

# Deutsche Bank Global Financial Conference

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June 4, 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. We undertake no obligation to update these statements, even if made available on our website or otherwise. 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: (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) Effects of business disruption or economic contraction due to disasters such as terrorist attacks, cyber attacks, other hostilities, or natural catastrophes, including any related impact on the value of our investment portfolio, our disaster recovery systems, cyber or other information security systems, and management continuity planning; (7) 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; (8) increased competition from other insurers and financial services companies due to industry consolidation or other factors; (9) changes in our financial strength and credit ratings; (10) damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures; (11) actual experience that deviates from our assumptions used in pricing, underwriting, and reserving; (12) actual persistency and/or sales growth that is higher or lower than projected; (13) 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; (14) effectiveness of our risk management program; (15) the level and results of litigation; (16) changes in accounting standards, practices, or policies; (17) fluctuation in foreign currency exchange rates; (18) ability to generate sufficient internal liquidity and/or obtain external financing; (19) availability of reinsurance in the market and the ability and willingness of our reinsurers to meet their obligations to us; (20) recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets. For further discussion of 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. 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 these cautionary statements.

# 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

# Operating Performance Trends

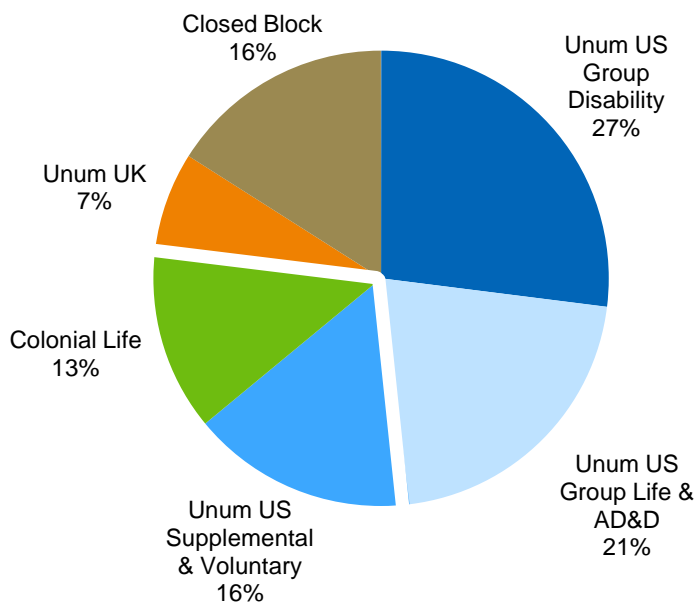
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# Operating Performance

