

# J.P. Morgan Insurance Conference

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March 21, 2013

# Safe Harbor Statement

Certain information in this presentation constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are those not based on historical information, but rather relate to future operations, strategies, financial results, or other developments and speak only as of the date made. These forward-looking statements are subject to numerous assumptions, risks, and uncertainties, many of which are beyond our control. 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: (1) unfavorable economic or business conditions, both domestic and foreign; (2) sustained periods of low interest rates; (3) 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 claims management operations, and changes in government programs; (4) legislative, regulatory, or tax changes, both domestic and foreign, including the effect of potential legislation and increased regulation in the current political environment; (5) 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; (6) ineffectiveness of our derivatives hedging programs due to changes in the economic environment, ratings downgrades, capital market volatility, changes in interest rates, and/or regulation; (7) increased competition from other insurers and financial services companies due to industry consolidation or other factors; (8) changes in our financial strength and credit ratings; (9) damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures; (10) actual experience that deviates from our assumptions used in pricing, underwriting, and reserving; (11) actual persistency and/or sales growth that is higher or lower than projected; (12) 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; (13) effectiveness of our risk management program; (14) the level and results of litigation; (15) changes in accounting standards, practices, or policies; (16) fluctuation in foreign currency exchange rates; (17) ability to generate sufficient internal liquidity and/or obtain external financing; (18) availability of reinsurance in the market and the ability and willingness of our reinsurers to meet their obligations to us; (19) recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets; (20) the effectiveness of our disaster recovery systems, including our ability to recover our systems and information in the event of a disaster or unanticipated event and to protect our systems and information from unauthorized access and deliberate attacks; and (21) events or consequences relating to terrorism and ongoing military actions, both domestic and foreign. For further information about risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2012. The forward-looking statements in this presentation are being made as of the date of this presentation, and the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein, even if made available on our website or otherwise.

# Agenda

- Operating Performance Trends
  - Operating Performance
  - Brand
  - Investment Performance
  - Balance Sheet
  - Capital Management
- Key Challenges
  - Long-term Care
  - Interest Rate Management
- 2013 Outlook
- Closing Comments

# What's Working

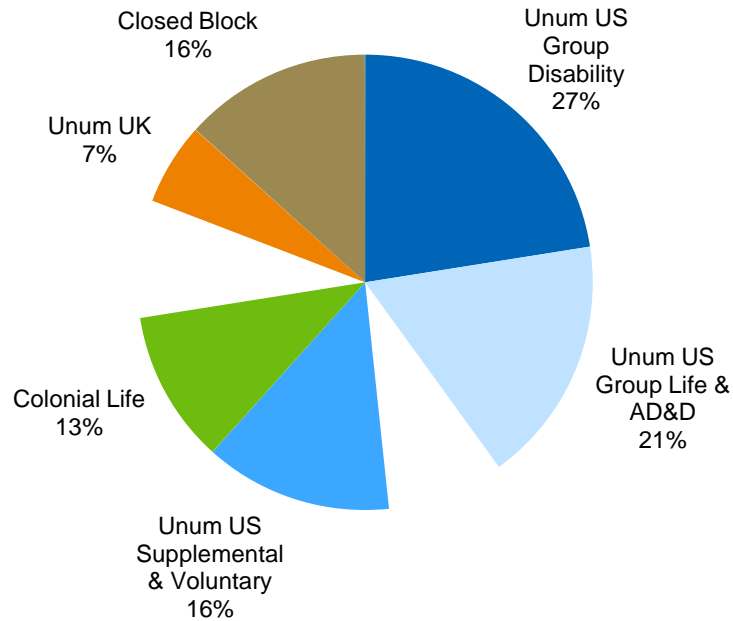
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# Operating Performance

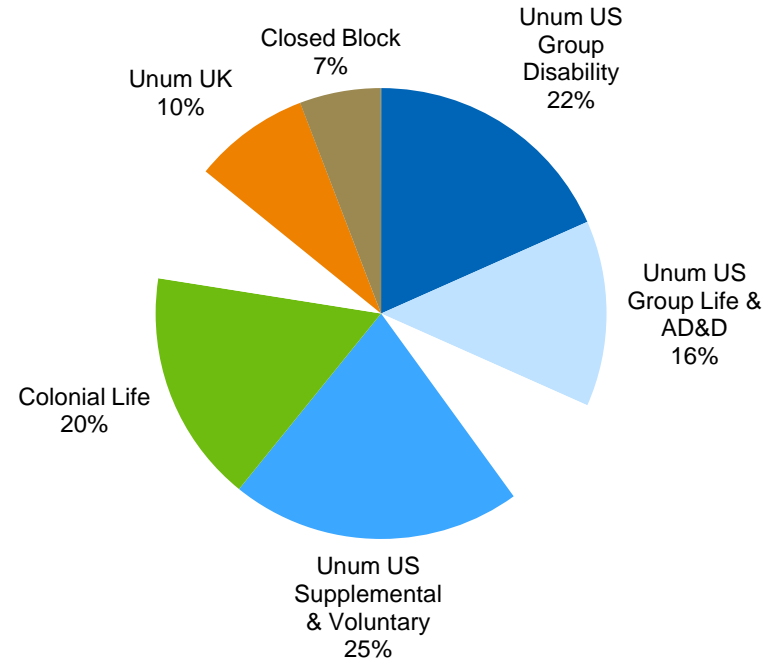
## BALANCED EARNINGS

### Before-tax Operating Earnings by Segment\*

Full Year 2002



Full Year 2012



Does not reflect the impact of ASU 2010-26 or the segment reporting changes implemented in 4Q2008

\* Excludes Corporate Segment

# Operating Performance

## MANAGED GROWTH IN OUR CORE BUSINESS SEGMENTS

### Market Segmentation

#### Growth Markets

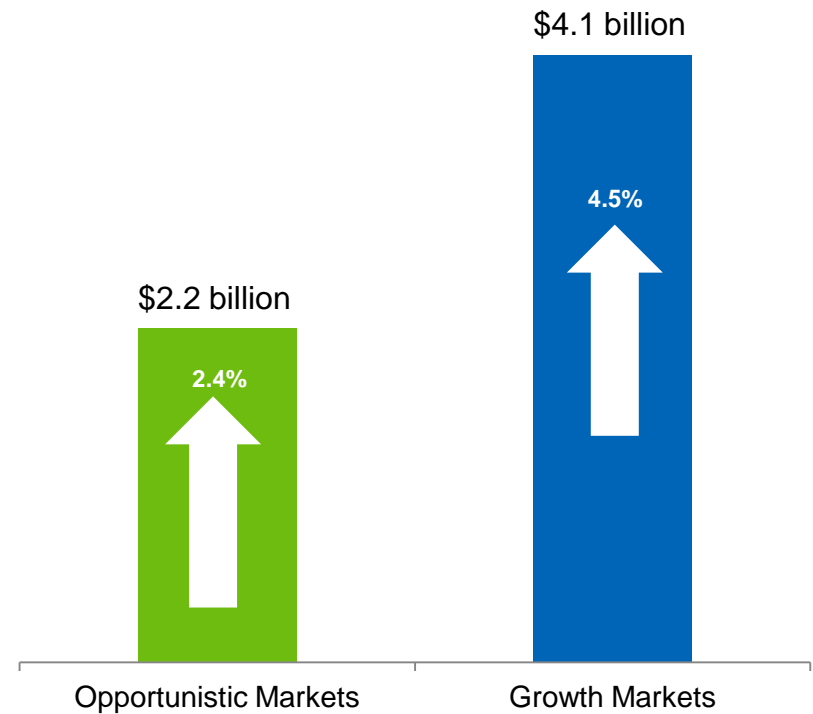
- Unum US – Core Market – Employee Benefits
- Colonial Life
- Unum US – Voluntary Benefits
- Unum UK – Group LTD

#### Opportunistic Markets

- Unum US – Large Case – Employee Benefits
- Unum US – ID – Recently Issued
- Unum UK – Group Life

