Unum Group
Form 10-Q
October 30, 2014

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

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014

¨ 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)
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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

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

(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

251,991,798 shares of the registrant's common stock were outstanding as of October 28, 2014.

TABLE OF CONTENTS

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:

- Unfavorable economic or business conditions, both domestic and foreign.
- Sustained periods of low interest rates.
- Fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality rates, and 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 government programs.
- Legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment.
- 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.
- The failure of cyber or other information security systems, as well as the occurrence of events unanticipated in our disaster recovery systems.
- 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.
- 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 that deviates from our assumptions used in pricing, underwriting, and reserving.
- Actual persistency and/or sales growth that is higher or lower than projected.
- Changes in demand for our products due to, among other factors, changes in societal attitudes, the rate of unemployment, consumer confidence, and/or legislative and regulatory changes, including healthcare reform.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- Changes in accounting standards, practices, or policies.
- Fluctuation in foreign currency exchange rates.

- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
- 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.

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, 2013.

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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	September 30 2014	December 31 2013
	(in millions of dollars)	
	(Unaudited)	
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: $38,920.4; $38,289.6)	$44,715.2	$42,344.4
Mortgage Loans	1,807.5	1,815.1
Policy Loans	3,355.5	3,276.0
Other Long-term Investments	558.8	566.0
Short-term Investments	942.4	913.4
Total Investments	51,379.4	48,914.9
Other Assets		
Cash and Bank Deposits	60.6	94.1
Accounts and Premiums Receivable	1,658.8	1,647.8
Reinsurance Recoverable	4,859.2	4,806.5
Accrued Investment Income	702.3	700.2
Deferred Acquisition Costs	1,866.5	1,829.2
Goodwill	200.7	200.9
Property and Equipment	531.4	511.9
Income Tax Receivable	—	50.3
Other Assets	701.7	647.8
Total Assets	$61,960.6	$59,403.6

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	September 30 2014	December 31 2013
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	$1,527.7	$1,511.0
Reserves for Future Policy and Contract Benefits	44,478.6	43,099.1
Unearned Premiums	472.8	413.8
Other Policyholders’ Funds	1,650.8	1,658.4
Income Tax Payable	10.2	—
Deferred Income Tax	432.7	144.3
Short-term Debt	70.2	76.5
Long-term Debt	2,783.3	2,612.0
Other Liabilities	1,290.3	1,229.4
Total Liabilities	52,716.6	50,744.5
Commitments and Contingent Liabilities - Note 10		
Stockholders' Equity		
Common Stock, $0.10 par		
Authorized: 725,000,000 shares		
Issued: 361,456,139 and 360,802,426 shares	36.1	36.1
Additional Paid-in Capital	2,651.2	2,634.1
Accumulated Other Comprehensive Income	548.6	255.0
Retained Earnings	8,658.0	8,083.2
Treasury Stock - at cost: 109,524,849 and 100,785,012 shares	(2,649.9)	(2,349.3)
Total Stockholders' Equity	9,244.0	8,659.1
Total Liabilities and Stockholders' Equity	$61,960.6	$59,403.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars, except share data)			
Revenue				
Premium Income	$1,947.2	$1,897.3	$5,829.3	$5,734.0
Net Investment Income	606.4	615.5	1,848.0	1,862.7
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	—	—	—	(0.8)
Net Realized Investment Gain (Loss), Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	1.2	(26.1)	33.4	(1.7)
Net Realized Investment Gain (Loss)	1.2	(26.1)	33.4	(2.5)
Other Income	54.6	54.2	163.3	173.4
Total Revenue	2,609.4	2,540.9	7,874.0	7,767.6
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,653.6	1,641.6	4,938.3	4,951.9
Commissions	232.0	222.6	697.2	681.6
Interest and Debt Expense	38.4	37.4	129.0	111.8
Deferral of Acquisition Costs	(127.8)	(117.8)	(381.6)	(349.3)
Amortization of Deferred Acquisition Costs	107.9	98.6	332.9	323.7
Compensation Expense	206.1	196.2	607.1	588.7
Other Expenses	187.1	178.2	566.0	559.8
Total Benefits and Expenses	2,297.3	2,256.8	6,888.9	6,868.2
Income Before Income Tax	312.1	284.1	985.1	899.4
Income Tax (Benefit)				
Current	58.8	69.4	167.1	263.4
Deferred	32.2	9.0	125.5	(0.9)
Total Income Tax	91.0	78.4	292.6	262.5
Net Income	$221.1	$205.7	$692.5	$636.9
Net Income Per Common Share				
Basic	$0.87	$0.78	$2.70	$2.39
Assuming Dilution	$0.87	$0.78	$2.69	$2.38

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Net Income	$221.1	$205.7	$692.5	$636.9
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gain on Securities Before Adjustment (net of tax expense (benefit) of $(91.9); $(89.8); $583.9; $(983.8))	(152.2)	(151.3)	1,130.5	(1,854.9)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of $67.2; $169.8; $(416.5); $778.8)	113.0	283.1	(804.2)	1,408.8
Change in Net Gain on Cash Flow Hedges (net of tax expense (benefit) of $5.4; $(5.2); $(5.4); $(1.9))	14.0	(8.3)	(12.8)	(4.4)
Change in Foreign Currency Translation Adjustment	(60.2)	68.2	(22.4)	(0.8)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of $0.9; $0.5; $1.2; $124.9)	2.1	1.2	2.5	232.9
Total Other Comprehensive Income (Loss)	(83.3)	192.9	293.6	(218.4)
Comprehensive Income	$137.8	$398.6	$986.1	$418.5

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2014	2013
	(in millions of dollars)	
Common Stock		
Balance at Beginning of Year and End of Period	$36.1	$36.0
Additional Paid-in Capital		
Balance at Beginning of Year	2,634.1	2,607.7
Common Stock Activity	17.1	16.1
Balance at End of Period	2,651.2	2,623.8
Accumulated Other Comprehensive Income		
Balance at Beginning of Year	255.0	628.0
Other Comprehensive Income (Loss)	293.6	(218.4)
Balance at End of Period	548.6	409.6
Retained Earnings		
Balance at Beginning of Year	8,083.2	7,371.6
Net Income	692.5	636.9
Dividends to Stockholders (per common share: $0.455; $0.405)	(117.7)	(108.8)
Balance at End of Period	8,658.0	7,899.7
Treasury Stock		
Balance at Beginning of Year	(2,349.3)	(2,030.7)
Purchases of Treasury Stock	(300.6)	(268.5)
Balance at End of Period	(2,649.9)	(2,299.2)
Total Stockholders' Equity at End of Period	$9,244.0	$8,669.9

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2014	2013
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	$692.5	$636.9
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	(39.2)	(225.7)
Change in Deferred Acquisition Costs	(48.7)	(25.6)
Change in Insurance Reserves and Liabilities	234.8	465.5
Change in Income Taxes	188.7	(81.9)
Change in Other Accrued Liabilities	24.9	12.5
Non-cash Adjustments to Net Investment Income	(129.4)	(143.2)
Net Realized Investment (Gain) Loss	(33.4)	2.5
Depreciation	66.0	63.4
Other, Net	(12.2)	5.1
Net Cash Provided by Operating Activities	944.0	709.5
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	355.6	877.0
Proceeds from Maturities of Fixed Maturity Securities	1,284.0	1,632.5
Proceeds from Sales and Maturities of Other Investments	158.9	166.5
Purchase of Fixed Maturity Securities	(2,225.8)	(2,808.5)
Purchase of Other Investments	(150.3)	(242.4)
Net Sales (Purchases) of Short-term Investments	(24.2)	522.7
Other, Net	(86.8)	(77.0)
Net Cash Provided (Used) by Investing Activities	(688.6)	70.8
Cash Flows from Financing Activities		
Net Short-term Debt Repayments	(6.3)	(315.3)
Issuance of Long-term Debt	347.2	—
Long-term Debt Repayments	(180.2)	(101.2)
Cost Related to Early Retirement of Debt	(13.2)	—
Issuance of Common Stock	3.8	4.3
Repurchase of Common Stock	(304.1)	(272.4)
Dividends Paid to Stockholders	(117.7)	(108.8)
Other, Net	(18.4)	(1.2)
Net Cash Used by Financing Activities	(288.9)	(794.6)
Net Decrease in Cash and Bank Deposits	(33.5)	(14.3)
Cash and Bank Deposits at Beginning of Year	94.1	77.3

Cash and Bank Deposits at End of Period	$60.6	$63.0

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Unum Group and Subsidiaries
September 30, 2014
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, 2013.

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 Outstanding:

Accounting Standards Codification (ASC) 323 "Investments - Equity Method and Joint Ventures"

In January 2014, the Financial Accounting Standards Board (FASB) issued an update to provide guidance on the accounting and reporting for investments in affordable housing projects that qualify for low-income housing tax credits. The guidance permits entities to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). Additional disclosures concerning investments in qualified affordable housing projects are also required. The guidance is effective for interim and annual periods beginning on or after December 15, 2014, and is to be applied retrospectively.

We plan to adopt this elective guidance January 1, 2015. We continue to evaluate the full effects of implementation, but we estimate that adoption of this update will result in a cumulative effect adjustment that will decrease the opening balance of 2015 retained earnings between $25.0 million and $35.0 million. We estimate that the adoption of this update will result in an immaterial decrease in net income in 2015 and in the years preceding to which the retrospective adoption is applied.

