the other counterparty in the event the net loss position meets or exceeds an agreed upon amount. Credit exposure on derivatives is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held. At September 30, 2018, we had no credit exposure on derivatives. The table below summarizes the nature and amount of collateral received from and posted to our derivative counterparties.

	September 30, 2018	December 31, 2017
	(in millions of dollars)	
Carrying Value of Collateral Received from Counterparties		
Cash	\$ 16.6	\$ 15.7
Carrying Value of Collateral Posted to Counterparties		
Fixed Maturity Securities	\$ 43.6	\$ 46.4

See Note 4 for further discussion of our master netting agreements.

The majority of our derivative instruments contain provisions that require us to maintain specified issuer credit ratings and financial strength ratings. Should our ratings fall below these specified levels, we would be in violation of the provisions, and our derivatives counterparties could terminate our contracts and request immediate payment. The aggregate fair value of all derivative instruments with credit risk-related contingent features that were in a liability position was \$46.5 million and \$52.2 million at September 30, 2018 and December 31, 2017, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

Derivative Transactions

The table below summarizes, by notional amounts, the activity for each category of derivatives. The notional amounts represent the basis upon which our counterparty pay and receive amounts are calculated.

	Swaps			Credit Default	Forwards	Total
	Receive Variable/ Fixed	Receive/ Pay Fixed	Receive Fixed/ Pay Variable			
	(in millions of dollars)					
Balance at June 30, 2017	\$102.0	\$ 591.7	\$ 250.0	\$ 70.0	\$ —	\$1,013.7
Additions	—	—	—	—	24.7	24.7
Terminations	54.0	48.6	—	—	24.7	127.3
Balance at September 30, 2017	\$48.0	\$ 543.1	\$ 250.0	\$ 70.0	\$ —	\$911.1
Balance at December 31, 2016	\$105.5	\$ 616.5	\$ 250.0	\$ 70.0	\$ 10.0	\$1,052.0
Additions	—	—	—	—	40.7	40.7
Terminations	57.5	73.4	—	—	50.7	181.6
Balance at September 30, 2017	\$48.0	\$ 543.1	\$ 250.0	\$ 70.0	\$ —	\$911.1
Balance at June 30, 2018	\$—	\$ 537.4	\$ 250.0	\$ —	\$ 20.6	\$808.0
Additions	—	31.9	—	11.2	—	43.1
Terminations	—	34.6	—	—	20.6	55.2
Balance at September 30, 2018	\$—	\$ 534.7	\$ 250.0	\$ 11.2	\$ —	\$795.9
Balance at December 31, 2017	\$48.0	\$ 536.5	\$ 250.0	\$ 70.0	\$ —	\$904.5
Additions	—	58.3	—	11.2	47.4	116.9
Terminations	48.0	60.1	—	70.0	47.4	225.5
Balance at September 30, 2018	\$—	\$ 534.7	\$ 250.0	\$ 11.2	\$ —	\$795.9

Cash Flow Hedges

As of September 30, 2018 and December 31, 2017, we had \$302.7 million and \$343.9 million, respectively, notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities.

As of September 30, 2018, we expect to amortize approximately \$68.4 million of net deferred gains on derivative instruments during the next twelve months. This amount will be reclassified from accumulated other comprehensive income into earnings and reported on the same income statement line item as the hedged item. The income statement line items that will be affected by this amortization are net investment income and interest and debt expense. Additional amounts that may be reclassified from accumulated other comprehensive income into earnings to offset the earnings impact of foreign currency translation of hedged items are not estimable.

As of September 30, 2018, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2038.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

Fair Value Hedges

As of December 31, 2017, we had \$48.0 million notional amount of receive variable, pay fixed interest rate swaps to hedge the changes in fair value of certain fixed rate securities held which matured in the second quarter of 2018 along with the hedged securities. These swaps effectively converted the associated fixed rate securities into floating rate securities, which were used to fund our floating rate long-term debt. The change in fair value of the hedged fixed maturity securities attributable to the hedged benchmark interest rate resulted in a loss of \$0.6 million for the nine months ended September 30, 2018, and \$0.8 million and \$2.8 million for the three and nine months ended September 30, 2017, respectively, with an offsetting gain on the related interest rate swaps.