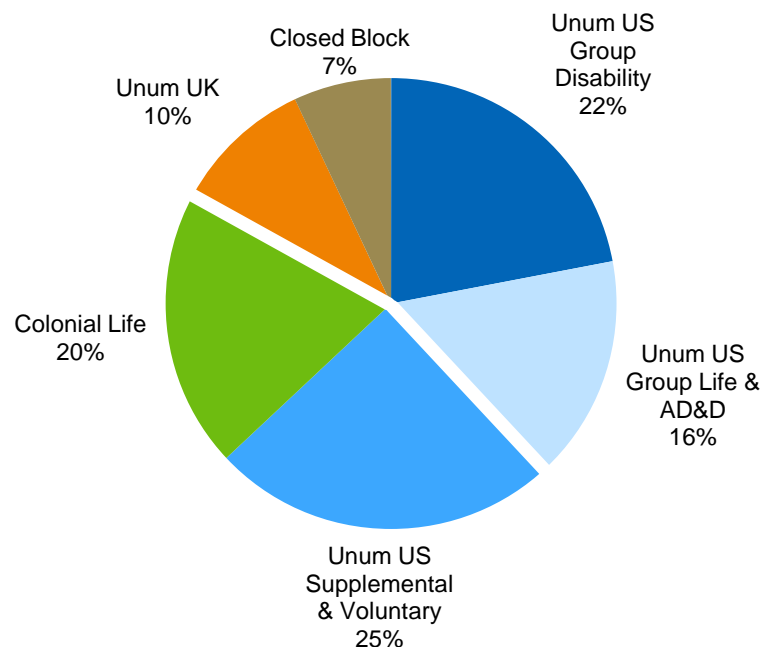
## BALANCED EARNINGS

### 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

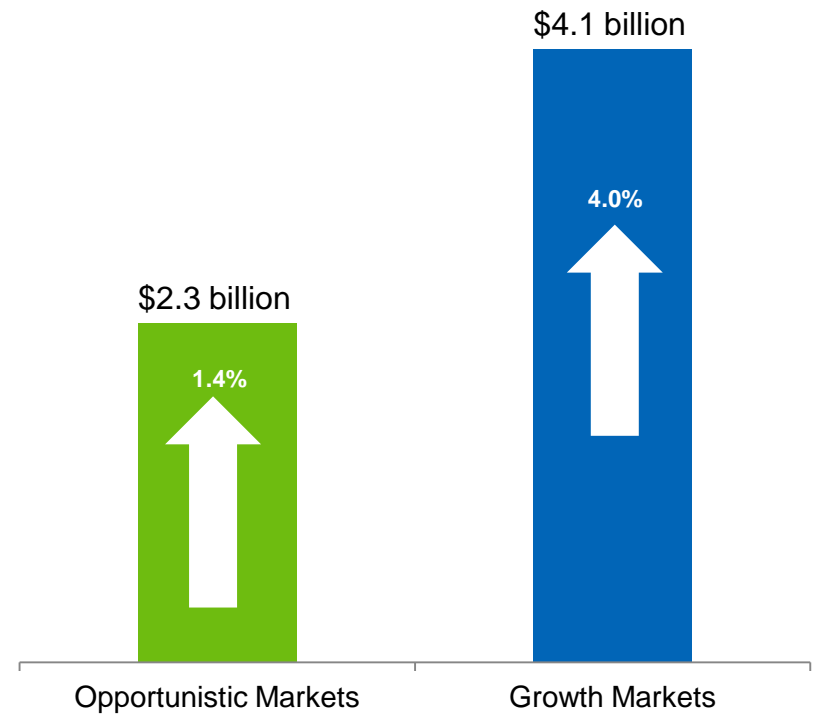
- Unum US – Core Market – Employee Benefits
- Colonial Life
- Unum US – Voluntary Benefits
- Unum UK – Group LTD