ASC 606 "Revenue from Contracts with Customers"

In May 2014, the FASB issued an update that supersedes virtually all existing guidance regarding the recognition of revenue from customers. Specifically excluded from the scope of this update are insurance contracts, although our fee-based service products are included within the scope. The issuance of the new guidance completes the joint effort by the FASB and the International Accounting Standards Board to develop a common revenue standard for GAAP and International Financial Reporting Standards. The guidance is intended to improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets and provide more useful information through improved disclosure requirements. The core principal 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. The guidance is effective for interim and annual periods beginning after December 15, 2016 and is to be applied retrospectively. The adoption of this update will not have a material effect on our financial position or results of operations.

ASC 718 "Compensation - Stock Compensation"

In June 2014, the FASB issued an update to clarify that a performance target that affects vesting of a share-based payment and can be achieved after the requisite service is to be treated as a performance condition and should not be reflected in the determination of the grant date fair value of the award. Compensation cost for such an award should be recognized over the required service period when the achievement of the performance condition becomes probable. The guidance is intended to address diversity in practice and is effective for interim and annual periods beginning after December 15, 2015. The adoption of this update will not have a material effect on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 2 - Accounting Developments - Continued

ASC 860 "Transfers and Servicing"

In June 2014, the FASB issued an update to change the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The update also requires disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions. The guidance is effective for interim and annual periods beginning after December 15, 2014, with the exception of certain of the additional disclosures, which will be effective for annual periods beginning after December 15, 2014 and for interim periods beginning after March 15, 2015. The guidance is to be applied retrospectively for transactions outstanding on the effective date of the update. The adoption of this update will expand our disclosures but is expected to have no effect on our financial position or results of operations.

ASC 205 "Presentation of Financial Statements - Going Concern"

In August 2014, the FASB issued an update that requires management of an entity to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, if so, disclose that fact. Management will also be required to evaluate and disclose whether its plans alleviate that doubt. The guidance is effective for annual periods ending after December 15, 2016 and for interim and annual periods thereafter. The adoption of this update will have no effect on our financial position or results of operations.

Note 3 - Fair Values of Financial Instruments

Presented as follows are the carrying amounts and fair values of financial instruments. The carrying values of financial instruments such as short-term investments, cash and bank deposits, accounts and premiums receivable, accrued investment income, 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 following chart.

	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of dollars)			
Assets				
Fixed Maturity Securities	$44,715.2	$44,715.2	$42,344.4	$42,344.4
Mortgage Loans	1,807.5	1,981.0	1,815.1	1,980.2
Policy Loans	3,355.5	3,447.0	3,276.0	3,339.6
Other Long-term Investments				
Derivatives	15.1	15.1	10.8	10.8
Equity Securities	14.7	14.7	16.4	16.4
Miscellaneous Long-term Investments	471.4	471.4	475.2	475.2
Liabilities				
Policyholders' Funds				
Deferred Annuity Products	$626.6	$626.6	$631.5	$631.5
Supplementary Contracts without Life Contingencies	594.8	594.8	563.1	563.1
Long-term Debt	2,783.3	3,057.7	2,612.0	2,824.4

Other Liabilities				
Derivatives	107.2	107.2	135.6	135.6
Embedded Derivative in Modified Coinsurance Arrangement	34.6	34.6	53.2	53.2
Unfunded Commitments to Investment Partnerships	13.7	13.7	27.2	27.2

The methods and assumptions used to estimate fair values of financial instruments are discussed as follows.

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

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. These financial instruments are assigned a Level 2 within the fair value hierarchy.

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 $3,119.3 million and $3,043.7 million as of September 30, 2014 and December 31, 2013, 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. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Fair values for private equity partnerships are primarily derived from net asset values provided by the general partner in the partnerships' financial statements. Our private equity partnerships represent funds that are primarily invested in power, energy, railcar leasing, infrastructure development, and mezzanine debt. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. As of September 30, 2014, we estimate that the underlying assets of the funds will be liquidated over the next one to ten years. These financial instruments are assigned a Level 3 within the fair value hierarchy.

Policyholders' Funds: Policyholders' funds are comprised primarily of deferred annuity products and supplementary contracts without life contingencies and represent customer deposits plus interest credited at contract rates. Carrying amounts approximate fair value. These financial instruments are assigned a Level 3 within the fair value hierarchy.

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.

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. Debt instruments which are valued using active trades from independent pricing services for which there was current market activity in that specific debt instrument have fair values of $1,584.8 million and $1,329.2 million as of September 30, 2014 and December 31, 2013, respectively, and are assigned a Level 1 within the fair value hierarchy. Debt instruments which are valued based on prices from pricing services that generally use observable inputs for securities or comparable securities in active markets in their valuation techniques have fair values of $1,472.9 million and $1,495.2 million as of September 30, 2014 and December 31, 2013, respectively, and are assigned a Level 2.

Unfunded Commitments to Investment Partnerships: Unfunded equity commitments represent legally binding amounts that we have committed to certain investment partnerships subject to the partnerships meeting specified conditions. When these conditions are met, we are obligated to invest these amounts in the partnerships. Carrying amounts approximate fair value. These financial instruments are assigned a Level 2 within the fair value hierarchy.

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, derivative financial instruments, and equity securities at fair value in our consolidated balance sheets. 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.

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.

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 valuation technique 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 2014, we have applied valuation techniques on a consistent basis to similar assets and liabilities and consistent with those techniques used at year end 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

We use observable and unobservable inputs in measuring the fair value of our financial instruments. Inputs that may be used include the following:

- Broker market maker prices and price levels
- Trade Reporting and Compliance Engine (TRACE) pricing
- Prices obtained from external pricing services
- Benchmark yields (Treasury and interest rate swap curves)
- Transactional data for new issuance and secondary trades
- Security cash flows and structures
- Recent issuance/supply
- Sector and issuer level spreads
- Security credit ratings/maturity/capital structure/optionality
- Corporate actions
- Underlying collateral
- Prepayment speeds/loan performance/delinquencies/weighted average life/seasoning
- Public covenants
- Comparative bond analysis
- Derivative spreads
- Relevant reports issued by analysts and rating agencies
- Audited financial statements

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.
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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

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.

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.

At September 30, 2014, approximately 16.9 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, the highest category of the three-level fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities.

The remaining 83.1 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below.

- Approximately 68.4 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. Level 2 assets or liabilities are those 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.

- Approximately 3.2 percent of our fixed maturity securities were valued based on one or more non-binding broker price levels, 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.

- Approximately 11.5 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. Level 3 is 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.

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

14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

In the following charts, prior year amounts have been reclassified, where applicable, between public utilities and all other corporate bonds to conform to the current year categorization of certain securities.

Fair value measurements by input level for financial instruments carried at fair value are as follows.

	September 30, 2014 Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) (in millions of dollars)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$291.2	$905.2	$—	$1,196.4
States, Municipalities, and Political Subdivisions	—	1,908.5	134.1	2,042.6
Foreign Governments	—	1,310.2	36.5	1,346.7
Public Utilities	744.5	7,450.4	239.7	8,434.6
Mortgage/Asset-Backed Securities	—	2,492.5	9.2	2,501.7
All Other Corporate Bonds	6,499.1	21,285.3	1,358.7	29,143.1
Redeemable Preferred Stocks	—	25.2	24.9	50.1
Total Fixed Maturity Securities	7,534.8	35,377.3	1,803.1	44,715.2
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	6.1	—	6.1
Foreign Exchange Contracts	—	9.0	—	9.0
Total Derivatives	—	15.1	—	15.1
Equity Securities	—	11.6	3.1	14.7
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$25.7	$—	$25.7
Foreign Exchange Contracts	—	79.6	—	79.6
Credit Default Swaps	—	1.9	—	1.9
Embedded Derivative in Modified Coinsurance Arrangement	—	—	34.6	34.6
Total Derivatives	—	107.2	34.6	141.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions of dollars)			
Assets				
Fixed Maturity Securities				
United States Government and Government Agencies and Authorities	$144.5	$1,051.6	$—	$1,196.1
States, Municipalities, and Political Subdivisions	—	1,608.1	175.1	1,783.2
Foreign Governments	—	1,294.7	78.5	1,373.2
Public Utilities	246.0	7,611.9	139.3	7,997.2
Mortgage/Asset-Backed Securities	—	2,038.8	0.5	2,039.3
All Other Corporate Bonds	2,132.8	23,861.6	1,923.3	27,917.7
Redeemable Preferred Stocks	—	13.9	23.8	37.7
Total Fixed Maturity Securities	2,523.3	37,480.6	2,340.5	42,344.4
Other Long-term Investments				
Derivatives				
Interest Rate Swaps	—	9.2	—	9.2
Foreign Exchange Contracts	—	1.6	—	1.6
Total Derivatives	—	10.8	—	10.8
Equity Securities	—	11.8	4.6	16.4
Liabilities				
Other Liabilities				
Derivatives				
Interest Rate Swaps	$—	$35.0	$—	$35.0
Foreign Exchange Contracts	—	98.7	—	98.7
Credit Default Swaps	—	1.9	—	1.9
Embedded Derivative in Modified Coinsurance Arrangement	—	—	53.2	53.2
Total Derivatives	—	135.6	53.2	188.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
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			
	2014		2013	
	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	$169.6	$—	$21.7	$164.6
States, Municipalities, and Political Subdivisions	—	—	—	31.8
Public Utilities	415.1	218.8	239.3	375.7
All Other Corporate Bonds	3,241.4	2,181.0	1,534.7	3,093.6
Total Fixed Maturity Securities	$3,826.1	$2,399.8	$1,795.7	$3,665.7

	Nine Months Ended September 30			
	2014		2013	
	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	$163.2	$—	$48.0	$—
States, Municipalities, and Political Subdivisions	—	—	—	53.1
Public Utilities	470.8	88.1	405.5	33.5
All Other Corporate Bonds	4,102.0	548.3	2,708.8	1,012.2
Total Fixed Maturity Securities	$4,736.0	$636.4	$3,162.3	$1,098.8

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.