As of September 30, 2018, we had \$58.3 million notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities. The change in fair value of the hedged fixed maturity securities attributable to the change in the foreign currency exchange rate resulted in a loss of \$0.3 million and \$1.7 million during the three and nine months ended September 30, 2018, respectively, with an offsetting gain on the related forward foreign currency interest rate swaps.

As of September 30, 2018 and December 31, 2017, we had \$250.0 million notional amount of receive fixed, pay variable interest rate swaps to hedge the changes in the fair value of certain fixed rate long-term debt. These swaps effectively convert the associated fixed rate long-term debt into floating rate debt and provide for a better matching of interest rates with our short-term investments, which have frequent interest rate resets similar to a floating rate security. We did not have any change in fair value of the hedged debt attributable to the hedged benchmark interest rate during the three months ended September 30, 2018. The change in fair value of the hedged debt attributable to the hedged benchmark interest rate resulted in a gain (loss) of \$2.8 million for the nine months ended September 30, 2018, and \$0.3 million and \$(0.3) million for the three and nine months ended September 30, 2017, respectively, with an offsetting gain (loss) on the related interest rate swaps.

The following table summarizes the carrying amount of hedged assets and liabilities and the related cumulative basis adjustments related to our fair value hedges.

	Carrying Amount of Hedged Assets (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)
	September 30, 2018	December 31, 2017
	(in millions of dollars)	
Fixed maturity securities:		
Receive variable interest rate, pay fixed interest rate	\$— \$ 48.5	\$ — \$ 0.6
Receive fixed functional currency interest, pay fixed foreign currency interest	23.3—	(1.7) —
Long-term Debt	(242.2) 44.8) 7.3 4.5

For the three and nine months ended September 30, 2018, \$1.2 million and \$0.2 million of the derivative instruments' gain was excluded from the assessment of hedge effectiveness. For the three and nine months ended September 30, 2017, no component of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness. There were no instances wherein we discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

Derivatives not Designated as Hedging Instruments

As of September 30, 2018 and December 31, 2017, we held \$173.7 million and \$192.6 million, respectively, notional amount of receive fixed, pay fixed, foreign currency interest rate swaps. These derivatives are not designated as hedges, and as such, changes in fair value related to these derivatives are reported in earnings as a component of net realized investment gain or loss.

As of September 30, 2018 and December 31, 2017, we held \$11.2 million and \$70.0 million, respectively, notional amount of single name credit default swaps. We entered into these swaps in order to mitigate the credit risk associated with specific securities owned.

As of December 31, 2016, we held \$3.5 million notional amount of a receive variable, pay fixed interest rate swap acquired through our purchase of Starmount in the third quarter of 2016. This swap effectively converted Starmount's floating rate long-term debt into fixed rate debt. During the second quarter of 2017, we purchased and retired the debt and terminated the interest rate swap. We recorded a loss of \$0.1 million on the swap termination in our consolidated statements of operations as a component of net realized investment gains and losses. See Note 12.

We have an embedded derivative in a modified coinsurance arrangement for which we include in our realized investment gains and losses a calculation intended to estimate the value of the option of our reinsurance counterparty to cancel the reinsurance contract with us. However, neither party can unilaterally terminate the reinsurance agreement except in extreme circumstances resulting from regulatory supervision, delinquency proceedings, or other direct regulatory action. Cash settlements or collateral related to this embedded derivative are not required at any time during the reinsurance contract or at termination of the reinsurance contract. There are no credit-related counterparty triggers, and any accumulated embedded derivative gain or loss reduces to zero over time as the reinsured business winds down.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

Locations and Amounts of Derivative Financial Instruments

The following tables summarize the location and fair values of derivative financial instruments, as reported in our consolidated balance sheets.