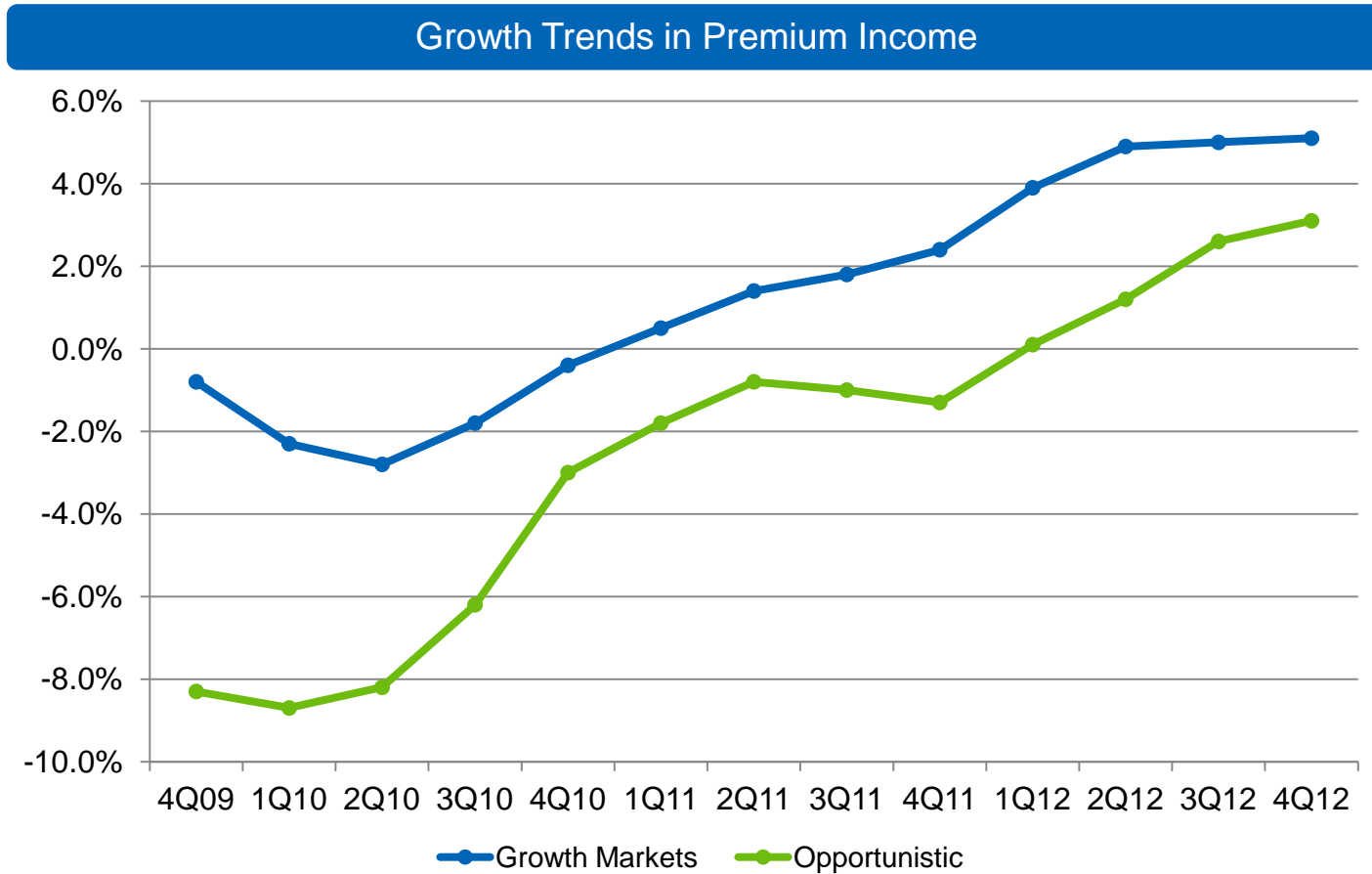
### Growth Trends in Premium Income

4Qtrs Ending 12/31/2012



# Operating Performance

## MANAGED GROWTH IN OUR CORE BUSINESS SEGMENTS



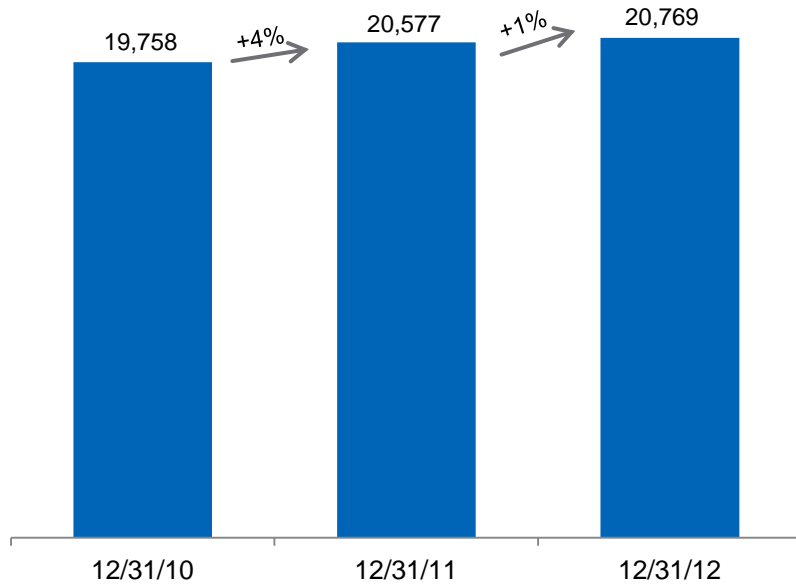
Data – Trailing 4 quarters

# Operating Performance

## MANAGED GROWTH IN OUR CORE BUSINESS SEGMENTS

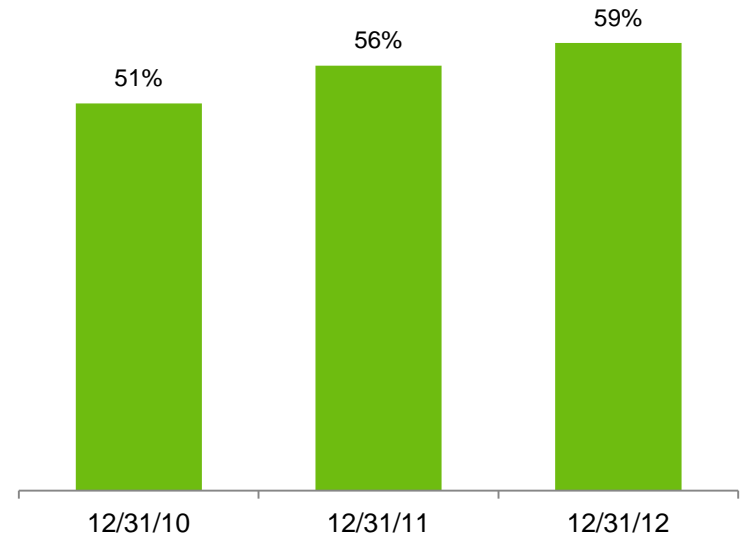
### New Account Growth

Group & VB – Total Core & Large Case Coverages



### % of Sales from Existing Relationships

Group & VB – Total Core & Large Case