17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
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, 2014							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$131.5	$—	$2.7	$—	$(0.1)	$—	$—	$134.1
Foreign Governments	81.2	—	(0.2)	—	—	—	(44.5)	36.5
Public Utilities	179.4	—	(0.5)	—	—	96.0	(35.2)	239.7
Mortgage/Asset-Backed Securities	—	—	—	—	—	9.2	—	9.2
All Other Corporate Bonds	1,159.7	1.0	(2.7)	—	(17.3)	416.3	(198.3)	1,358.7
Redeemable Preferred Stocks	24.8	—	0.1	—	—	—	—	24.9
Total Fixed Maturity Securities	1,576.6	1.0	(0.6)	—	(17.4)	521.5	(278.0)	1,803.1
Equity Securities	3.1	—	—	—	—	—	—	3.1
Embedded Derivative in Modified Coinsurance Arrangement	(32.3)	(2.3)	—	—	—	—	—	(34.6)

	Three Months Ended September 30, 2013							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Period	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$152.0	$—	$(0.1)	$—	$—	$—	$—	$151.9
Foreign Governments	80.0	—	(1.4)	—	—	—	—	78.6
Public Utilities	75.5	—	2.3	—	—	93.8	(18.1)	153.5

Mortgage/Asset-Backed Securities	14.9	(1.3)	0.9	—	(14.0)	—	—	0.5
All Other Corporate Bonds	1,321.2	(1.0)	(10.0)	7.0	(23.0)	591.0	(534.4)	1,350.8
Redeemable Preferred Stocks	24.2	—	(0.1)	—	—	—	—	24.1
Total Fixed Maturity Securities	1,667.8	(2.3)	(8.4)	7.0	(37.0)	684.8	(552.5)	1,759.4
Equity Securities	4.4	—	—	—	—	—	—	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(65.1)	(0.3)	—	—	—	—	—	(65.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

	Nine Months Ended September 30, 2014							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Year	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$175.1	$—	$14.3	$—	$(0.7)	$—	$(54.6)	$134.1
Foreign Governments	78.5	—	—	—	—	—	(42.0)	36.5
Public Utilities	139.3	—	4.8	—	(0.2)	126.0	(30.2)	239.7
Mortgage/Asset-Backed Securities	0.5	(0.2)	0.5	9.0	(0.6)	—	—	9.2
All Other Corporate Bonds	1,923.3	1.0	42.4	89.6	(97.6)	569.0	(1,169.0)	1,358.7
Redeemable Preferred Stocks	23.8	—	1.1	—	—	—	—	24.9
Total Fixed Maturity Securities	2,340.5	0.8	63.1	98.6	(99.1)	695.0	(1,295.8)	1,803.1
Equity Securities	4.6	2.1	(0.1)	—	(3.5)	—	—	3.1
Embedded Derivative in Modified Coinsurance Arrangement	(53.2)	18.6	—	—	—	—	—	(34.6)

	Nine Months Ended September 30, 2013							
		Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
	Beginning of Year	Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	End of Period
	(in millions of dollars)							
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	$128.7	$—	$(8.4)	$—	$(0.5)	$32.1	$—	$151.9
Foreign Governments	82.1	—	(3.5)	—	—	—	—	78.6
Public Utilities	226.4	—	1.0	—	(3.6)	114.9	(185.2)	153.5
Mortgage/Asset-Backed Securities	0.5	—	0.1	—	(0.1)	—	—	0.5

All Other Corporate Bonds	1,525.8	1.1	(90.9)	30.1	(86.9)	937.2	(965.6)	1,350.8
Redeemable Preferred Stocks	24.8	—	(0.7)	—	—	—	—	24.1
Total Fixed Maturity Securities	1,988.3	1.1	(102.4)	30.1	(91.1)	1,084.2	(1,150.8)	1,759.4
Equity Securities	4.3	—	0.1	—	—	—	—	4.4
Embedded Derivative in Modified Coinsurance Arrangement	(83.9)	18.5	—	—	—	—	—	(65.4)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

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 (losses) which are included in earnings and are attributable to the change in unrealized gains or losses relating to assets or liabilities valued using significant unobservable inputs and still held at period end were $(2.3) million and $18.6 million for the three and nine months ended September 30, 2014, respectively, and $(0.3) million and $18.5 million for the three and nine months ended September 30, 2013, respectively. These amounts relate entirely to the changes in fair value of an embedded derivative in a modified coinsurance arrangement which are reported as realized investment gains and losses.

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, 2014		
	Fair Value	Unobservable Input	Range/Weighted Average
	(in millions of dollars)		
Fixed Maturity Securities			
States, Municipalities, and Political Subdivisions - Private	$97.1	- Comparability Adjustment	(b) 0.25% - 1.00% / 0.71%
All Other Corporate Bonds - Private	428.3	- Change in Benchmark Reference - Comparability Adjustment - Discount for Size - Volatility of Credit - Market Convention	(a) 0.33% - 0.75% / 0.54% (b) (0.69%) - 0.50% / (0.27%) (c) 0.50% - 0.50% / 0.50% (e) 0.20% - 2.00% / 0.55% (f) Priced at Par
All Other Corporate Bonds - Public	64.2	- Change in Benchmark Reference - Comparability Adjustment - Lack of Marketability - Volatility of Credit	(a) 0.25% - 0.25% / 0.25% (b) 0.10% - 0.25% / 0.20% (d) 0.20% - 0.20% / 0.20% (e) (0.30%) - (0.30%) / (0.30%)
Equity Securities - Private	2.8	- Market Convention	(f) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(34.6)	- Projected Liability Cash Flows	(g) Actuarial Assumptions

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2013		
	Fair Value (in millions of dollars)	Unobservable Input	Range/Weighted Average
Fixed Maturity Securities			
States, Municipalities, and Political Subdivisions - Private	$142.7	- Comparability Adjustment	(b) 0.25% - 1.25% / 0.65%
Mortgage/Asset-Backed Securities - Private	0.5	- Discount for Size	(c) 4.93% - 5.03% / 5.01%
All Other Corporate Bonds - Private	371.3	- Change in Benchmark Reference - Comparability Adjustment - Discount for Size - Lack of Marketability - Volatility of Credit - Market Convention	(a) 3.36% - 3.36% / 3.36% (b) (0.70)% - (0.40)% / (0.60)% (c) 0.50% - 0.50% / 0.50% (d) 0.20% - 1.00% / 0.55% (e) 0.07% - 4.00% / 0.85% (f) Priced at Par
All Other Corporate Bonds - Public	514.4	- Change in Benchmark Reference - Comparability Adjustment - Lack of Marketability - Volatility of Credit	(a) (0.32)% - 0.25% / 0.04% (b) (0.23)% - 1.00% / 0.41% (d) 0.20% - 0.20% / 0.20% (e) (0.88)% - 0.46% / (0.26)%
Equity Securities - Private	4.2	- Market Convention	(f) Priced at Cost or Owner's Equity
Embedded Derivative in Modified Coinsurance Arrangement	(53.2)	- Projected Liability Cash Flows	(g) Actuarial Assumptions

(a) Represents basis point adjustments for changes in benchmark spreads associated with various ratings categories
(b) Represents basis point adjustments for changes in benchmark spreads associated with various industry sectors
(c) Represents basis point adjustments based on issue/issuer size relative to the benchmark
(d) Represents basis point adjustments to apply a discount due to the illiquidity of an investment
(e) Represents basis point adjustments for credit-specific factors
(f) Represents a decision to price based on par value, cost, or owner's equity when limited data is available
(g) 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, 2014
Note 4 - Investments

Fixed Maturity Securities

At September 30, 2014 and December 31, 2013, all fixed maturity securities were classified as available-for-sale. In the following charts, prior year amounts have been reclassified, where applicable, between public utilities and all other corporate bonds to conform to the current year categorization of certain securities.

The amortized cost and fair values of securities by security type are shown as follows.