	September 30, 2018	
	Derivative Assets Balance Sheet Location (in millions of dollars)	Derivative Liabilities Balance Sheet Location Fair Value
Designated as Hedging Instruments		
Cash Flow Hedges		
Forwards	Other L-T Investments	\$—
Foreign Exchange Contracts	Other L-T Investments	18.3
Total Cash Flow Hedges		18.3
Fair Value Hedges		
Interest Rate Swaps	Other L-T Investments	—
Foreign Exchange Contracts	Other L-T Investments	2.1
Total Fair Value Hedges		2.1
Total Designated as Hedging Instruments		\$20.4
Not Designated as Hedging Instruments		
Credit Default Swaps	Other L-T Investments	\$0.5
Foreign Exchange Contracts	Other L-T Investments	—
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—
Total Not Designated as Hedging Instruments		\$0.5
		\$22.7
		\$—
		14.7
		14.7
		7.3
		0.7
		8.0
		\$22.7
		\$—
		23.8
		13.8
		\$37.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

	December 31, 2017			
	Derivative Assets		Derivative Liabilities	
	Fair	Balance Sheet	Fair	Balance Sheet
	Value	Location	Value	Location
	(in millions of dollars)			
Designated as Hedging Instruments				
Cash Flow Hedges				
Foreign Exchange Contracts	Other L-T Investments	\$ 19.5	Other Liabilities	\$ 19.4
Total Cash Flow Hedges		19.5		19.4
Fair Value Hedges				
Interest Rate Swaps	Other L-T Investments	—	Other Liabilities	5.1
Total Fair Value Hedges		—		5.1
Total Designated as Hedging Instruments		\$ 19.5		\$ 24.5
Not Designated as Hedging Instruments				
Credit Default Swaps			Other Liabilities	\$ 0.2
Foreign Exchange Contracts			Other Liabilities	27.5
Embedded Derivative in Modified Coinsurance Arrangement			Other Liabilities	15.9
Total Not Designated as Hedging Instruments				\$ 43.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

The following table summarizes the location of gains and losses of derivative financial instruments designated as hedging instruments, as reported in our consolidated statements of operations.

	Three Months Ended September 30						
	2018			2017			
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense	
Total Income and Expense Presented in the Consolidated Statements of Operations of Which Hedged Items are Recorded	\$619.2	\$ 6.7	\$ 42.7	\$609.0	\$ 9.8	\$ 40.1	
(in millions of dollars)							
Gain (Loss) on Cash Flow Hedging Relationships							
Interest Rate Swaps:							
Hedged items	75.8	—	8.5	79.7	—	11.4	
Derivatives Designated as Hedging Instruments	16.7	—	0.6	15.6	—	0.5	
Foreign Exchange Contracts							
Hedged items	4.6	0.4	—	6.5	5.2	—	
Derivatives Designated as Hedging Instruments	(0.3) (0.4) —	(0.5) (5.2) —	
Gain (Loss) on Fair Value Hedging Relationships							
Interest Rate Swaps:							
Hedged items	—	—	3.6	1.2	(0.5) 3.6	
Derivatives Designated as Hedging Instruments	—	—	0.6	(0.8) 0.5	(0.1)
Foreign Exchange Contracts							
Hedged items	0.1	(0.3) —	—	—	—	
Derivatives Designated as Hedging Instruments	0.1	0.3	—	—	—	—	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

	Nine Months Ended September 30					
	2018			2017		
	Net Investment Income	Net Realized Gain (Loss)	Interest and Debt Expense	Net Investment Income	Net Realized Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)					
Total Income and Expense Presented in the Consolidated Statements of Operations of Which Hedged Items are Recorded	\$1,845.1	\$ 1.9	\$ 125.3	\$1,831.9	\$ 28.9	\$ 119.8
Gain (Loss) on Cash Flow Hedging Relationships						
Interest Rate Swaps:						
Hedged items	230.3	0.1	31.3	242.6	0.2	34.2
Derivatives Designated as Hedging Instruments	49.1	(0.3)	1.7	45.3	—	1.6
Foreign Exchange Contracts						
Hedged items	14.3	1.3	—	17.1	6.7	—
Derivatives Designated as Hedging Instruments	(0.8)	(1.3)	—	(0.9)	(6.7)	—
Gain (Loss) on Fair Value Hedging Relationships						
Interest Rate Swaps:						
Hedged items	1.0	2.2	10.8	4.1	(3.1)	10.8
Derivatives Designated as Hedging Instruments	(0.5)	(2.2)	1.2	(2.8)	3.1	(0.6)
Foreign Exchange Contracts						
Hedged items	0.5	(1.7)	—	—	—	—
Derivatives Designated as Hedging Instruments	0.2	1.7	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 5 - Derivative Financial Instruments - Continued

The following table summarizes the location of gains and losses of derivative financial instruments designated as cash flow hedging instruments, as reported in our consolidated statements of comprehensive income (loss).