#### Opportunistic Markets

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

### Growth Trends in Premium Income

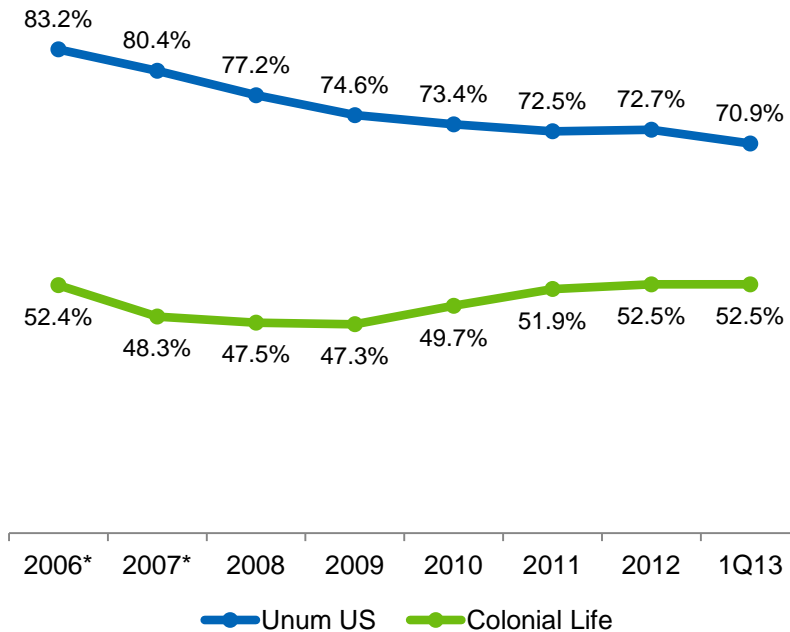
4Qtrs Ending 3/31/2013



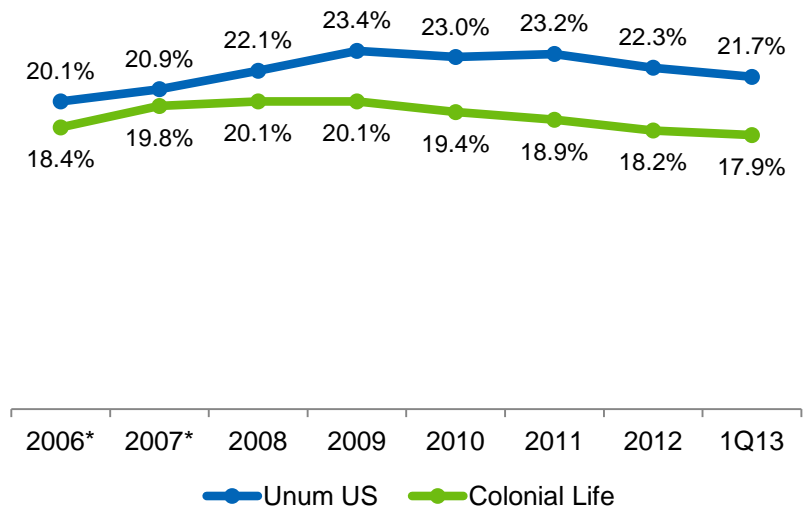
# Operating Performance

## STRONG PROFIT MARGINS

### Benefit Ratios



### Other Expense