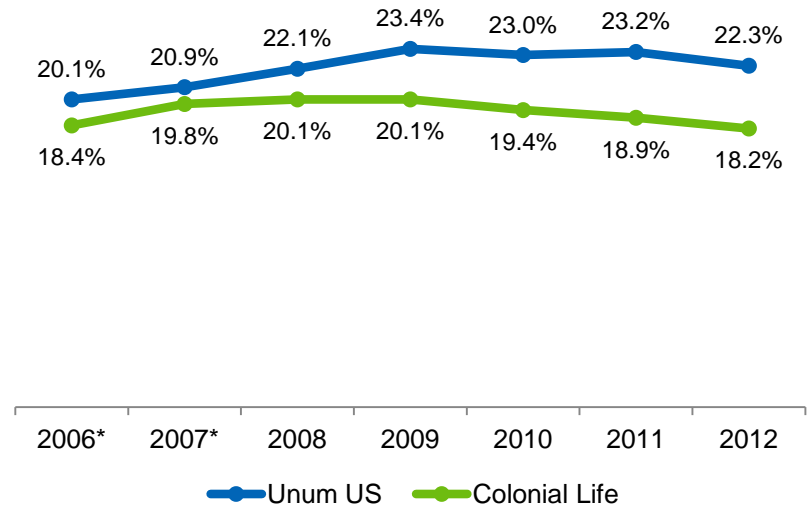
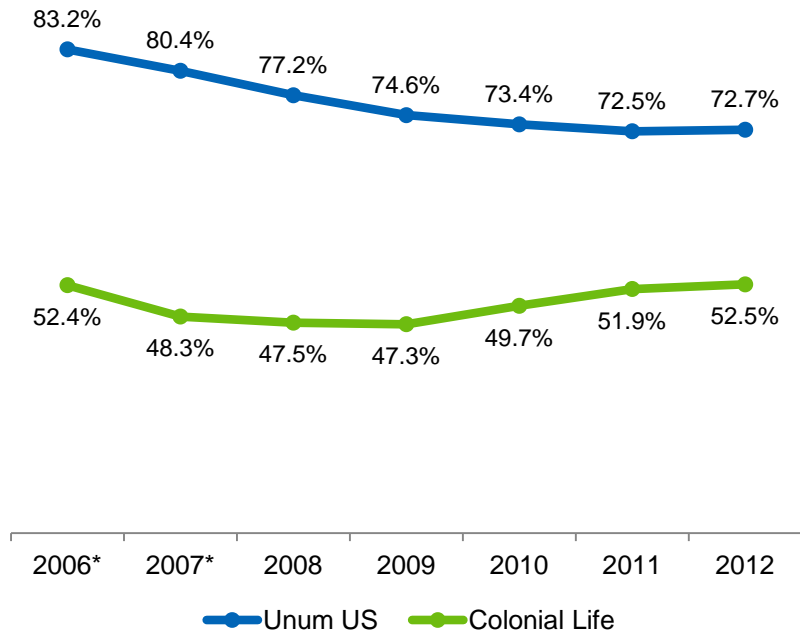


# Operating Performance

## STRONG PROFIT MARGINS

### Benefit Ratios

### Expense Ratios

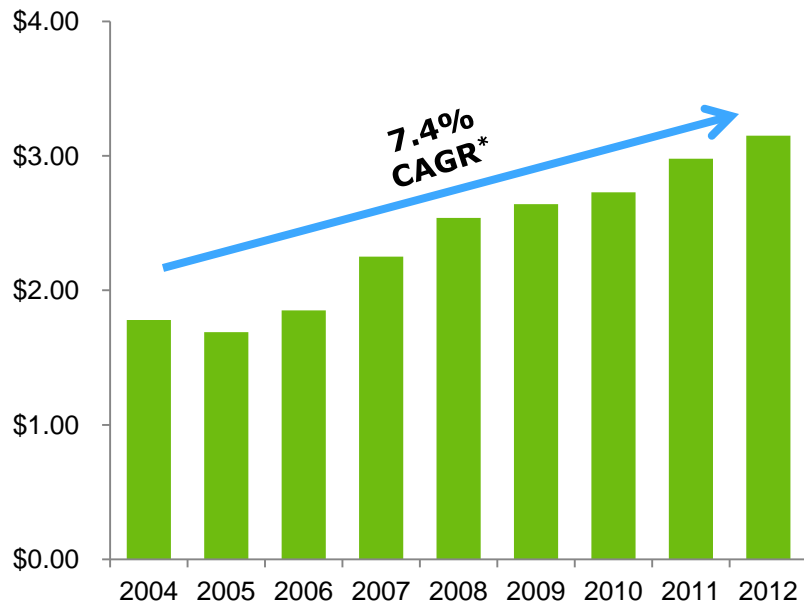


\* Excludes special items

# Operating Performance

## SOLID PROFITABILITY

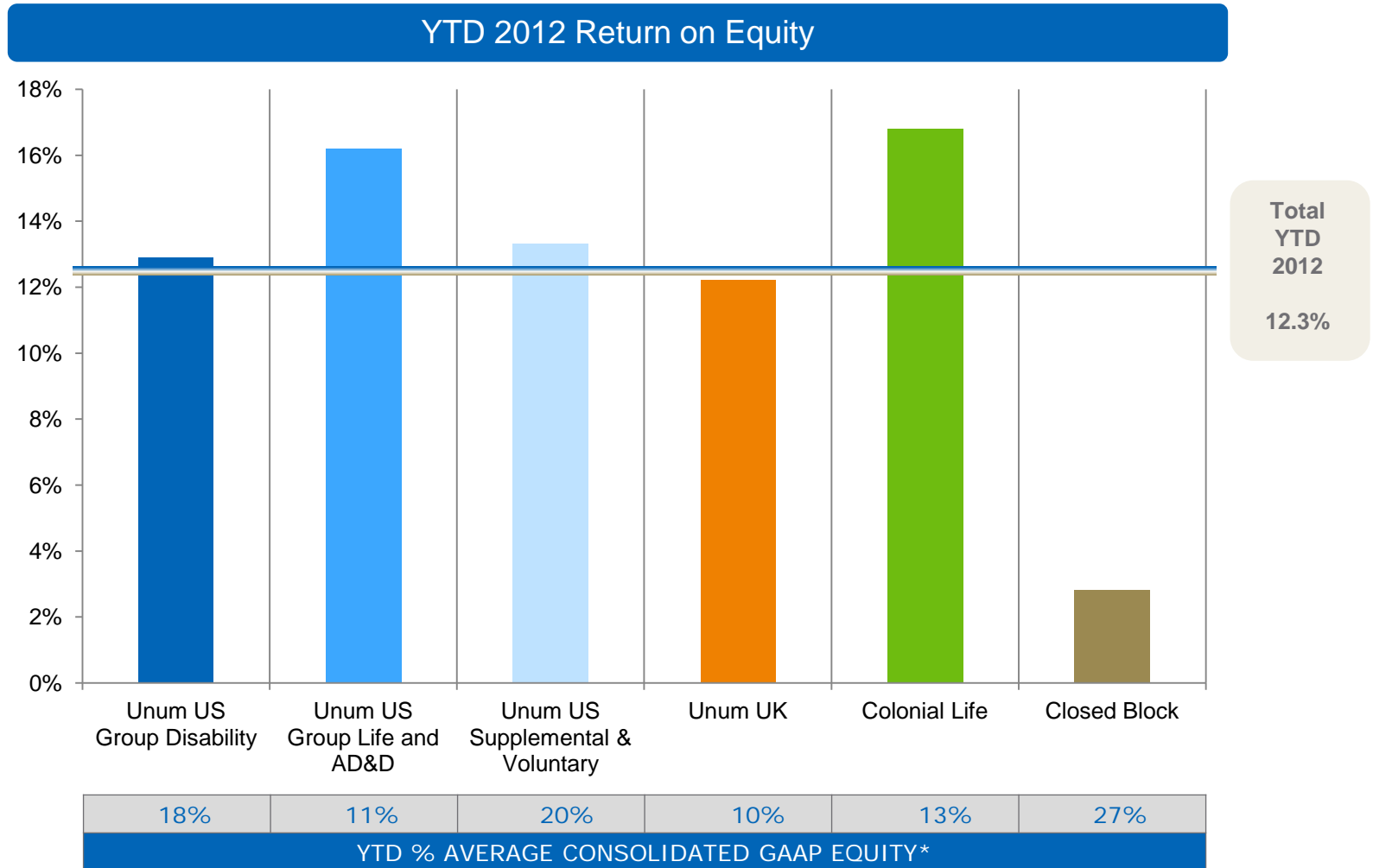
### Operating Earnings Per Share



Years 2004-2008 do not reflect the impact of ASU 2010-26 and special items  
\* EPS Compound Annual Growth Rate