	Three Months Ended September 30 2018		Nine Months Ended September 30 2017	
	2018	2017	2018	2017

(in millions of dollars)

Gain (Loss) Recognized in Other
Comprehensive Income (Loss) on
Derivatives

Interest Rate Swaps and Forwards	\$—	\$(0.1)	\$(0.1)	\$(0.1)
Foreign Exchange Contracts	(10.1)	(12.0)	0.6	(21.2)
Total	\$(10.1)	\$(12.1)	\$0.5	\$(21.3)

The following table summarizes the location of gains and losses on our derivatives not designated as hedging instruments, as reported in our consolidated statements of operations.

	Three Months Ended September 30 2018		Nine Months Ended September 30 2017	
	2018	2017	2018	2017

(in millions of dollars)

Net Realized Investment Gain (Loss)				
Credit Default Swaps	\$(0.3)	\$0.1	\$(0.3)	\$(0.3)
Interest Rate Swaps	—	—	(0.3)	(0.1)
Foreign Exchange Contracts	0.5	0.1	1.5	0.1
Embedded Derivative in Modified Coinsurance Arrangement	6.1	6.7	2.1	21.5
Total	\$6.3	\$6.9	\$3.0	\$21.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 6 - Accumulated Other Comprehensive Income (Loss)

Components of our accumulated other comprehensive income (loss), after tax, and related changes are as follows:

	Net Unrealized Gain (Loss) on Securities	Net Gain on Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
(in millions of dollars)					
Balance at June 30, 2018	\$224.5	\$266.8	\$ (268.8)	\$ (498.7)	\$ (276.2)
Other Comprehensive Income (Loss) Before Reclassifications	(564.3)	(4.8)	(15.2)	0.5	(583.8)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(0.9)	(12.0)	—	4.4	(8.5)
Net Other Comprehensive Income (Loss)	(565.2)	(16.8)	(15.2)	4.9	(592.3)
Balance at September 30, 2018	\$(340.7)	\$250.0	\$ (284.0)	\$ (493.8)	\$(868.5)
Balance at June 30, 2017	\$558.2	\$304.5	\$ (297.1)	\$ (460.7)	\$104.9
Other Comprehensive Income (Loss) Before Reclassifications	4.4	(7.9)	31.8	(1.0)	27.3
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(5.2)	(5.9)	—	3.2	(7.9)
Net Other Comprehensive Income (Loss)	(0.8)	(13.8)	31.8	2.2	19.4
Balance at September 30, 2017	\$557.4	\$290.7	\$ (265.3)	\$ (458.5)	\$124.3
Balance at December 31, 2017	\$607.8	\$282.3	\$ (254.5)	\$ (508.1)	\$127.5
Adjustment to Adopt Accounting Standard Update - Note 2	(17.5)	—	—	—	(17.5)
Other Comprehensive Income (Loss) Before Reclassifications	(930.8)	2.9	(29.5)	1.3	(956.1)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(0.2)	(35.2)	—	13.0	(22.4)
Net Other Comprehensive Income (Loss)	(931.0)	(32.3)	(29.5)	14.3	(978.5)
Balance at September 30, 2018	\$(340.7)	\$250.0	\$ (284.0)	\$ (493.8)	\$(868.5)
Balance at December 31, 2016	\$440.6	\$327.5	\$ (354.0)	\$ (465.1)	\$ (51.0)
Other Comprehensive Income (Loss) Before Reclassifications	125.7	(14.0)	88.7	(3.0)	197.4
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(8.9)	(22.8)	—	9.6	(22.1)
Net Other Comprehensive Income (Loss)	116.8	(36.8)	88.7	6.6	175.3
Balance at September 30, 2017	\$557.4	\$290.7	\$ (265.3)	\$ (458.5)	\$124.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 6 - Accumulated Other Comprehensive Income (Loss) - Continued