	September 30, 2014			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$975.3	$222.5	$1.4	$1,196.4
States, Municipalities, and Political Subdivisions	1,744.0	302.4	3.8	2,042.6
Foreign Governments	1,166.9	179.8	—	1,346.7
Public Utilities	7,121.4	1,317.8	4.6	8,434.6
Mortgage/Asset-Backed Securities	2,309.8	192.5	0.6	2,501.7
All Other Corporate Bonds	25,559.0	3,658.3	74.2	29,143.1
Redeemable Preferred Stocks	44.0	6.1	—	50.1
Total Fixed Maturity Securities	$38,920.4	$5,879.4	$84.6	$44,715.2

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	$1,028.6	$173.1	$5.6	$1,196.1
States, Municipalities, and Political Subdivisions	1,706.0	117.2	40.0	1,783.2
Foreign Governments	1,226.4	149.6	2.8	1,373.2
Public Utilities	7,121.7	901.2	25.7	7,997.2
Mortgage/Asset-Backed Securities	1,858.7	184.6	4.0	2,039.3
All Other Corporate Bonds	25,315.2	2,828.3	225.8	27,917.7
Redeemable Preferred Stocks	33.0	4.7	—	37.7
Total Fixed Maturity Securities	$38,289.6	$4,358.7	$303.9	$42,344.4

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

	September 30, 2014			
	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	$—	$—	$6.5	$1.4
States, Municipalities, and Political Subdivisions	58.5	0.7	70.8	3.1
Public Utilities	28.6	0.4	114.7	4.2
Mortgage/Asset-Backed Securities	8.0	—	17.4	0.6
All Other Corporate Bonds	1,473.4	30.9	907.6	43.3
Total Fixed Maturity Securities	$1,568.5	$32.0	$1,117.0	$52.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

	December 31, 2013			
	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	$41.1	$3.1	$5.2	$2.5
States, Municipalities, and Political Subdivisions	412.5	33.5	37.2	6.5
Foreign Governments	87.2	2.8	—	—
Public Utilities	506.0	23.7	27.5	2.0
Mortgage/Asset-Backed Securities	341.0	3.6	2.5	0.4
All Other Corporate Bonds	3,776.9	197.4	238.6	28.4
Total Fixed Maturity Securities	$5,164.7	$264.1	$311.0	$39.8

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, 2014				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	$1,165.8	$29.5	$1,195.3	$—	$—
Over 1 year through 5 years	6,938.3	749.6	7,642.5	0.3	45.1
Over 5 years through 10 years	9,566.8	996.7	9,052.8	43.5	1,467.2
Over 10 years	18,939.7	3,911.1	21,662.8	40.2	1,147.8
	36,610.6	5,686.9	39,553.4	84.0	2,660.1
Mortgage/Asset-Backed Securities	2,309.8	192.5	2,476.3	0.6	25.4
Total Fixed Maturity Securities	$38,920.4	$5,879.4	$42,029.7	$84.6	$2,685.5
	December 31, 2013				
	Total	Unrealized Gain Position		Unrealized Loss Position	
	Amortized Cost	Gross Gain	Fair Value	Gross Loss	Fair Value
	(in millions of dollars)				
1 year or less	$903.9	$20.6	$915.5	$—	$9.0
Over 1 year through 5 years	7,098.2	727.1	7,678.5	0.6	146.2
Over 5 years through 10 years	9,492.6	940.2	8,137.4	95.8	2,199.6
Over 10 years	18,936.2	2,486.2	18,441.5	203.5	2,777.4
	36,430.9	4,174.1	35,172.9	299.9	5,132.2
Mortgage/Asset-Backed Securities	1,858.7	184.6	1,695.8	4.0	343.5
Total Fixed Maturity Securities	$38,289.6	$4,358.7	$36,868.7	$303.9	$5,475.7

At September 30, 2014, the fair value of investment-grade fixed maturity securities was $41,198.3 million, with a gross unrealized gain of $5,719.9 million and a gross unrealized loss of $47.6 million. The gross unrealized loss on investment-grade fixed maturity securities was 56.3 percent of the total gross unrealized loss on fixed maturity securities. 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.

At September 30, 2014, the fair value of below-investment-grade fixed maturity securities was $3,516.9 million, with a gross unrealized gain of $159.5 million and a gross unrealized loss of $37.0 million. The gross unrealized loss on below-investment-grade fixed maturity securities was 43.7 percent of the total gross unrealized loss on fixed maturity securities. Generally, below-investment-grade fixed maturity securities are more likely to develop credit concerns than investment-grade securities. At

September 30, 2014, 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 there are positive factors which mitigate credit concerns and the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of September 30, 2014, we held 94 individual investment-grade fixed maturity securities and 68 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 48 investment-grade fixed maturity securities and 14 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

We evaluate available information, including the factors noted above, both positive and negative, in reaching our conclusions. In particular, we also consider the strength of the issuer's balance sheet, its debt obligations and near term funding requirements, cash flow and liquidity, the profitability of its core businesses, the availability of marketable assets which could be sold to increase liquidity, its industry fundamentals and regulatory environment, and its access to capital markets. Although available and applicable factors are considered in our analysis, our expectation of recovering the entire amortized cost basis of the security, whether we intend to sell the security, whether it is more likely than not we will be required to sell the security before recovery of its amortized cost, and whether the security is current on principal and interest payments are the most critical factors in determining whether impairments are other than temporary. The significance of the decline in value and the length of time during which there has been a significant decline are also important factors, but we generally do not record an impairment loss based solely on these two factors, since often other more relevant factors will impact our evaluation of a 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

If we determine that the decline in value of an investment is other than temporary, the investment is written down to fair value, and an impairment loss is recognized in the current period, either in earnings or in both earnings and other comprehensive income, as applicable. For those fixed maturity securities with an unrealized loss for which we have not recognized an other-than-temporary impairment, we believe we will recover the entire amortized cost, we do not intend to sell the security, and we do not believe it is more likely than not we will be required to sell the security before recovery of its amortized cost. There have been no defaults in the repayment obligations of any securities for which we have not recorded an other-than-temporary impairment.

We held no fixed maturity securities as of September 30, 2014 or December 31, 2013 for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income.

At September 30, 2014, we had non-binding commitments of $117.0 million to fund private placement fixed maturity securities.

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, 2014, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was $469.8 million, comprised of $293.8 million of tax credit partnerships and $176.0 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

Additionally, we recognize a liability for all legally binding unfunded commitments to these partnerships, with a corresponding recognition of an invested asset. Our liability for legally binding unfunded commitments to the tax credit partnerships was $13.7 million at September 30, 2014. Contractually, we are a limited partner in these investments, and our maximum exposure to loss is limited to the carrying value of our investment. We also had non-binding commitments of $128.4 million to fund certain private equity partnerships at September 30, 2014, the amount of which may or may not be funded.

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 and a private equity partnership investment which we contributed into the trust at the time it was established. There are no restrictions on the assets held in this trust, and the trust is free to dispose of the assets at any time. The fair values of the bond and partnership were $142.2 million and $1.6 million, respectively, as of September 30, 2014. The bond is reported as a component of fixed maturity securities, and the partnership is reported as a component of other long-term investments in our consolidated balance sheets. At September 30, 2014, we had no commitments to fund the underlying partnership, nor did we fund any amounts to the partnership during the three and nine months ended September 30, 2014 and 2013.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

Mortgage loans by property type and geographic region are presented below.

	September 30, 2014		December 31, 2013	
	(in millions of dollars)			
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
Property Type				
Apartment	$85.6	4.7 %	$61.1	3.3 %
Industrial	522.1	28.9	567.8	31.3
Office	792.1	43.8	776.5	42.8
Retail	407.7	22.6	409.7	22.6
Total	$1,807.5	100.0 %	$1,815.1	100.0 %
Region				
New England	$111.9	6.2 %	$100.9	5.6 %
Mid-Atlantic	180.9	10.0	191.5	10.5
East North Central	230.4	12.7	244.3	13.5
West North Central	168.0	9.3	162.3	8.9
South Atlantic	445.1	24.6	447.7	24.7
East South Central	65.7	3.6	67.7	3.7
West South Central	200.4	11.1	190.9	10.5
Mountain	107.5	6.0	101.9	5.6
Pacific	297.6	16.5	307.9	17.0
Total	$1,807.5	100.0 %	$1,815.1	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

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. If we determine that it is probable we will be unable to collect all amounts due under the contractual terms of a
mortgage loan, we establish an allowance for credit loss. If we expect to foreclose on the property, the amount of the allowance typically equals the excess carrying value of the mortgage loan over the fair value of the underlying

collateral. If we expect to retain the mortgage loan until payoff, the allowance equals the excess carrying value of the mortgage loan over the expected future cash flows of the loan. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

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

	September 30 2014	December 31 2013
	(in millions of dollars)	
Internal Rating		
Aa	$7.8	$10.8
A	693.1	683.1
Baa	1,062.2	1,094.6
Ba	13.2	13.5
B	31.2	13.1
Total	$1,807.5	$1,815.1
Loan-to-Value Ratio		
<= 65%	$871.0	$777.4
> 65% <= 75%	806.1	867.5
> 75% <= 85%	76.7	107.6
> 85%	53.7	62.6
Total	$1,807.5	$1,815.1

There were no troubled debt restructurings during the three months ended September 30, 2014 and 2013. A summary of our troubled debt restructurings for the nine months ended September 30, 2014 and 2013 is as follows:

	Nine Months Ended September 30	
	2014	2013
	(in millions of dollars)	
Foreclosure		
Carrying Amount	$—	$4.3
Number of Loans	—	1
Modification of Loan Terms		
Carrying Amount	$18.1	$—
Realized Loss	$3.0	$—
Number of Loans	1	—

We had no realized losses on loan foreclosures for the three and nine months ended September 30, 2014 and 2013.