# Operating Performance

CONSISTENTLY STRONG RETURNS



\* Excludes Corporate segment

# Brand

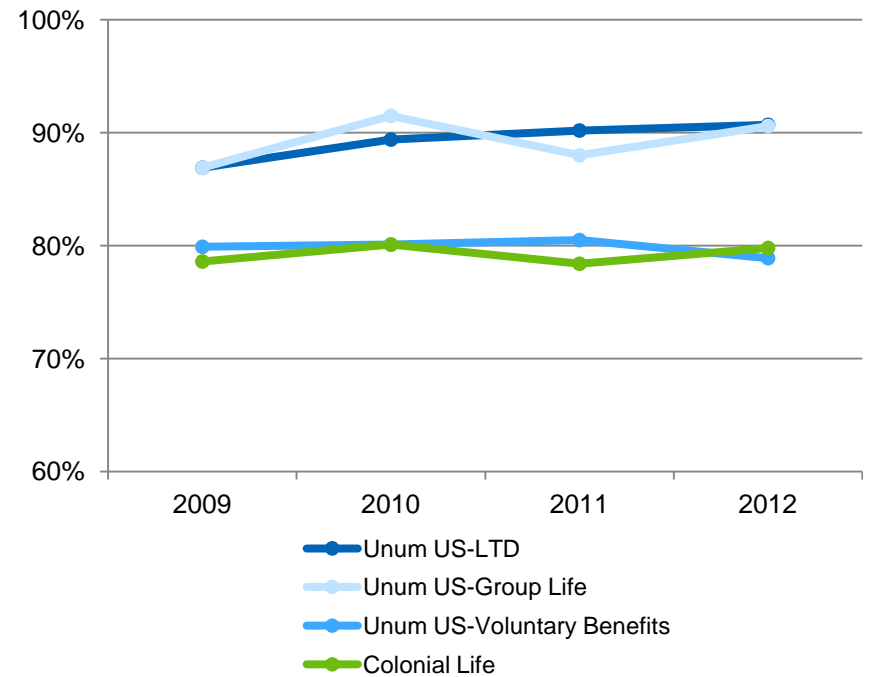
## STRONG MARKET ACCEPTANCE

### Claimant Research

#### LTD Claimant Satisfaction

% Satisfied	Unum	Industry Average	Unum Rank
Overall handling	91%	87%	#1
Clear explanation	88%	83%	#1
Quality of interaction	90%	86%	#1
Likely to recommend	90%	87%	#1

### Premium Persistency

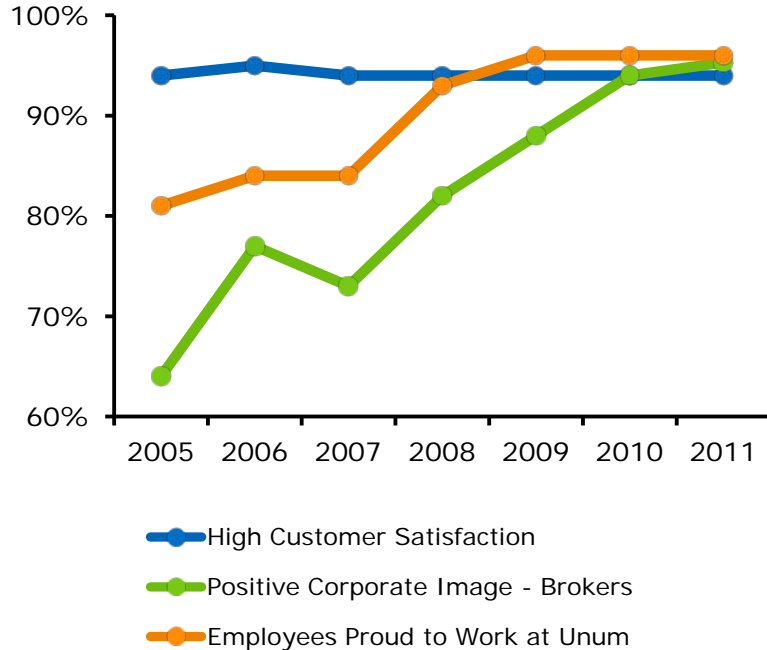


Source: 2011 GenRe Survey of LTD Claimants

# Brand

## BROAD RECOGNITION

### Image and Reputation



### External Recognition

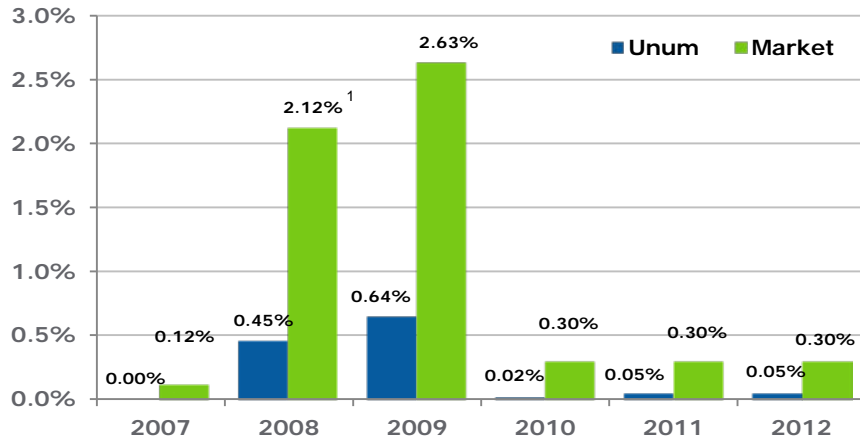
- Best Places to Work in Insurance 2009 – 2012
- Best Places to Work in Maine, Tennessee, and South Carolina 2006 – 2012
- Forbes Magazine – Top 150 Most Reputable Companies
- Newsweek Magazine – Green Companies - #34