The net unrealized gain (loss) on securities consists of the following components:

	September 30 2018	June 30 2018	January 1 2018	Change at September 30, 2018	
				Three Months Ended	Nine Months Ended
(in millions of dollars)					
Fixed Maturity Securities	\$3,158.1	\$3,543.7	\$5,665.2	\$(385.6)	\$(2,507.1)
Deferred Acquisition Costs	(31.5)	(34.1)	(51.4)	2.6	19.9
Reserves for Future Policy and Contract Benefits	(3,684.9)	(3,367.1)	(5,094.7)	(317.8)	1,409.8
Reinsurance Recoverable	273.3	288.1	375.8	(14.8)	(102.5)
Income Tax	(55.7)	(206.1)	(304.6)	150.4	248.9
Total	\$(340.7)	\$224.5	\$590.3	\$(565.2)	\$(931.0)

	September 30 2017	June 30 2017	December 31 2016	Change at September 30, 2017	
				Three Months Ended	Nine Months Ended
(in millions of dollars)					
Fixed Maturity Securities	\$5,587.7	\$5,492.2	\$4,664.6	\$95.5	\$923.1
Other Investments	5.2	(4.6)	(22.7)	9.8	27.9
Deferred Acquisition Costs	(46.2)	(45.8)	(38.9)	(0.4)	(7.3)
Reserves for Future Policy and Contract Benefits	(5,057.4)	(4,948.2)	(4,253.2)	(109.2)	(804.2)
Reinsurance Recoverable	371.6	360.7	321.3	10.9	50.3
Income Tax	(303.5)	(296.1)	(230.5)	(7.4)	(73.0)
Total	\$557.4	\$558.2	\$440.6	\$(0.8)	\$116.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 6 - Accumulated Other Comprehensive Income (Loss) - Continued

Amounts reclassified from accumulated other comprehensive income or loss were recognized in our consolidated statements of operations as follows:

	Three Months Ended September 30 2018		Nine Months Ended September 30 2017	
	2018	2017	2018	2017
	(in millions of dollars)			
Net Unrealized Gain (Loss) on Securities				
Net Realized Investment Gain (Loss)				
Net Gain on Sales of Securities and Other Invested Assets	\$1.2	\$8.2	\$1.3	\$13.8
Other-Than-Temporary Impairment Loss	—	—	(1.0)	—
	1.2	8.2	0.3	13.8
Income Tax Expense	0.3	3.0	0.1	4.9
Total	\$0.9	\$5.2	\$0.2	\$8.9
Net Gain on Hedges				
Net Investment Income				
Gain on Interest Rate Swaps and Forwards	\$16.4	\$15.1	\$48.1	\$44.2
Loss on Foreign Exchange Contracts	(0.3)	(0.4)	(0.9)	(0.9)
Net Realized Investment Gain (Loss)				
Gain on Interest Rate Swaps	—	—	0.2	—
Loss on Foreign Exchange Contracts	(0.4)	(5.2)	(1.3)	(6.7)
Interest and Debt Expense				
Loss on Interest Rate Swaps	(0.6)	(0.5)	(1.6)	(1.5)
	15.1	9.0	44.5	35.1
Income Tax Expense	3.1	3.1	9.3	12.3
Total	\$12.0	\$5.9	\$35.2	\$22.8
Unrecognized Pension and Postretirement Benefit Costs				
Other Expenses				
Amortization of Net Actuarial Loss	\$(5.6)	\$(5.1)	\$(16.8)	\$(15.2)
Amortization of Prior Service Credit	0.1	0.2	0.2	0.5
	(5.5)	(4.9)	(16.6)	(14.7)
Income Tax Benefit	(1.1)	(1.7)	(3.6)	(5.1)
Total	\$(4.4)	\$(3.2)	\$(13.0)	\$(9.6)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 7 - Liability for Unpaid Claims and Claim Adjustment Expenses