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. For mortgage loans on which collection of interest income is uncertain, we discontinue the accrual of interest and recognize it in the period when an interest payment is received. We typically do not resume the accrual of interest on mortgage loans on nonaccrual status until there are significant improvements in the underlying financial condition of the borrower. We consider a loan to be delinquent if full payment is not received in accordance with the contractual terms of the loan. At September 30, 2014, we held one mortgage loan with a carrying value of $18.1 million that was greater than 90 days past due and for which we have discontinued the accrual of interest. This loan was modified in a troubled debt restructuring during the first quarter of 2014 but defaulted on its restructured payment terms during the second quarter of 2014. We did not recognize an additional impairment loss at the time of default, as we believe the fair value of the underlying property exceeds the carrying value of the loan. At December 31, 2013, we held no mortgage loans that were past due regarding principal and/or interest payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

The activity in the allowance for credit losses is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Balance at Beginning of Period	$4.5	$1.5	$1.5	$1.5
Provision	—	—	3.0	—
Balance at End of Period	$4.5	$1.5	$4.5	$1.5

Impaired mortgage loans are as follows:

	September 30, 2014 (in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an Allowance Recorded	$31.2	$35.7	$4.5

	December 31, 2013 (in millions of dollars)		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an Allowance Recorded	$13.1	$14.6	$1.5

Our average investment in impaired mortgage loans was $31.2 million and $27.2 million for the three and nine months ended September 30, 2014, respectively, and $13.1 million and $15.5 million for the three and nine months ended September 30, 2013, respectively. Interest income recognized on mortgage loans subsequent to impairment was $0.2 million and $0.9 million for the three and nine months ended September 30, 2014, respectively, and $0.2 million and $0.6 million for the three and nine months ended September 30, 2013, respectively.

At September 30, 2014, we had non-binding commitments of $80.9 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 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. Generally, cash is received as collateral under these agreements and is typically reinvested in short-term investments. In the event that securities are received as collateral, we are not permitted to sell or re-post them.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

We account for all of our securities lending agreements and repurchase agreements as collateralized financings. As of September 30, 2014, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $174.1 million, for which we received collateral in the form of cash and securities of $70.2 million and $110.4 million, respectively. As of December 31, 2013, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was $201.6 million, for which we received collateral in the form of cash and securities of $76.5 million and $132.9 million, respectively. We had no outstanding repurchase agreements at September 30, 2014 or December 31, 2013.

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, 2014					
	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 Financial Instruments	Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$15.1	$—	$15.1	$(6.3)	$(8.1)	$0.7
Securities Lending	174.1	—	174.1	(103.9)	(70.2)	—
Total	$189.2	$—	$189.2	$(110.2)	$(78.3)	$0.7
Financial Liabilities:						
Derivatives	$107.2	$—	$107.2	$(76.9)	$—	$30.3
Securities Lending	70.2	—	70.2	(70.2)	—	—
Total	$177.4	$—	$177.4	$(147.1)	$—	$30.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

	December 31, 2013					
	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		
				Financial Instruments	Cash Collateral	Net Amount
	(in millions of dollars)					
Financial Assets:						
Derivatives	$10.8	$—	$10.8	$(9.5)	$(1.1)	$0.2
Securities Lending	201.6	—	201.6	(125.1)	(76.5)	—
Total	$212.4	$—	$212.4	$(134.6)	$(77.6)	$0.2
Financial Liabilities:						
Derivatives	$135.6	$—	$135.6	$(98.6)	$—	$37.0
Securities Lending	76.5	—	76.5	(76.5)	—	—
Total	$212.1	$—	$212.1	$(175.1)	$—	$37.0

Net Investment Income

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Fixed Maturity Securities	$578.8	$584.2	$1,749.5	$1,771.3
Derivatives	10.1	8.9	30.3	25.6
Mortgage Loans	25.8	28.5	80.8	81.6
Policy Loans	4.2	4.0	12.1	11.6
Other Long-term Investments	2.6	4.0	18.3	14.5
Short-term Investments	0.6	0.5	1.7	1.9
Gross Investment Income	622.1	630.1	1,892.7	1,906.5
Less Investment Expenses	7.0	7.2	21.9	21.1
Less Investment Income on Participation Fund Account Assets	3.7	3.9	11.3	11.8
Less Amortization of Tax Credit Partnerships	5.0	3.5	11.5	10.9
Net Investment Income	$606.4	$615.5	$1,848.0	$1,862.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 4 - Investments - Continued

Realized Investment Gain and Loss

Realized investment gains and losses, which for sales are based upon specific identification of the investments sold, are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Fixed Maturity Securities				
Gross Gains on Sales	$3.2	$4.3	$5.1	$13.5
Gross Losses on Sales	(0.4)	(33.0)	(6.9)	(40.1)
Other-Than-Temporary Impairment Loss	—	—	—	(0.8)
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	1.8	5.6	11.6	14.6
Gross Losses on Sales	(0.1)	—	(0.7)	—
Impairment Loss	—	(1.0)	(3.4)	(2.0)
Embedded Derivative in Modified Coinsurance Arrangement	(2.3)	(0.3)	18.6	18.5
All Other Derivatives	(0.7)	(1.0)	11.6	(1.5)
Foreign Currency Transactions	(0.3)	(0.7)	(2.5)	(4.7)
Net Realized Investment Gain (Loss)	$1.2	$(26.1)	$33.4	$(2.5)

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 and options on forward interest rate swaps and U.S. Treasury rates, 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.

- Options on U.S. Treasury rates are used to hedge the interest rate risk associated with the anticipated purchase of fixed maturity securities. These options give us the right, but not the obligation, to receive a specific interest rate for a specified period of time. These options enable us to lock in a minimum investment yield to hedge the potential adverse impact of declining interest rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 5 - Derivative Financial Instruments - Continued

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 cash flow hedges and used to reduce our exposure to foreign currency risk are as follows:

- Foreign currency interest rate swaps have historically been used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification and to hedge the currency risk associated with certain of the principal and interest payments of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. For hedges of fixed maturity securities, 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. For hedges of debt issued, we agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments to the counterparty in exchange for fixed rate U.S. dollar-denominated principal and interest payments.

- Foreign currency forward contracts are used to minimize foreign currency risks. A foreign currency forward is a derivative without an initial investment where we and the counterparty agree to exchange a specific amount of currencies, at a specific exchange rate, on a specific date. We have used these forward contracts to hedge the foreign currency risk associated with certain of the principal repayments of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries and to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for diversification purposes.

Derivatives not designated as hedging instruments and used to reduce our exposure to foreign currency risk and credit losses on securities owned 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. 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.

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. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position, including accrued interest receivable less

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 5 - Derivative Financial Instruments - Continued

collateral held, was $0.7 million at September 30, 2014. We held $8.1 million and $1.1 million cash collateral from our counterparties at September 30, 2014 and December 31, 2013, respectively. We post either fixed maturity securities or cash as collateral to our counterparties. The carrying value of fixed maturity securities posted as collateral to our counterparties was $74.5 million and $95.6 million at September 30, 2014 and December 31, 2013, respectively. We had no cash posted as collateral to our counterparties at September 30, 2014 and December 31, 2013. 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 $107.2 million and $135.6 million at September 30, 2014 and December 31, 2013, respectively.

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						
	Receive Variable/Pay Fixed	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable	Credit Default	Forwards	Options	Total
	(in millions of dollars)						
Balance at June 30, 2013	$174.0	$474.7	$675.0	$70.0	$—	$10.0	$1,403.7
Additions	—	10.0	—	—	—	—	10.0
Terminations	24.0	3.6	40.0	—	—	10.0	77.6
Balance at September 30, 2013	$150.0	$481.1	$635.0	$70.0	$—	$—	$1,336.1
Balance at December 31, 2012	$174.0	$508.8	$750.0	$—	$—	$—	$1,432.8
Additions	—	10.0	—	70.0	24.0	10.0	114.0
Terminations	24.0	37.7	115.0	—	24.0	10.0	210.7
Balance at September 30, 2013	$150.0	$481.1	$635.0	$70.0	$—	$—	$1,336.1
Balance at June 30, 2014	$150.0	$608.3	$600.0	$97.0	$—	$—	$1,455.3
Additions	—	250.1	—	—	18.0	—	268.1
Terminations	—	3.8	—	—	18.0	—	21.8
Balance at September 30, 2014	$150.0	$854.6	$600.0	$97.0	$—	$—	$1,701.6
Balance at December 31, 2013	$150.0	$630.4	$600.0	$97.0	$—	$—	$1,477.4
Additions	—	250.1	—	—	28.0	—	278.1
Terminations	—	25.9	—	—	28.0	—	53.9
Balance at September 30, 2014	$150.0	$854.6	$600.0	$97.0	$—	$—	$1,701.6

Cash Flow Hedges

As of September 30, 2014 and December 31, 2013, we had $632.2 million and $630.4 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 and U.S. dollar-denominated debt issued by one of our U.K. subsidiaries.

During the third quarter of 2014, we novated certain of our foreign currency interest rate swaps with a notional amount of $97.0 million and a fair value of $(29.5) million to a new counterparty. At the time of novation, these derivatives were effective hedges, and we therefore deferred the unrealized loss into other comprehensive income and will recognize the loss in earnings during the periods in which the hedged items affect earnings. In conjunction with the novation, these derivatives were de-designated as hedges, and subsequent changes in their fair value will be reported in earnings as a component of net realized investment gain or loss. To establish a new effective hedging relationship with the fixed income foreign currency denominated securities previously hedged, we entered into $124.7 million notional amount of foreign currency interest rate swaps during the third quarter of 2014 whereby we receive fixed rate functional currency principal and interest in exchange for fixed rate payments in foreign currency.