Source: Internal surveys of employees, brokers, and customers

# Investment Performance

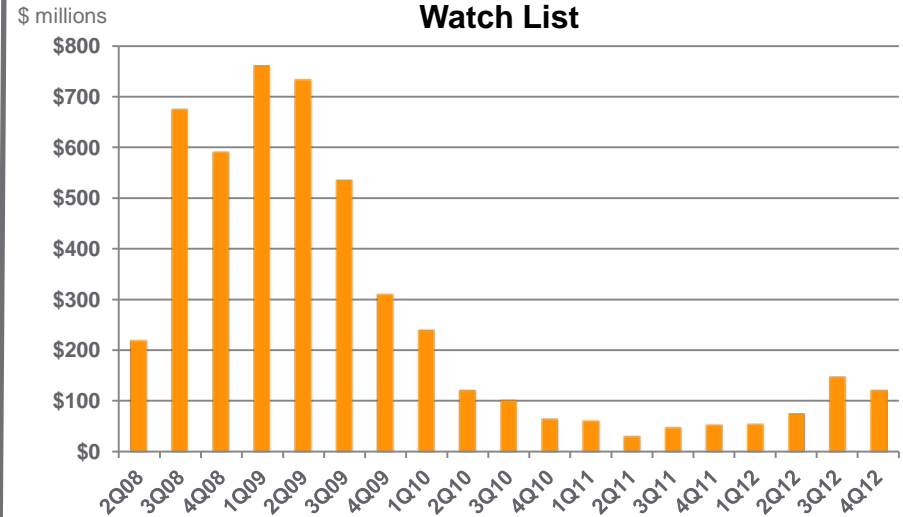
## STRONG CREDIT QUALITY

### Default Experience

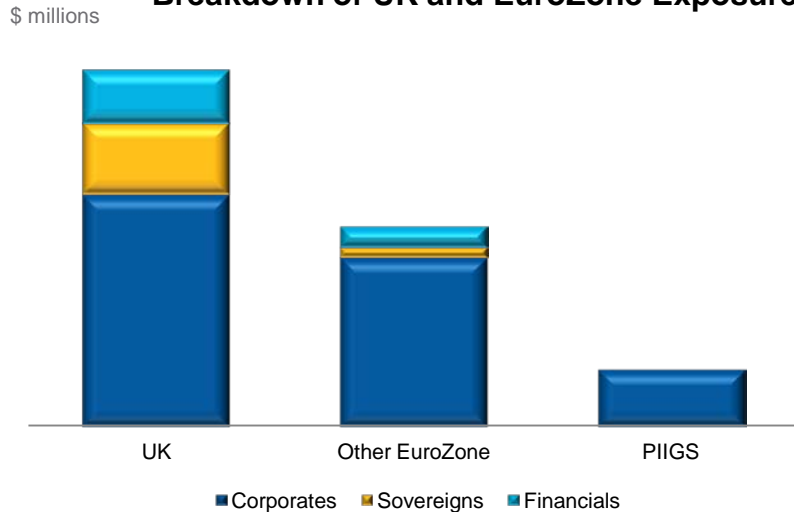


<sup>1</sup> Formerly 5.12% due to Lehman, Moody's has subsequently removed it

### Watch List

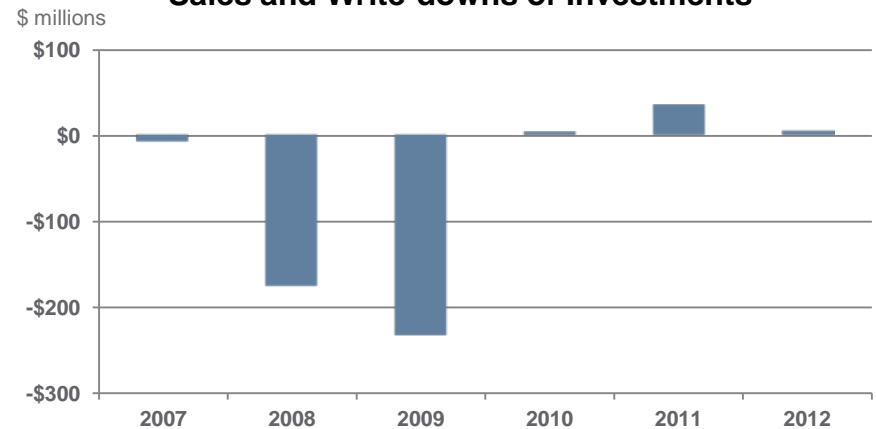


### Breakdown of UK and EuroZone Exposure



\* Includes Supranationals

### Sales and Write-downs of Investments



# Investment Performance

## ACTIVE INTEREST RATE MANAGEMENT

- 2012 Results:
  - \$2.7 billion invested
  - New money yield of 4.88% (hedge-adjusted)
  - Overall portfolio yield down 20 bp to 6.47%
  - Current investment portfolio market value \$51.9 billion
- Interest Rate Impacts:
  - Investing new cash flows at lower rates
  - Decreases to reserve discount rates
  - Persistency impacts as result of price increases
- Mitigating Factors:
  - Obtained price increases
  - Measured reduction in interest reserve margins
  - Operating effectiveness (expense management and risk management)

# Balance Sheet

## QUALITY BALANCE SHEET

- Asset Quality

- Low Level of Intangibles
- Solid Investment Portfolio

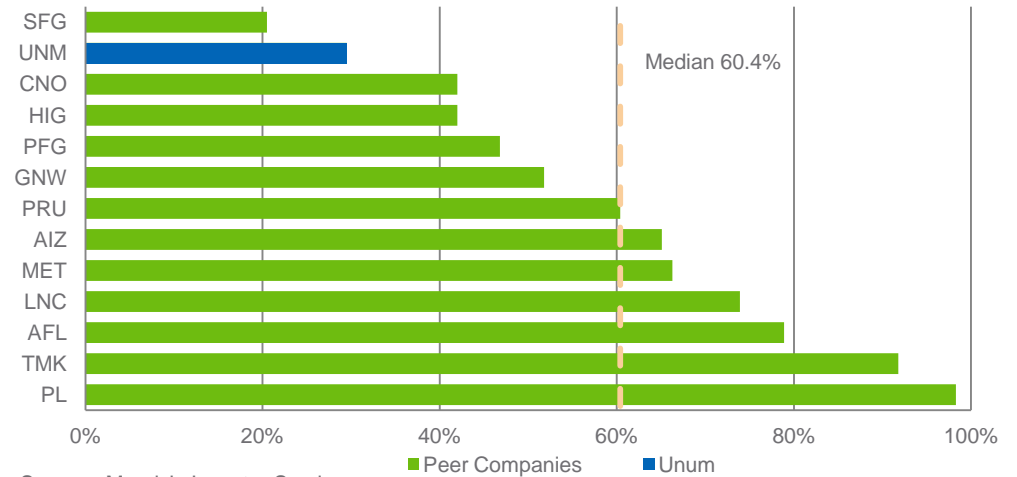
- Liabilities

- Comfortable Leverage
- Low Disintermediation Risk

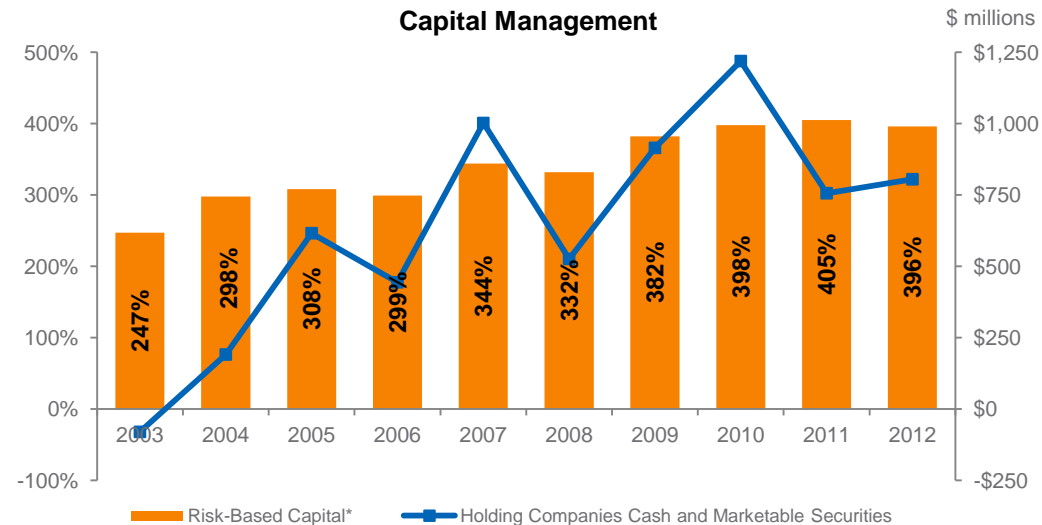
- Capital

- Insurance Company Strength (RBC)
- Holding Companies Cash Levels

Goodwill and Intangibles (% of Stockholders Equity)