Changes in the liability for unpaid claims and claim adjustment expenses are as follows:

	2018	2017
	(in millions of dollars)	
Balance at January 1	\$23,222.0	\$23,249.5
Less Reinsurance Recoverable	2,182.0	2,163.6
Net Balance at January 1	21,040.0	21,085.9
Incurred Related to		
Current Year	4,421.9	4,046.2
Prior Years		
Interest	807.2	836.5
All Other Incurred	(65.6)	(143.3)
Foreign Currency	(70.2)	150.0
Total Incurred	5,093.3	4,889.4
Paid Related to		
Current Year	(1,589.1)	(1,463.9)
Prior Years	(3,491.2)	(3,478.8)
Total Paid	(5,080.3)	(4,942.7)
Net Balance at September 30	21,053.0	21,032.6
Plus Reinsurance Recoverable	2,204.0	2,163.9
Balance at September 30	\$23,257.0	\$23,196.5

The majority of the net balances are related to disability claims with long-tail payouts on which interest earned on assets backing liabilities is an integral part of pricing and reserving. Interest accrued on prior year reserves has been calculated on the opening reserve balance less one-half of the period's claim payments relative to prior years at our average reserve discount rate for the respective periods.

2018 Long-term Care Reserve Increase

Policy reserves for our long-term care block of business are determined using the gross premium valuation method and, prior to the third quarter of 2018, were valued based on assumptions established as of December 31, 2014, the date of our last assumption update under loss recognition. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient. We undertake a review of policy reserve adequacy annually during the fourth quarter of each year, or more frequently if appropriate, using best estimate assumptions as of the date of the review.

During the third quarter of 2018, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions, including active policy terminations, claims incidence, claim terminations, morbidity, premium rate increases, and new money yield rates. The review utilized internal and external data and outside consulting firms for quality assurance and industry benchmarking. Based on our analysis, during the third quarter of 2018, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$750.8 million, or \$593.1 million after tax, to reflect our current estimate of

future benefit obligations. This increase was primarily driven by the update to our liability and interest rate assumptions, particularly claims incidence and claim termination rates, which resulted in an increase to reserves of approximately \$2.2 billion. Partially offsetting the increase was the update to our assumptions for premium rate increases which decreased reserves approximately \$1.4 billion, resulting in the net increase to reserves of \$750.8 million. Of this amount, approximately \$236 million was related to our liability for unpaid claims and claims adjustment expenses, which can be primarily attributed to prior year incurred claims, thereby impacting the results shown in the preceding chart.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 7 - Liability for Unpaid Claims and Claim Adjustment Expenses - Continued

"Incurred Related to Prior Years - All Other Incurred", excluding the third quarter of 2018 long-term care reserve increase discussed in the preceding paragraphs, is primarily impacted by the level of claim resolutions in the period relative to the long-term expectations reflected in the reserves in our Unum US group disability and Colonial Life products. 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.

Reconciliation

A reconciliation of policy and contract benefits and reserves for future policy and contract benefits as reported in our consolidated balance sheets to the liability for unpaid claims and claim adjustment expenses is as follows:

	September 30	
	2018	2017
	(in millions of dollars)	
Policy and Contract Benefits	\$1,674.1	\$1,539.0
Reserves for Future Policy and Contract Benefits	45,092.7	45,456.9
Total	46,766.8	46,995.9
Less:		
Life Reserves for Future Policy and Contract Benefits	8,303.4	8,209.6
Accident and Health Active Life Reserves	11,521.5	10,532.4
Adjustment Related to Unrealized Investment Gains and Losses	3,684.9	5,057.4
Liability for Unpaid Claims and Claim Adjustment Expenses	\$23,257.0	\$23,196.5

The adjustment related to unrealized investment gains and losses reflects the changes that would be necessary to policyholder liabilities if the unrealized investment gains and losses related to the corresponding available-for-sale securities had been realized. Changes in this adjustment are reported as a component of other comprehensive income or loss.

Note 8 - Segment Information

We have three principal operating business segments: Unum US, Unum UK, and Colonial Life. Our other segments are Closed Block and Corporate.