For the three and nine months ended September 30, 2014 and 2013, there was no material ineffectiveness related to our cash flow hedges, and no component of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness.

As of September 30, 2014, we expect to amortize approximately $50.3 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. Amounts that will be reclassified from accumulated other comprehensive income into earnings to offset the earnings impact of foreign currency translation of hedged items are not estimable.

During 2014, we redeemed a portion of the outstanding principal of the U.S. dollar-denominated debt issued by one of our U.K. subsidiaries. In conjunction with this redemption, we reclassified $13.1 million of the deferred gain on cash flow hedges from accumulated other comprehensive income to realized investment gain in our consolidated statements of income. This amount represents the applicable portion of the deferred gain from previously terminated derivatives associated with the hedge of this debt. See Note 11.

As of September 30, 2014, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2038.

Fair Value Hedges

As of September 30, 2014 and December 31, 2013, we had $150.0 million notional amount of receive variable, pay fixed interest rate swaps to hedge the changes in fair value of certain fixed rate securities held. These swaps effectively convert the associated fixed rate securities into floating rate securities, which are 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 $2.3 million and $4.4 million for the three and nine months ended September 30, 2014, respectively, and $2.9 million and $9.7 million for the three and nine months ended September 30, 2013, respectively, with an offsetting gain on the related interest rate swaps.

As of September 30, 2014 and December 31, 2013, we had $600.0 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. The change in fair value of the hedged debt attributable to the hedged benchmark interest rate resulted in a gain (loss) of $3.6 million and $(1.8) million for the three and nine months ended September 30, 2014, respectively, and $(1.8) million and $17.3 million for the three and nine months ended September 30, 2013, respectively, with an offsetting gain or loss on the related interest rate swaps.

For the three and nine months ended September 30, 2014, and 2013, there was no material ineffectiveness related to our fair value hedges, and 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.

Derivatives not Designated as Hedging Instruments

During the third quarter of 2014, we entered into $125.4 million notional amount of foreign currency interest rate swaps
in conjunction with the previously discussed transaction wherein we de-designated foreign currency interest rate swaps with a notional amount of $97.0 million. The derivatives were not designated as hedges, and as such, changes in fair value related to these derivatives will be reported in earnings as a component of net realized investment gain or loss. We expect the changes in fair value of these derivatives to materially offset the changes in fair value related to the de-designated derivatives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 5 - Derivative Financial Instruments - Continued

As of September 30, 2014 and December 31, 2013, we held $97.0 million 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.

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.

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, 2014			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	$6.1	Other Liabilities	$25.7
Foreign Exchange Contracts	Other L-T Investments	9.0	Other Liabilities	49.4
Total		$15.1		$75.1
Not Designated as Hedging Instruments				
Credit Default Swaps			Other Liabilities	$1.8
Foreign Exchange Contracts			Other Liabilities	30.3
Embedded Derivative in Modified Coinsurance Arrangement			Other Liabilities	34.6
Total				$66.7

	December 31, 2013			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in millions of dollars)			
Designated as Hedging Instruments				
Interest Rate Swaps	Other L-T Investments	$9.2	Other Liabilities	$35.0
Foreign Exchange Contracts	Other L-T Investments	1.6	Other Liabilities	98.7
Total		$10.8		$133.7
Not Designated as Hedging Instruments				

Credit Default Swaps	Other Liabilities	$1.9
Embedded Derivative in Modified Coinsurance Arrangement	Other Liabilities	53.2
Total		$55.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 5 - Derivative Financial Instruments - Continued

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives				
Interest Rate Swaps and Forwards	$—	$—	$—	$(7.1)
Options	—	—	—	(0.1)
Foreign Exchange Contracts	0.1	(8.4)	(6.5)	14.3
Total	$0.1	$(8.4)	$(6.5)	$7.1
Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income				
Net Investment Income				
Interest Rate Swaps and Forwards	$12.0	$11.1	$35.9	$32.2
Foreign Exchange Contracts	(1.1)	(1.4)	(3.3)	(4.6)
Net Realized Investment Gain (Loss)				
Interest Rate Swaps	(0.2)	(0.1)	2.3	0.7
Foreign Exchange Contracts	(1.1)	(1.3)	7.9	(13.7)
Interest and Debt Expense				
Interest Rate Swaps	(0.4)	(0.4)	(1.3)	(1.2)
Total	$9.2	$7.9	$41.5	$13.4

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 income.

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Net Realized Investment Gain (Loss)				
Credit Default Swaps	$0.1	$(1.0)	$(0.7)	$(1.5)
Foreign Exchange Contracts	(0.8)	—	(0.8)	—
Embedded Derivative in Modified Coinsurance Arrangement	(2.3)	(0.3)	18.6	18.5
Total	$(3.0)	$(1.3)	$17.1	$17.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 6 - Accumulated Other Comprehensive Income

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

	Net Unrealized Gain on Securities	Net Gain on Cash Flow Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
	(in millions of dollars)				
Balance at June 30, 2014	$501.2	$369.5	$(9.3)	$(229.5)	$631.9
Other Comprehensive Income (Loss) Before Reclassifications	(35.5)	19.9	(60.2)	1.4	(74.4)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(3.7)	(5.9)	—	0.7	(8.9)
Net Other Comprehensive Income (Loss)	(39.2)	14.0	(60.2)	2.1	(83.3)
Balance at September 30, 2014	$462.0	$383.5	$(69.5)	$(227.4)	$548.6
Balance at June 30, 2013	$295.6	$405.5	$(141.6)	$(342.8)	$216.7
Other Comprehensive Income (Loss) Before Reclassifications	113.9	(3.2)	68.2	2.9	181.8
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	17.9	(5.1)	—	(1.7)	11.1
Net Other Comprehensive Income (Loss)	131.8	(8.3)	68.2	1.2	192.9
Balance at September 30, 2013	$427.4	$397.2	$(73.4)	$(341.6)	$409.6
Balance at December 31, 2013	$135.7	$396.3	$(47.1)	$(229.9)	$255.0
Other Comprehensive Income (Loss) Before Reclassifications	328.3	16.1	(22.4)	0.5	322.5
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(2.0)	(28.9)	—	2.0	(28.9)
Net Other Comprehensive Income (Loss)	326.3	(12.8)	(22.4)	2.5	293.6
Balance at September 30, 2014	$462.0	$383.5	$(69.5)	$(227.4)	$548.6
Balance at December 31, 2012	$873.5	$401.6	$(72.6)	$(574.5)	$628.0
Other Comprehensive Income (Loss) Before Reclassifications	(452.5)	4.3	(0.8)	217.7	(231.3)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	6.4	(8.7)	—	15.2	12.9
Net Other Comprehensive Income (Loss)	(446.1)	(4.4)	(0.8)	232.9	(218.4)

Balance at September 30, 2013	$427.4	$397.2	$(73.4)	$(341.6)	$409.6

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

	September 30 2014	June 30 2014	December 31 2013	Change at September 30, 2014 Three Months Ended	Nine Months Ended
	(in millions of dollars)				
Fixed Maturity Securities	$5,794.8	$6,016.1	$4,054.8	$(221.3)	$1,740.0
Other Investments	29.9	52.7	55.5	(22.8)	(25.6)
Deferred Acquisition Costs	(52.3)	(54.7)	(41.6)	2.4	(10.7)
Reserves for Future Policy and Contract Benefits	(5,396.8)	(5,582.0)	(4,108.5)	185.2	(1,288.3)
Reinsurance Recoverable	342.1	349.5	263.8	(7.4)	78.3
Deferred Income Tax	(255.7)	(280.4)	(88.3)	24.7	(167.4)
Total	$462.0	$501.2	$135.7	$(39.2)	$326.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 6 - Accumulated Other Comprehensive Income - Continued

	September 30 2013	June 30 2013	December 31 2012	Change at September 30, 2013 Three Months Ended	Nine Months Ended
	(in millions of dollars)				
Fixed Maturity Securities	$4,410.4	$4,659.6	$7,221.5	$(249.2)	$(2,811.1)
Other Investments	65.2	57.1	92.8	8.1	(27.6)
Deferred Acquisition Costs	(42.8)	(43.8)	(67.0)	1.0	24.2
Reserves for Future Policy and Contract Benefits	(4,037.6)	(4,498.1)	(6,277.5)	460.5	2,239.9
Reinsurance Recoverable	275.0	283.6	351.5	(8.6)	(76.5)
Deferred Income Tax	(242.8)	(162.8)	(447.8)	(80.0)	205.0
Total	$427.4	$295.6	$873.5	$131.8	$(446.1)

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

	Three Months Ended September 30 2014	2013	Nine Months Ended September 30 2014	2013
	(in millions of dollars)			
Net Unrealized Gain on Securities				
Net Realized Investment Gain (Loss)				
Gain (Loss) on Sales of Securities and Other Invested Assets	$5.4	$(27.5)	$2.6	$(9.1)
Other-Than-Temporary Impairment Loss	—	—	—	(0.8)
	5.4	(27.5)	2.6	(9.9)
Income Tax Expense (Benefit)	1.7	(9.6)	0.6	(3.5)
Total	$3.7	$(17.9)	$2.0	$(6.4)
Net Gain on Cash Flow Hedges				
Net Investment Income				
Gain on Interest Rate Swaps and Forwards	$12.0	$11.1	$35.9	$32.2
Loss on Foreign Exchange Contracts	(1.1)	(1.4)	(3.3)	(4.6)
Net Realized Investment Gain (Loss)				
Gain (Loss) on Interest Rate Swaps	(0.2)	(0.1)	2.3	0.7
Gain (Loss) on Foreign Exchange Contracts	(1.1)	(1.3)	7.9	(13.7)
Interest and Debt Expense				
Loss on Interest Rate Swaps	(0.4)	(0.4)	(1.3)	(1.2)
	9.2	7.9	41.5	13.4
Income Tax Expense	3.3	2.8	12.6	4.7
Total	$5.9	$5.1	$28.9	$8.7