Capital Management

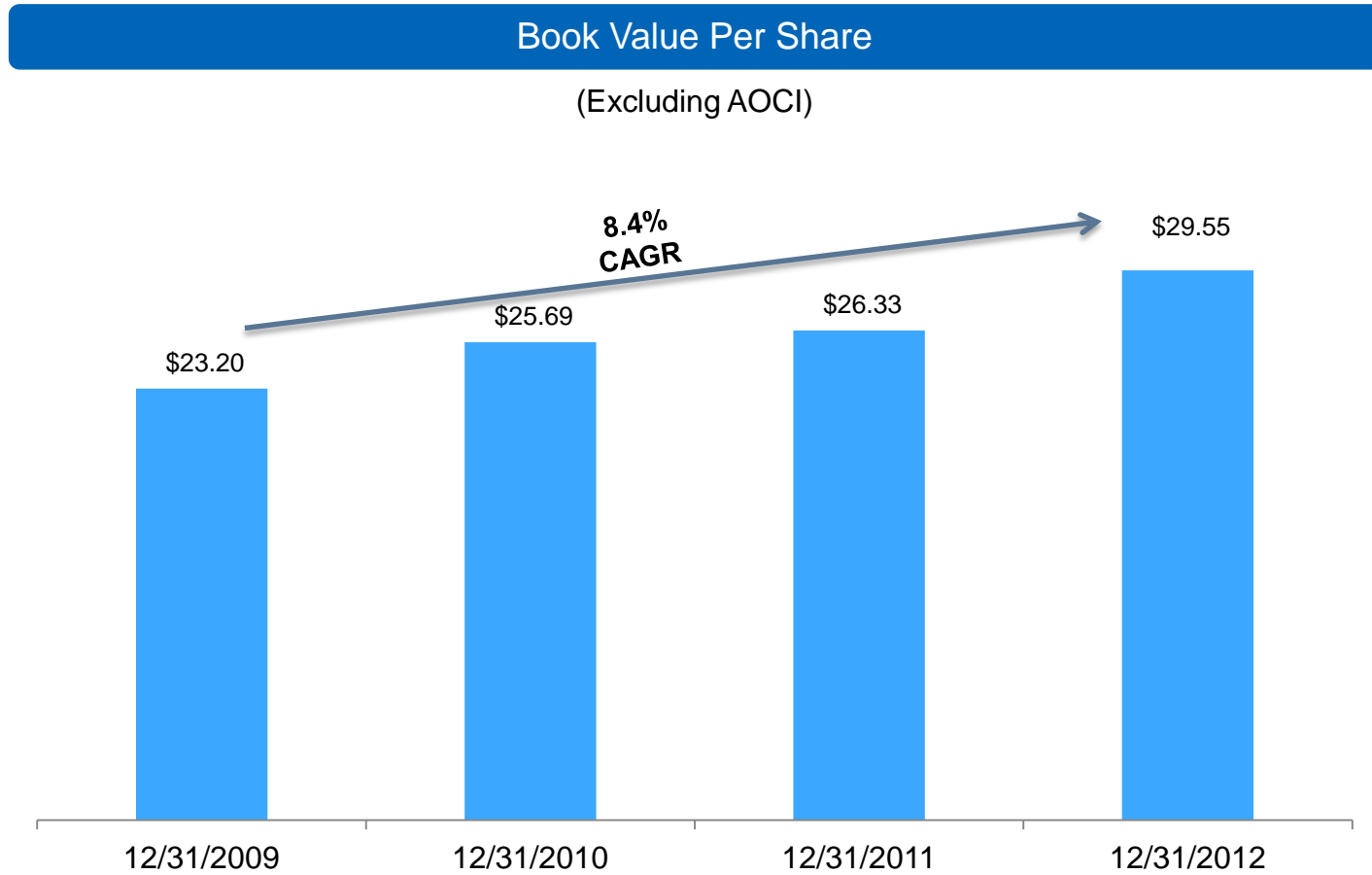


\* Weighted average RBC for traditional US Insurance Companies



# Balance Sheet

## BUILDING BOOK VALUE



# Capital Management

## STABLE CASH FLOW

### Combined Statutory Net Income\*

(\$ millions)



### Capital Generation Model

(\$ millions)

STATUTORY NET INCOME	U.S.	\$600 - \$650
	U.K.	\$100 - \$150
		\$700 - \$800
CAPITAL REQUIRED TO SUPPORT CURRENT GROWTH		+/- \$50
INTEREST EXPENSE		\$150
EXCESS CAPITAL GENERATED ANNUALLY BEFORE DIVIDENDS		\$550 - \$650

\* Statutory Net Income for traditional US Insurance Companies excluding special items

# Capital Management

## STRONG CAPITAL POSITION

	<b>Risk Based Capital</b>	<b>Holding Companies Cash and Marketable Securities</b>
Year-End 2012 Actual	396%	\$805 Million
2013 Target Range	375 - 400%	\$500 - \$800
Long-term Operating Level	350%	\$275 - \$550

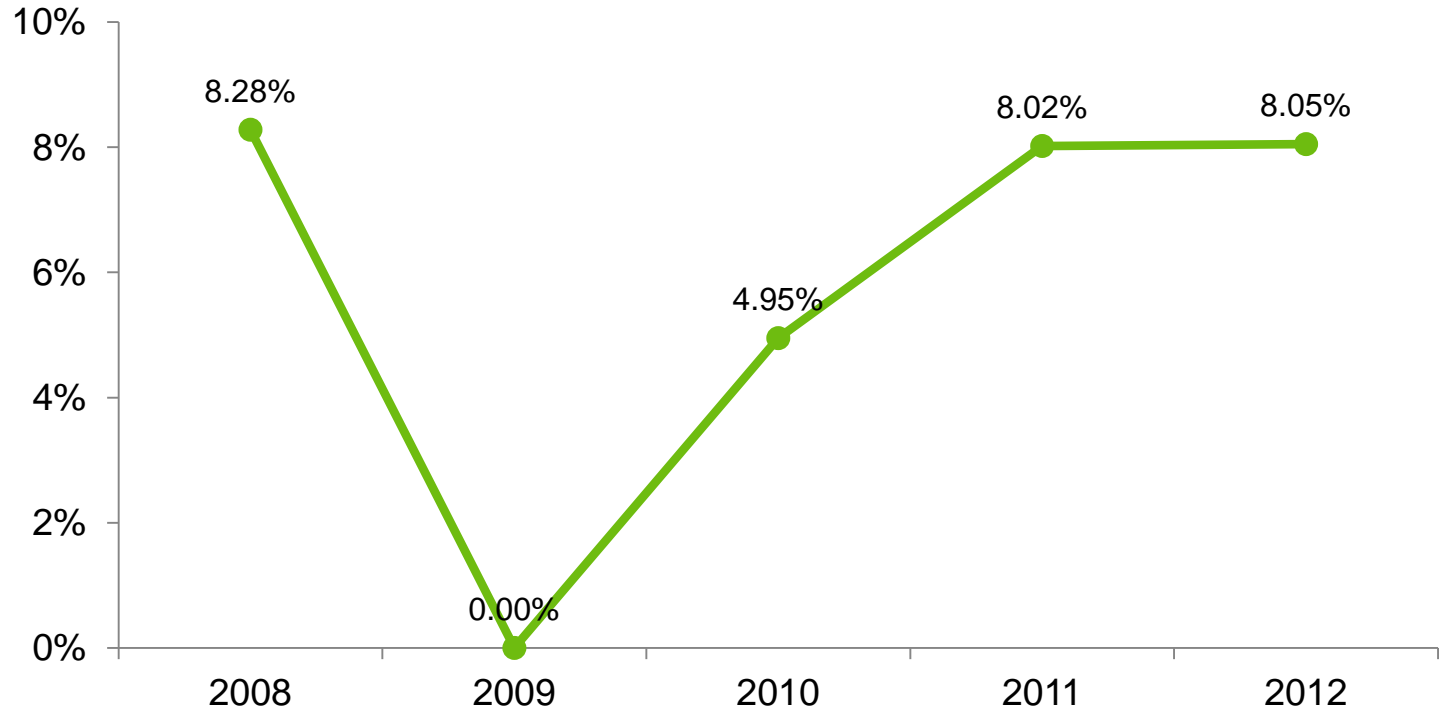
# Capital Management

## CONSISTENT RETURN OF CAPITAL TO SHAREHOLDERS

	Share Repurchases	Dividend Increase	Rating Agency Actions
2008	\$700 million	---	S&P Upgrade
2009	---	+10%	
2010	\$356 million	+12%	Moody's Upgrade Fitch Upgrade
2011	\$620 million	+14%	A.M. Best Upgrade
2012	\$500 million	+24%	S&P Upgrade Moody's Upgrade
<b>TOTAL</b>	<b>\$2,176 million</b>	<b>\$578 million</b>	

# Capital Management

## SHARE REPURCHASED AS % OF B-O-Y SHARES OUTSTANDING



# Key Challenges

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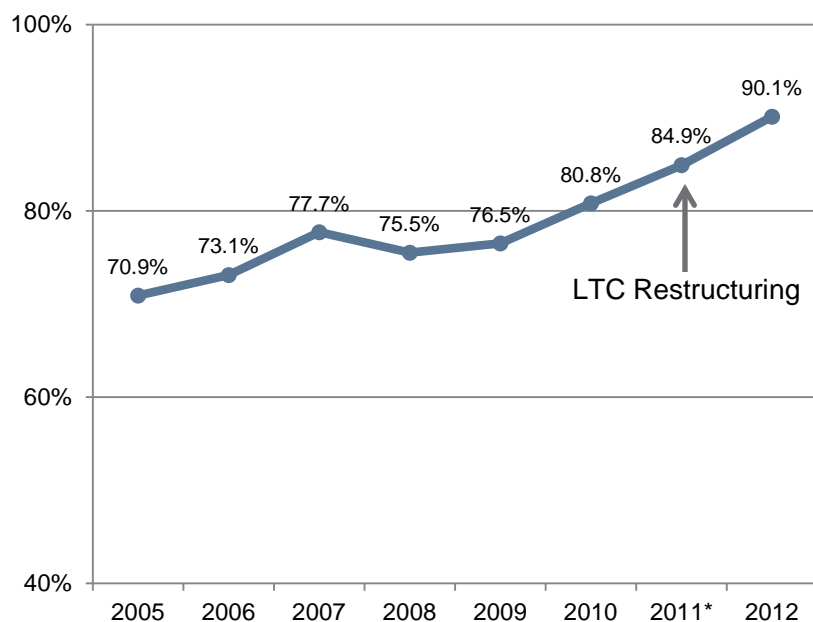
# Key Challenges