Ratios

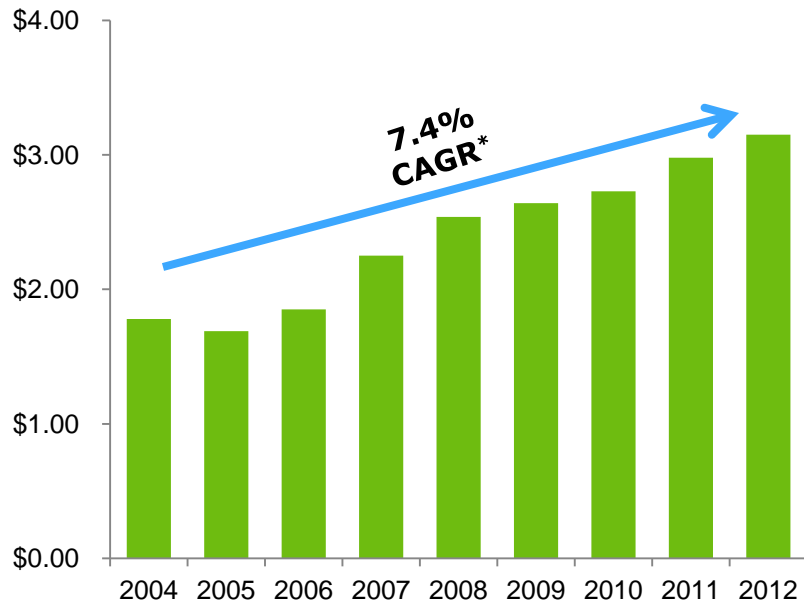


\* Excludes special items

# Operating Performance

## SOLID PROFITABILITY

### Operating Earnings Per Share

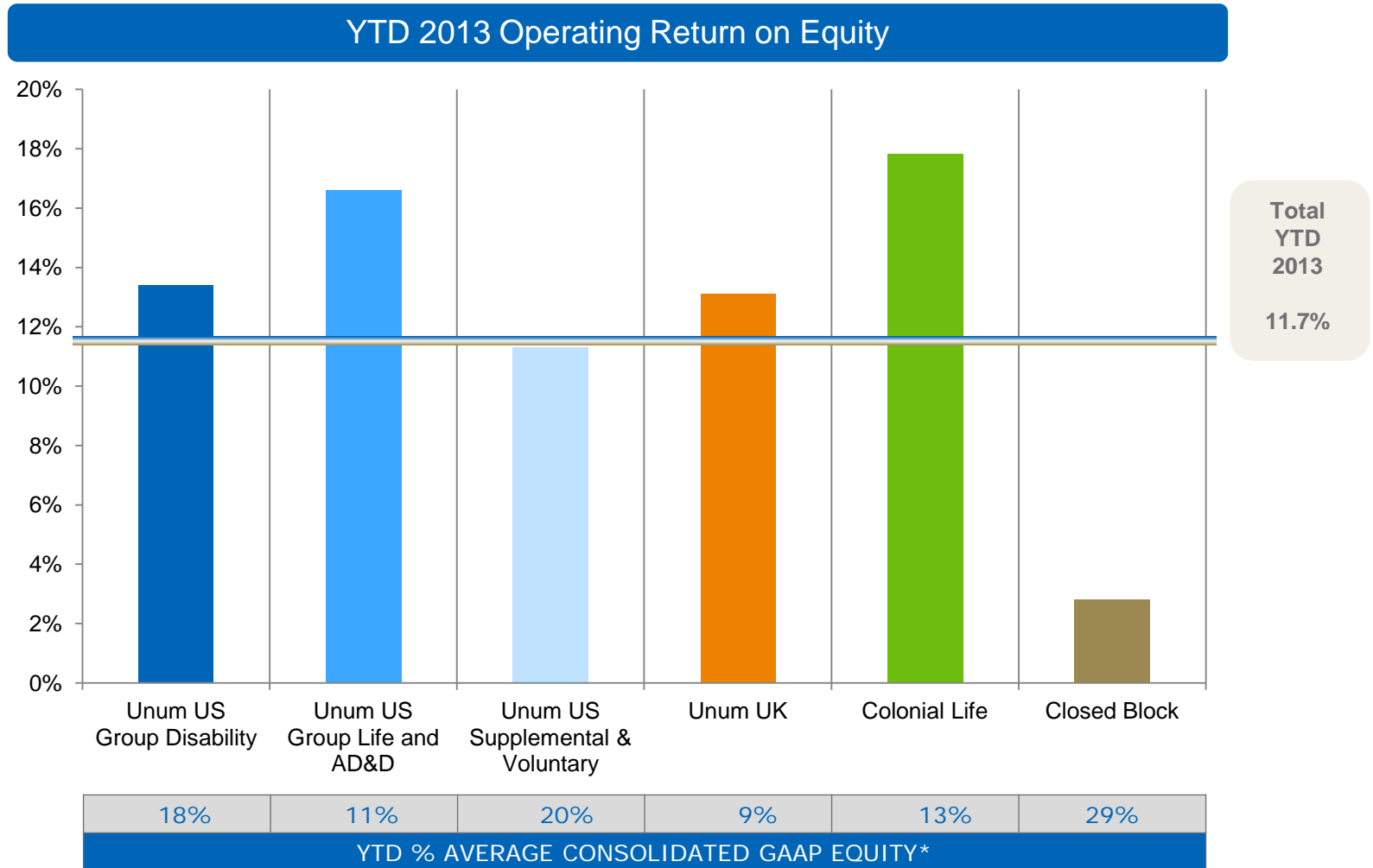


Years 2004-2007 do not reflect the impact of ASU 2010-26 and special items  
\* EPS Compound Annual Growth Rate