Unrecognized Pension and Postretirement Benefit Costs

Other Expenses				
Amortization of Net Actuarial Loss	$(1.4)	$(2.7)	$(4.2)	$(30.5)
Amortization of Prior Service Credit	0.4	1.1	1.2	3.6
Curtailment Gain	—	3.7	—	3.0
	(1.0)	2.1	(3.0)	(23.9)
Income Tax Expense (Benefit)	(0.3)	0.4	(1.0)	(8.7)
Total	$(0.7)	$1.7	$(2.0)	$(15.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 7 - Segment Information

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

Premium income by major line of business within each of our segments is presented as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars)			
Unum US				
Group Disability				
Group Long-term Disability	$387.7	$385.0	$1,157.4	$1,172.5
Group Short-term Disability	138.3	129.5	413.4	389.6
Group Life and Accidental Death & Dismemberment				
Group Life	316.1	305.2	939.2	911.0
Accidental Death & Dismemberment	32.2	30.5	93.9	91.6
Supplemental and Voluntary				
Individual Disability - Recently Issued	116.9	114.9	348.8	349.3
Voluntary Benefits	171.5	159.5	520.2	481.8
	1,162.7	1,124.6	3,472.9	3,395.8
Unum UK				
Group Long-term Disability	104.5	96.5	313.4	290.7
Group Life	34.1	25.6	102.6	83.1
Supplemental	14.0	15.2	42.3	44.9
	152.6	137.3	458.3	418.7
Colonial Life				
Accident, Sickness, and Disability	190.7	185.0	569.0	554.5
Life	57.9	55.6	172.8	165.7
Cancer and Critical Illness	70.8	68.5	210.8	203.9
	319.4	309.1	952.6	924.1
Closed Block				
Individual Disability	154.0	169.3	472.9	521.7
Long-term Care	158.3	157.0	471.9	473.6
All Other	0.2	—	0.7	0.1
	312.5	326.3	945.5	995.4
Total Premium Income	$1,947.2	$1,897.3	$5,829.3	$5,734.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 7 - Segment Information - Continued

Selected operating statement data by segment is presented as follows:

	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Three Months Ended September 30, 2014						
Premium Income	$1,162.7	$152.6	$319.4	$312.5	$—	$1,947.2
Net Investment Income	216.6	34.4	35.7	317.7	2.0	606.4
Other Income	30.2	—	0.1	23.4	0.9	54.6
Operating Revenue	$1,409.5	$187.0	$355.2	$653.6	$2.9	$2,608.2
Operating Income (Loss)	$214.3	$33.5	$71.2	$26.2	$(32.9)	$312.3
Three Months Ended September 30, 2013						
Premium Income	$1,124.6	$137.3	$309.1	$326.3	$—	$1,897.3
Net Investment Income	233.1	30.3	36.3	315.4	0.4	615.5
Other Income	30.2	0.1	—	23.6	0.3	54.2
Operating Revenue	$1,387.9	$167.7	$345.4	$665.3	$0.7	$2,567.0
Operating Income (Loss)	$219.8	$31.3	$69.0	$25.7	$(32.9)	$312.9

	Unum US	Unum UK	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Nine Months Ended September 30, 2014						
Premium Income	$3,472.9	$458.3	$952.6	$945.5	$—	$5,829.3
Net Investment Income	664.2	112.3	108.8	960.5	2.2	1,848.0
Other Income	91.4	0.1	0.1	69.5	2.2	163.3
Operating Revenue	$4,228.5	$570.7	$1,061.5	$1,975.5	$4.4	$7,840.6
Operating Income (Loss)	$643.9	$109.6	$225.9	$92.6	$(102.9)	$969.1
Nine Months Ended September 30, 2013						
Premium Income	$3,395.8	$418.7	$924.1	$995.4	$—	$5,734.0
Net Investment Income	699.9	106.5	110.3	944.6	1.4	1,862.7
Other Income	99.0	0.1	0.1	71.5	2.7	173.4
Operating Revenue	$4,194.7	$525.3	$1,034.5	$2,011.5	$4.1	$7,770.1

Operating Income (Loss)	$641.9	$96.1	$215.5	$82.6	$(103.7)	$932.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 7 - Segment Information - Continued

We measure and analyze our segment performance using non-GAAP financial measures. A non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures of "operating revenue" and "operating income" or "operating loss" differ from total revenue and income before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses, non-operating retirement-related gains or losses, and costs related to early retirement of debt as specified in the reconciliations below. We believe operating revenue and operating income or loss are better performance measures and better indicators of the revenue and profitability and underlying trends in our business.

Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of our segments. Our investment focus is on investment income to support our insurance liabilities as opposed to the generation of realized investment gains or losses. Although we may experience realized investment gains or losses which will affect future earnings levels, a long-term focus is necessary to maintain profitability over the life of the business since our underlying business is long-term in nature, and we need to earn the interest rates assumed in calculating our liabilities.

The amortization of prior period actuarial gains or losses, a component of the net periodic benefit cost for our pensions and other postretirement benefit plans, is driven by market performance as well as plan amendments and is not indicative of the operational results of our businesses. We believe that excluding the amortization of prior period gains or losses from operating income or loss provides investors with additional information for comparison and analysis of our operating results. Although we manage our non-operating retirement-related gains or losses separately from the operational performance of our business, these gains or losses impact the overall profitability of our company and have historically increased or decreased over time, depending on plan amendments and market conditions and the resulting impact on the actuarial gains or losses in our pensions and other postretirement benefit plans.

We believe that excluding the costs related to the early retirement of debt that occurred in the second quarter of 2014 is appropriate because in conjunction with the debt redemption, we recognized in realized investment gains and losses a deferred gain from previously terminated derivatives which were associated with the hedge of this debt. The amount recognized as a realized investment gain, which basically offsets the cost of the debt redemption, is also excluded from our non-GAAP financial measures since we analyze our performance excluding amounts reported as realized investment gains or losses. We believe it provides investors with a more realistic view of our overall profitability if we are consistent in excluding both the cost of the debt retirement as well as the gain on the hedge of the debt.

We may at other times exclude certain other items from our discussion of financial ratios and metrics in order to enhance the understanding and comparability of our operational performance and the underlying fundamentals, but this exclusion is not an indication that similar items may not recur and does not replace net income or net loss as a measure of our overall profitability.

A reconciliation of "operating revenue" to total revenue and "operating income" to income before income tax is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013

	(in millions of dollars)			
Operating Revenue	$2,608.2	$2,567.0	$7,840.6	$7,770.1
Net Realized Investment Gain (Loss)	1.2	(26.1)	33.4	(2.5)
Total Revenue	$2,609.4	$2,540.9	$7,874.0	$7,767.6
Operating Income	$312.3	$312.9	$969.1	$932.4
Net Realized Investment Gain (Loss)	1.2	(26.1)	33.4	(2.5)
Non-operating Retirement-related Loss	(1.4)	(2.7)	(4.2)	(30.5)
Costs Related to Early Retirement of Debt	—	—	(13.2)	—
Income Before Income Tax	$312.1	$284.1	$985.1	$899.4

41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 7 - Segment Information - Continued

Assets by segment are as follows:

	September 30 2014	December 31 2013
	(in millions of dollars)	
Unum US	$18,672.5	$18,384.3
Unum UK	3,798.0	3,654.1
Colonial Life	3,623.9	3,482.9
Closed Block	33,151.7	31,564.2
Corporate	2,714.5	2,318.1
Total Assets	$61,960.6	$59,403.6

Note 8 - Employee Benefit Plans

Defined Benefit Pension and Other Postretirement Benefit Plans

We sponsor several defined benefit pension and other postretirement benefit (OPEB) plans for our employees, including non-qualified pension plans. We maintain a separate defined benefit plan for eligible employees in our U.K. operation (the U.K. plan). During the second quarter of 2013, we amended our U.S. defined benefit pension plans to close the plans to new entrants and to freeze participation and benefit accruals for existing participants effective December 31, 2013. As a result of these plan amendments, we recognized a curtailment loss in the second quarter of 2013, with a corresponding reduction in the prior service cost included in accumulated other comprehensive income. The U.K. plan was closed to new entrants effective December 31, 2002 and was amended in the third quarter of 2013 to freeze participation for existing participants effective June 30, 2014. As a result of the U.K. plan amendment, we recognized a curtailment gain in the third quarter of 2013, with a corresponding reduction in the prior service credit included in accumulated other comprehensive income.