- Operating Performance
  - Long-term Care
- Interest Rate Management

# Operating Performance

## LONG-TERM CARE

### Interest Adjusted Loss Ratio



### Key Messages

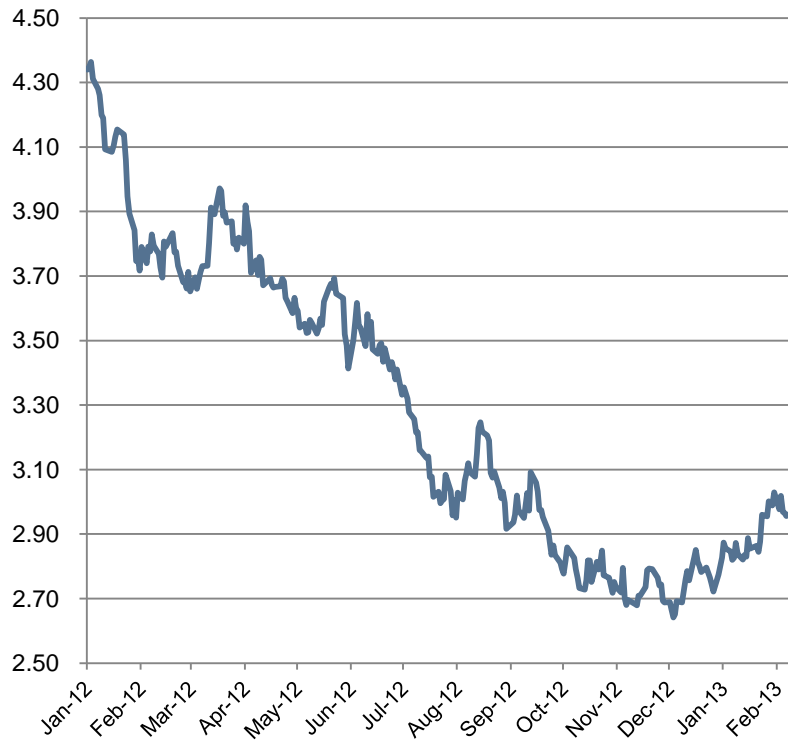
- **Primary Risks:**
  - Interest Rates – we see 2 to 3 years of sufficient margin for low interest rates.
  - Risk Experience – claim volatility expected given very young age of block; IALR estimated in range of 85% to 90% (+/- 5%).
- Primary risk mitigating factor is our ability to raise rates on in-force business.

\* Excludes \$573.6 million reserve charge.  
Including this charge, the IALR was 179.3%.



# Interest Rate Management

## 10-Year Single-A Bond Yields



## Key Messages

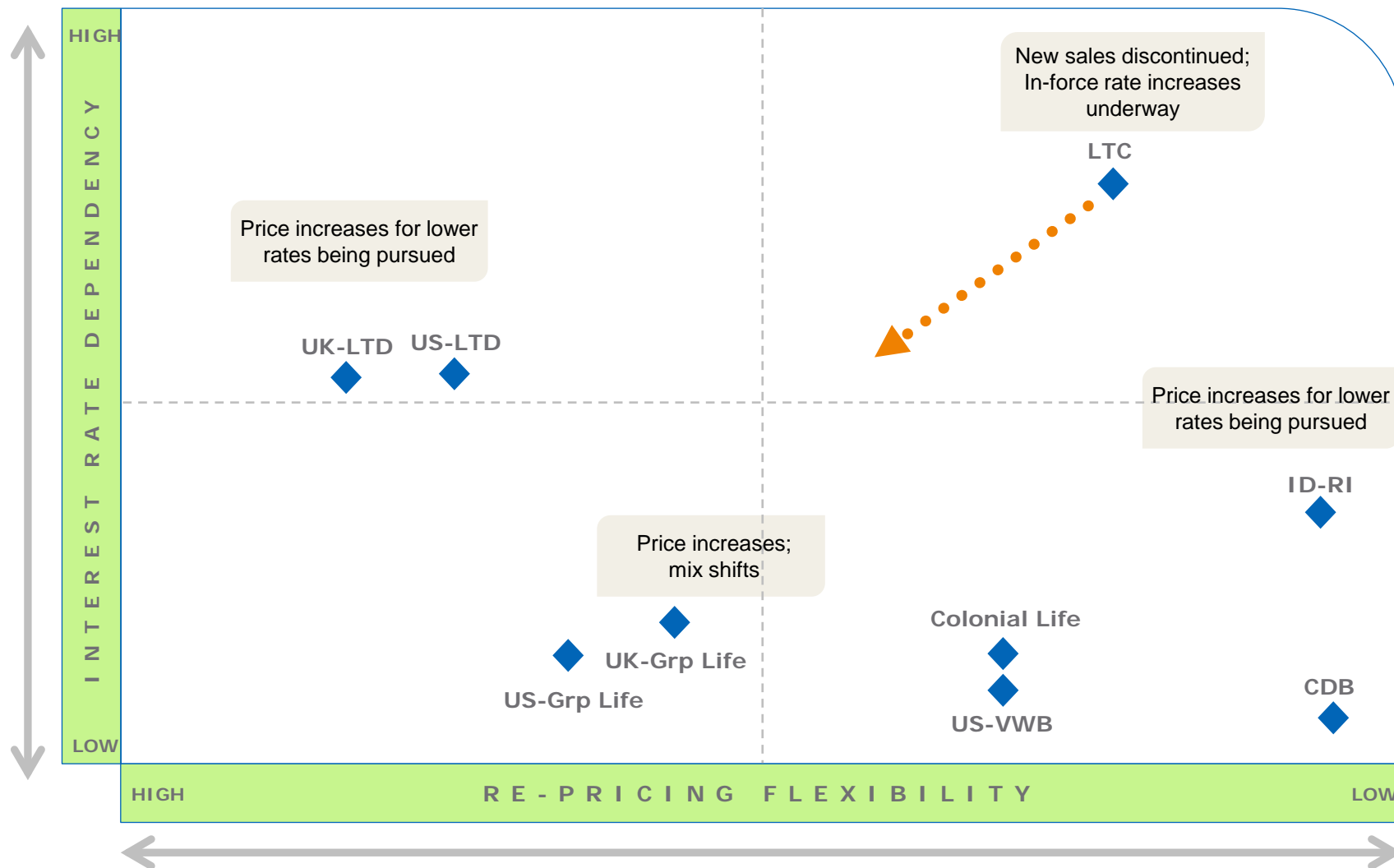
- Limited amount of new cash flow to invest relative to portfolio size
- Strong interest margins
- Hedges cover 20% of LTC cash flows for 2013
- Pricing adjustments

Source: Barclays

Feb 11, 2013

# Interest Rate Management

## PRODUCT LINE SENSITIVITIES



# 2013 Outlook

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# 2013 Outlook

## KEY MESSAGES

- We anticipate the general environment for 2013 to be similar to 2012.
  - Below average economic growth with limited employment growth
  - A continuation of today's low interest rates
- While the environment will remain challenging, the need for our products and services remains strong.
- We are taking the needed actions to protect our solid margins and returns.
  - The impact of our pricing and risk actions will build in 2014 and beyond
- We expect to maintain our consistent plan of returning capital to shareholders.
  - \$500 million of share repurchases and continued dividend increases
  - Maintain solid capital metrics and ratings
- While we anticipate 2013 operating growth to be below our long-term targets, we expect positive operating EPS growth in 2013.
  - Eighth consecutive year of operating EPS growth

# 2013 Outlook

## CAPITAL OUTLOOK

<b>Capital Management Criteria</b>	<b>Year-End 2012 Projection</b>	<b>Year-End 2012 Actual</b>	<b>Year-End 2013 Projection</b>
<b>Risk-Based Capital Ratio for Traditional U.S. Insurance Companies</b>	<b>375% - 400%</b>	<b>396%</b>	<b>375% - 400%</b>
<b>Leverage</b>	<b>22% - 23%</b>	<b>25.3%</b>	<b>24% - 25%</b>
<b>Holding Companies Cash and Marketable Securities (\$ millions)</b>	<b>\$500 - \$800</b>	<b>\$805</b>	<b>\$500 - \$800</b>