Acquisition of Business

On October 1, 2018, we completed our purchase of Pramerica Zycie TUiR SA ("Pramerica"), a financial protection benefits provider in Poland. The acquisition of Pramerica will expand our European presence, which we believe to be an attractive market for financial protection benefits. This acquisition is not expected to materially impact our results of operations or financial position for 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 8 - Segment Information - Continued

Segment information is as follows:

	Three Months Ended September 30 2018		Nine Months Ended September 30 2017	
	2018	2017	2018	2017
	(in millions of dollars)			
Premium Income				
Unum US				
Group Disability				
Group Long-term Disability	\$444.1	\$435.2	\$1,322.7	\$1,307.3
Group Short-term Disability	180.4	161.1	527.7	477.3
Group Life and Accidental Death & Dismemberment				
Group Life	399.3	370.0	1,189.6	1,101.7
Accidental Death & Dismemberment	39.6	37.2	116.9	110.5
Supplemental and Voluntary				
Individual Disability	109.5	104.4	319.1	318.1
Voluntary Benefits	222.3	210.8	676.0	639.2
Dental and Vision	51.0	42.2	149.3	124.9
	1,446.2	1,360.9	4,301.3	4,079.0
Unum UK				
Group Long-term Disability	91.3	87.0	271.8	251.6
Group Life	27.1	26.7	83.6	76.9
Supplemental	19.6	17.8	61.1	51.1
	138.0	131.5	416.5	379.6
Colonial Life				
Accident, Sickness, and Disability	231.9	222.3	691.8	661.5
Life	81.4	74.6	243.9	223.8
Cancer and Critical Illness	86.7	81.8	258.0	244.0
	400.0	378.7	1,193.7	1,129.3
Closed Block				
Individual Disability	102.7	117.9	319.0	357.7
Long-term Care	163.0	162.4	485.8	486.4
All Other	1.9	2.2	6.5	6.7
	267.6	282.5	811.3	850.8
Total Premium Income	\$2,251.8	\$2,153.6	\$6,722.8	\$6,438.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2018

Note 8 - Segment Information - Continued

	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Three Months Ended September 30, 2018						
Premium Income	\$1,446.2	\$138.0	\$400.0	\$267.6	\$—	\$2,251.8
Net Investment Income	200.3	26.4	36.7	348.0	7.8	619.2
Other Income	30.7	—	0.4	18.9	0.1	50.1
Adjusted Operating Revenue	\$1,677.2	\$164.4	\$437.1	\$634.5	\$7.9	\$2,921.1
Adjusted Operating Income (Loss)	\$270.9	\$26.1	\$84.2	\$32.2	\$(47.1)	\$366.3
Three Months Ended September 30, 2017						
Premium Income	\$1,360.9	\$131.5	\$378.7	\$282.5	\$—	\$2,153.6
Net Investment Income	201.0	28.5	36.0	337.2	6.3	609.0
Other Income	26.5	0.6	0.3	18.9	0.4	46.7
Adjusted Operating Revenue	\$1,588.4	\$160.6	\$415.0	\$638.6	\$6.7	\$2,809.3
Adjusted Operating Income (Loss)	\$258.4	\$26.5	\$81.7	\$26.6	\$(36.2)	\$357.0
	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Nine Months Ended September 30, 2018						
Premium Income	\$4,301.3	\$416.5	\$1,193.7	\$811.3	\$—	\$6,722.8
Net Investment Income	591.0	86.1	114.2	1,031.3	22.5	1,845.1
Other Income	88.5	—	1.0	56.8	1.6	147.9
Adjusted Operating Revenue	\$4,980.8	\$502.6	\$1,308.9	\$1,899.4	\$24.1	\$8,715.8
Adjusted Operating Income (Loss)	\$765.9	\$83.5	\$249.8	\$90.7	\$(122.9)	\$1,067.0
Nine Months Ended September 30, 2017						
Premium Income	\$4,079.0	\$379.6	\$1,129.3	\$850.8	\$—	\$6,438.7
Net Investment Income	609.1	88.3	107.8	1,012.5	14.2	