In September 2014, we amended our U.S. qualified defined benefit pension plan to allow a limited-time offer of benefit payouts to eligible former employees with a vested right to a pension benefit who are not yet retirement age eligible. The offer provides eligible former employees, regardless of age, with an option to elect to receive a lump-sum settlement of his or her entire accrued pension benefit in December 2014 or to elect receipt of monthly pension benefits commencing on December 1, 2014. For those electing to receive lump-sum settlements, we expect to make the distributions from plan assets by December 31, 2014. Upon distribution of the lump-sum payouts, we will account for the payouts as settlements and will recognize in income the applicable portion of the unrecognized actuarial loss pertaining to the settled benefit obligation and currently included in accumulated other comprehensive income. While we cannot yet determine either the payout or the associated unrecognized actuarial loss since we are still within the offer period, we estimate that the unrecognized actuarial loss that will be recognized in income during the fourth quarter of 2014 will be within the range of $55 million to $85 million, before applicable income tax, based on current projections of offer election rates and discount rates. The ultimate payout amount and the associated loss is subject to the participant election rate and certain economic factors such as the expected discount rate and the long-term rate of return on plan assets at the time of settlement.

The following table provides the components of the net periodic benefit cost for the defined benefit pension and OPEB plans.

42

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 8 - Employee Benefit Plans - Continued

	Three Months Ended September 30					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		OPEB	
	2014	2013	2014	2013	2014	2013
	(in millions of dollars)					
Service Cost	$0.9	$14.8	$—	$1.0	$0.1	$0.2
Interest Cost	22.5	21.3	2.3	2.1	2.0	2.0
Expected Return on Plan Assets	(29.5)	(27.2)	(3.4)	(3.1)	(0.2)	(0.2)
Amortization of:						
Net Actuarial Loss	1.3	2.3	0.1	0.4	—	—
Prior Service Cost (Credit)	—	0.1	—	—	(0.4)	(1.2)
Curtailment Gain	—	—	—	(3.7)	—	—
Total	$(4.8)	$11.3	$(1.0)	$(3.3)	$1.5	$0.8

	Nine Months Ended September 30					
	Pension Benefits					
	U.S. Plans		Non U.S. Plans		OPEB	
	2014	2013	2014	2013	2014	2013
	(in millions of dollars)					
Service Cost	$2.8	$44.6	$2.3	$3.2	$0.2	$0.6
Interest Cost	67.4	65.0	6.9	6.3	5.9	6.0
Expected Return on Plan Assets	(88.4)	(78.5)	(10.3)	(9.1)	(0.5)	(0.5)
Amortization of:						
Net Actuarial Loss	3.9	29.4	0.3	1.1	—	—
Prior Service Cost (Credit)	—	0.1	—	—	(1.2)	(3.7)
Curtailment Loss (Gain)	—	0.7	—	(3.7)	—	—
Total	$(14.3)	$61.3	$(0.8)	$(2.2)	$4.4	$2.4

Note 9 - Stockholders' Equity and Earnings Per Common Share

Earnings Per Common Share

Net income per common share is determined as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions of dollars, except share data)			
Numerator				
Net Income	$221.1	$205.7	$692.5	$636.9
Denominator (000s)				
Weighted Average Common Shares - Basic	253,586.1	262,945.9	256,573.6	265,932.6
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	1,209.4	1,314.1	1,210.1	1,161.1

Weighted Average Common Shares - Assuming Dilution	254,795.5	264,260.0	257,783.7	267,093.7
Net Income Per Common Share				
Basic	$0.87	$0.78	$2.70	$2.39
Assuming Dilution	$0.87	$0.78	$2.69	$2.38

43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 9 - Stockholders' Equity and Earnings Per Common Share - Continued

We use the treasury stock method to account for the effect of outstanding stock options, nonvested restricted stock units, and nonvested performance share units on the computation of diluted earnings per share. Under this method, these potential common shares will each have a dilutive effect, as individually measured, when the average market price of Unum Group common stock during the period exceeds the exercise price of the stock options and the grant price of the nonvested restricted stock units and the nonvested performance share units. The outstanding stock options have exercise prices ranging from $11.37 to $26.29, the nonvested restricted stock units have grant prices ranging from $19.38 to $35.47, and the nonvested performance share units have grant prices ranging from $23.97 to $33.86.

In computing earnings per share assuming dilution, only potential common shares that are dilutive (those that reduce earnings per share) are included. For the three and nine month periods ended September 30, 2014, a de minimis amount of potential common shares were excluded in the computation of diluted earnings per share because the impact would be antidilutive, based on then current market prices. There were no potential common shares that were antidilutive for the three month period ended September 30, 2013. There were approximately 0.1 million potential common shares that were antidilutive for the nine month period ended September 30, 2013.

Common Stock

Our board of directors has authorized the repurchase of Unum Group's common stock under the following repurchase programs:

	Share Repurchase Program Authorized During	
	December 2013	July 2012
	(in millions of dollars)	
Authorized Repurchase Amount	$750.0	$750.0
Remaining Repurchase Amount at September 30, 2014	$429.5	$—

The December 2013 share repurchase program has an expiration date of June 12, 2015.

Common stock repurchases, which are classified as treasury stock and accounted for using the cost method, were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
	(in millions)			
Shares Repurchased	2.9	2.5	8.7	9.8
Cost of Shares Repurchased (1)	$100.5	$75.0	$300.6	$268.5

(1) Includes commissions of $0.1 million for each of the nine month periods ended September 30, 2014 and 2013.

Preferred Stock

Unum Group has 25,000,000 shares of preferred stock authorized with a par value of $0.10 per share. No preferred stock has been issued to date.

44

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued
Unum Group and Subsidiaries
September 30, 2014
Note 10 - Commitments and Contingent Liabilities

Contingent Liabilities

We are a defendant in a number of litigation matters. In some of these matters, no specified amount is sought. In others, very large or indeterminate amounts, including punitive and treble damages, are asserted. There is a wide variation of pleading practice permitted in the United States courts with respect to requests for monetary damages, including some courts in which no specified amount is required and others which allow the plaintiff to state only that the amount sought is sufficient to invoke the jurisdiction of that court. Further, some jurisdictions permit plaintiffs to allege damages well in excess of reasonably possible verdicts. Based on our extensive experience and that of others in the industry with respect to litigating or resolving claims through settlement over an extended period of time, we believe that the monetary damages asserted in a lawsuit or claim bear little relation to the merits of the case, or the likely disposition value. Therefore, the specific monetary relief sought is not stated.

Unless indicated otherwise in the descriptions below, reserves have not been established for litigation and contingencies. An estimated loss is accrued when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Claims Handling Matters

We and our insurance subsidiaries, in the ordinary course of our business, are engaged in claim litigation where disputes arise as a result of a denial or termination of benefits. Most typically these lawsuits are filed on behalf of a single claimant or policyholder, and in some of these individual actions punitive damages are sought, such as claims alleging bad faith in the handling of insurance claims. For our general claim litigation, we maintain reserves based on experience to satisfy judgments and settlements in the normal course. We expect that the ultimate liability, if any, with respect to general claim litigation, after consideration of the reserves maintained, will not be material to our consolidated financial condition. Nevertheless, given the inherent unpredictability of litigation, it is possible that an adverse outcome in certain claim litigation involving punitive damages could, from time to time, have a material adverse effect on our consolidated results of operations in a period, depending on the results of operations for the particular period.

From time to time class action allegations are pursued where the claimant or policyholder purports to represent a larger number of individuals who are similarly situated. Since each insurance claim is evaluated based on its own merits, there is rarely a single act or series of actions which can properly be addressed by a class action. Nevertheless, we monitor these cases closely and defend ourselves appropriately where these allegations are made.

Miscellaneous Matters

In October 2010, Denise Merrimon, Bobby S. Mowery, and all others similarly situated vs. Unum Life Insurance Company of America, was filed in the United States District Court for the District of Maine. This class action alleges that we breached fiduciary duties owed to certain beneficiaries under certain group life insurance policies when we paid life insurance proceeds by establishing interest-bearing retained asset accounts rather than by mailing checks. Plaintiffs seek to represent a class of beneficiaries under group life insurance contracts that were part of the ERISA employee welfare benefit plans and under which we paid death benefits via retained asset accounts. The plaintiffs' principal theories in the case are: (1) funds held in retained asset accounts were plan assets, and the proceeds earned by us from investing those funds belonged to the beneficiaries, and (2) payment of claims using retained asset accounts did not constitute payment under Maine's late payment statute, requiring us to pay interest on the undrawn retained asset account funds at an annual rate of 18 percent. In February 2012, the District Court issued an opinion rejecting both of plaintiffs' principal theories and ordering judgment for us. At the same time, however, the District Court held that we breached a fiduciary duty to the beneficiaries by failing to pay rates comparable to the best rates available in the market for demand deposits. The District Court also certified a class of people who, during a certain period of time, were beneficiaries under certain group life insurance contracts that were part of ERISA employee welfare benefit plans and were paid death benefits using retained asset accounts. A bench trial was held on the issue of damages in June and July of 2013. In September 2013, the District Court awarded damages based on a benchmark it created by averaging the interest rates paid on money market mutual funds and money market checking accounts. Based on these averages, the District Court found that for certain periods of the class we should have paid additional interest and awarded damages of $12.1 million and prejudgment interest of $1.3 million. Subsequent to this judgment, in September 2013 we filed an appeal to the First Circuit Court of Appeals, and plaintiffs filed a cross appeal. The First Circuit Court of Appeals held oral argument in May 2014 and on July 2, 2014, issued its decision overturning the District Court’s judgment against us, finding our payment of benefits by retained asset