# 2013 Outlook

	<u>Sales Growth</u>	<u>Premium Growth</u>	<u>Earnings Growth</u>	<u>ROE</u>
<b>Unum US</b>	3 - 6%	1 - 3%	0 - 2%	12 - 14%
<b>Unum UK (\$)</b>	(15 - 20)%	(17 - 20)%	(1) - 1%	15 - 17%
<b>Colonial Life</b>	3 - 6%	3 - 5%	1 - 3%	15 - 17%
<b>Core Operations</b>	<b>1 - 5%</b>	<b>0 - 2%</b>	<b>0 - 2%</b>	<b>13 - 15%</b>
<b>Closed Block</b>			<b>15 - 20%</b>	<b>2 - 4%</b>
<b>Total Operations*</b>			<b>(2 - 5)%</b>	<b>10 - 12%</b>
<b>Capital Management</b>			<b>6 - 8%</b>	<b>0 - 1%</b>
<b>Total</b>			<b>0 - 6%</b>	<b>11 - 12%</b>

\* Consolidated After-Tax Operating Earnings including Corporate Segment

# Closing Comments

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# Closing Comments

- Good businesses with positive long-term trends
- We remain committed to disciplined growth
  - Not tempted to “stretch” in these uncertain times
- Our solid financial foundation and predictable cash flow remain an asset
  - Leading to a consistent capital deployment strategy
- We have a realistic but cautious outlook for the environment
  - Confident we are taking the actions needed to build value



# Reconciliation of Non-GAAP Financial Measures

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# Reconciliation of Non-GAAP Financial Measures

	Year Ended December 31 2002 *
	<u>(in millions)</u>
Unum US	
Group Disability	\$ 289.9
Group Life and Accidental Death and Dismemberment	224.1
Supplemental and Voluntary	<u>165.9</u>
Total Unum US	679.9
Unum UK	69.5
Colonial Life	137.5
Closed Block	170.4
Corporate	<u>(155.0)</u>
Total Operating Income by Segment	902.3
Net Realized Investment Loss	(309.1)
Income Tax	<u>(196.3)</u>
Income from Continuing Operations Before Cumulative Effect of Accounting Principle Change	396.9
Income from Discontinued Operations, Net of Tax	11.4
Cumulative Effect of Accounting Principle Change, Net of Tax	<u>(7.1)</u>
Net Income	<u>\$ 401.2</u>

\* Does not reflect the impact of ASU 2010-26 or the segment reporting changes implemented in 4Q 2008.

# Reconciliation of Non-GAAP Financial Measures

	Year Ended December 31 2012 <u>(in millions)</u>
Unum US	
Group Disability	\$ 293.1
Group Life and Accidental Death and Dismemberment Supplemental and Voluntary	220.9
	<u>333.1</u>
Total Unum US	847.1
Unum UK	131.3
Colonial Life	274.3
Closed Block	95.5
Corporate	<u>(108.5)</u>
Total Operating Income by Segment	1,239.7
Net Realized Investment Gain	56.2
Non-operating Retirement-related Loss	(46.4)
Income Tax	<u>(355.1)</u>
Net Income	<u>\$ 894.4</u>

# Reconciliation of Non-GAAP Financial Measures

	Year Ended December 31			
	2007		2006	
	(in millions)	Ratio	(in millions)	Ratio
Unum US				
Premium Income	\$ 4,481.1		\$ 4,703.6	
Benefits and Change in Reserves for Future Benefits	3,681.3	82.2%	4,263.4	90.6%
Regulatory Reassessment Charge	(76.5)		(349.2)	
Benefits and Change in Reserves for Future Benefits, Excluding Regulatory Reassessment Charge	3,604.8	80.4%	3,914.2	83.2%
Other Expenses	927.5	20.7%	958.5	20.4%
Regulatory Reassessment Credit (Charge)	10.3		(15.0)	
Other Expenses, Excluding Regulatory Reassessment Credit (Charge)	937.8	20.9%	943.5	20.1%

# Reconciliation of Non-GAAP Financial Measures

	Year Ended December 31*								
	2012	2011	2010	2009	2008	2007**	2006**	2005**	2004**
After-tax Operating Income	\$ 3.15	\$ 2.98	\$ 2.73	\$ 2.64	\$ 2.54	\$ 2.25	\$ 1.85	\$ 1.69	\$ 1.78
Net Realized Investment Gain (Loss), Net of Tax	0.13	(0.01)	0.05	-	(0.89)	(0.12)	0.01	(0.02)	0.06
Non-operating Retirement-related Loss, Net of Tax	(0.11)	(0.07)	(0.06)	(0.09)	(0.03)	(0.04)	(0.05)	(0.05)	(0.04)
Deferred Acquisition Costs and Reserve Charges for Closed Block, Net of Tax	-	(2.04)	-	-	-	-	-	-	(2.37)
Regulatory Reassessment Charges, Net of Tax	-	-	-	-	-	(0.10)	(0.79)	(0.16)	(0.29)
Special Tax Items and Debt Extinguishment Costs, Net of Tax	-	0.08	(0.03)	-	-	(0.10)	0.23	0.14	0.17
Other, Net of Tax	-	-	-	-	-	-	(0.04)	0.01	0.01
Income (Loss) from Continuing Operations	3.17	0.94	2.69	2.55	1.62	1.89	1.21	1.61	(0.68)
Income (Loss) from Discontinued Operations	-	-	-	-	-	0.02	0.02	0.03	(0.18)
Net Income (Loss)	\$ 3.17	\$ 0.94	\$ 2.69	\$ 2.55	\$ 1.62	\$ 1.91	\$ 1.23	\$ 1.64	\$ (0.86)

\* Amounts per diluted common share.

\*\* Results for 2004 through 2007 have not been adjusted for the impact of ASU 2010-26. While this adjustment might impact earnings per share, it would not significantly change the earnings per share growth trend.

# Reconciliation of Non-GAAP Financial Measures

	Average Allocated Equity	After-tax Operating Income (Loss)	Return On Equity
	(in millions)		
Year Ended December 31, 2012			
Unum US			
Group Disability	\$ 1,495.6	\$ 193.0	12.9%
Group Life and Accidental Death and Dismemberment	890.6	143.8	16.2%
Supplemental and Voluntary	<u>1,637.9</u>	<u>218.5</u>	13.3%
Unum US	4,024.1	555.3	
Unum UK	811.2	99.2	12.2%
Colonial Life	1,064.4	178.3	16.8%
Closed Block	2,234.2	62.3	2.8%
Corporate	(892.1)	(7.6)	
Total	<u>\$ 7,241.8</u>	<u>\$ 887.5</u>	12.3%

	Year Ended December 31 2012 (in millions)
After-tax Operating Income	\$ 887.5
Net Realized Investment Gain, Net of Tax	37.1
Non-operating Retirement-related Loss, Net of Tax	(30.2)
Net Income	<u>\$ 894.4</u>

	December 31	
	2012	2011
	(in millions)	
Total Stockholders' Equity, As Reported	\$ 8,612.6	\$ 8,169.7
Net Unrealized Gain on Securities	873.5	614.8
Net Gain on Cash Flow Hedges	401.6	408.7
Total Stockholders' Equity, As Adjusted	<u>\$ 7,337.5</u>	<u>\$ 7,146.2</u>
Average Equity, As Adjusted	\$ 7,241.8	

# Reconciliation of Non-GAAP Financial Measures

	December 31			
	2012	2011	2010	2009
	per share			
Total Stockholders' Equity (Book Value)	\$ 31.87	\$ 27.91	\$ 26.80	\$ 24.25
Net Unrealized Gain on Securities	3.23	2.11	1.31	1.16
Net Gain on Cash Flow Hedges	1.48	1.39	1.14	1.12
Subtotal	27.16	24.41	24.35	21.97
Foreign Currency Translation Adjustment	(0.26)	(0.41)	(0.34)	(0.23)
Subtotal	27.42	24.82	24.69	22.20
Unrecognized Pension and Postretirement Benefit Costs	(2.13)	(1.51)	(1.00)	(1.00)
Total Stockholders' Equity, Excluding Accumulated Other Comprehensive Income	\$ 29.55	\$ 26.33	\$ 25.69	\$ 23.20

	December 31 2012 (in millions)
Debt, As Reported	\$ 3,211.2
Exclude Non-recourse Debt and Securities Lending Agreements	1,018.3
Debt, As Adjusted	\$ 2,192.9
Total Stockholders' Equity, As Reported	\$ 8,612.6
Exclude Net Unrealized Gain on Securities and Net Gain on Cash Flow Hedges	1,275.1
Exclude Northwind and Tailwind Capital	870.6
	6,466.9
Debt, As Adjusted	2,192.9
Total Capital, As Adjusted	\$ 8,659.8
Debt to Capital Ratio	25.3%