# Operating Performance

CONSISTENTLY STRONG RETURNS



\* Excludes Corporate segment

# Brand

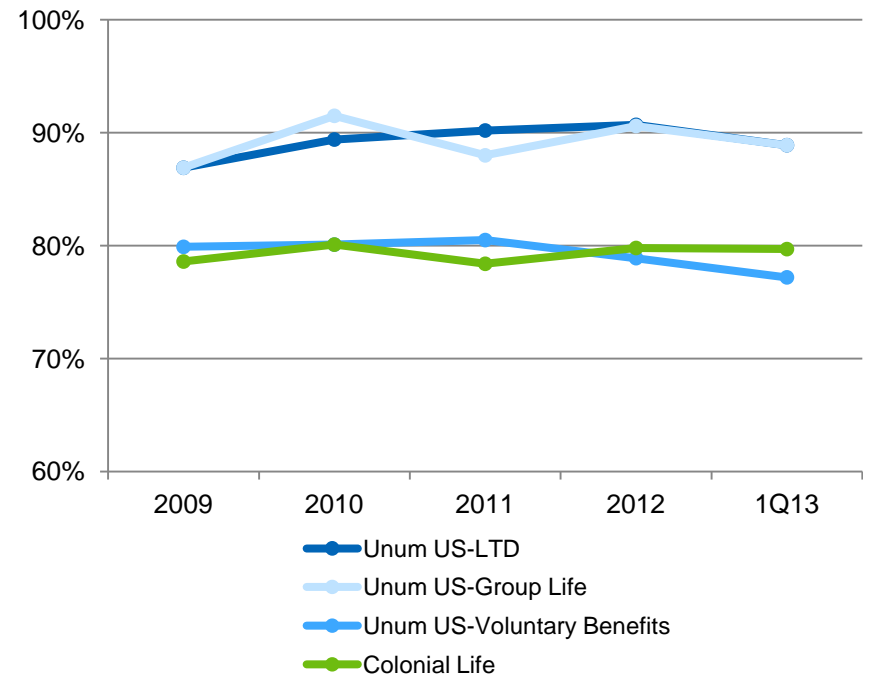
## STRONG MARKET ACCEPTANCE

### 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

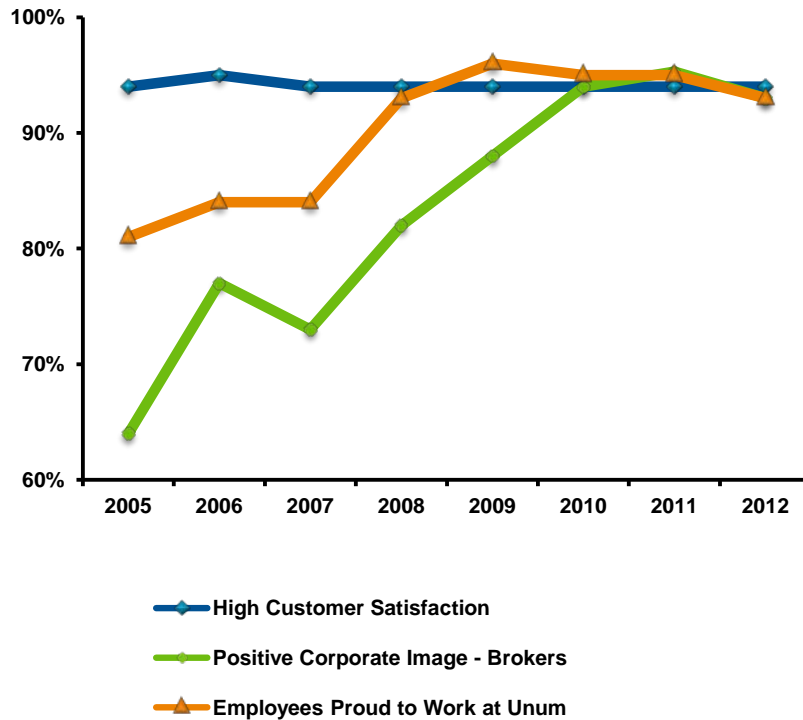


Source: 2011 GenRe Survey of LTD Claimants

# Brand

## BROAD RECOGNITION

### Image and Reputation



### External Recognition

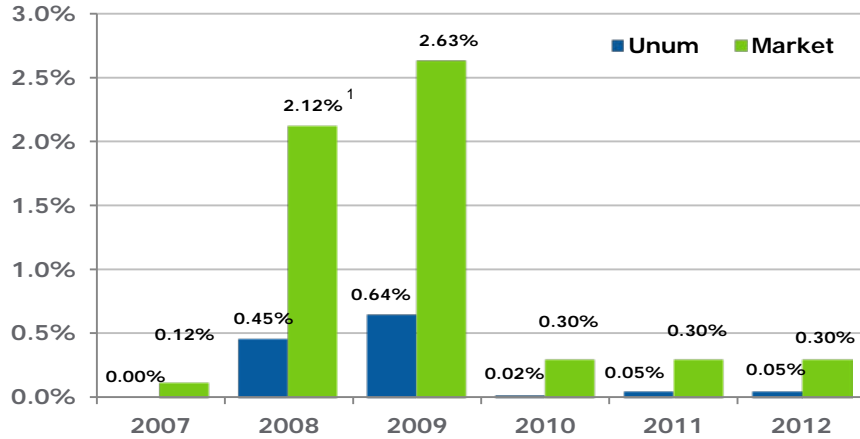
- Best Places to Work in Insurance 2009 – 2012
- Best Places to Work in Maine, Tennessee, and South Carolina 2006 – 2012
- Forbes Magazine – Top 150 Most Reputable Companies
- Newsweek Magazine – Green Companies - #34

Source: Internal surveys of employees, brokers, and customers

# Investment Performance

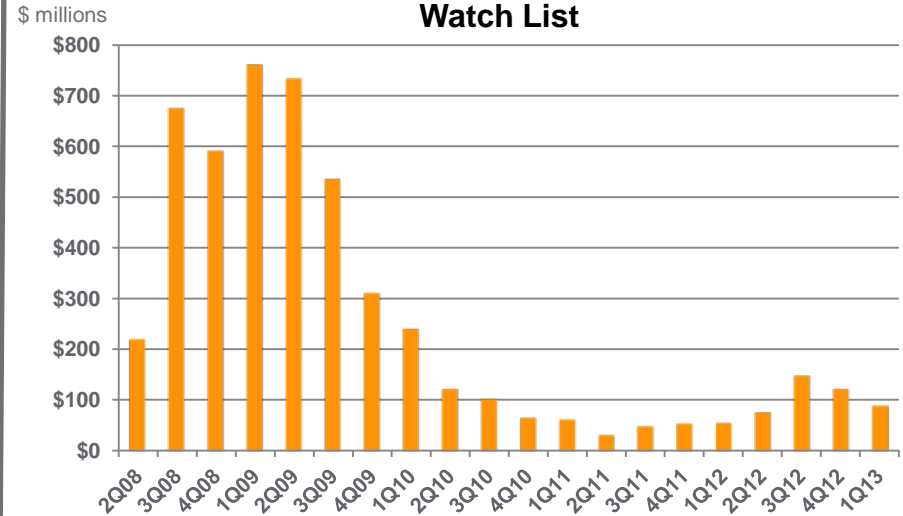
## STRONG CREDIT QUALITY

### Default Experience

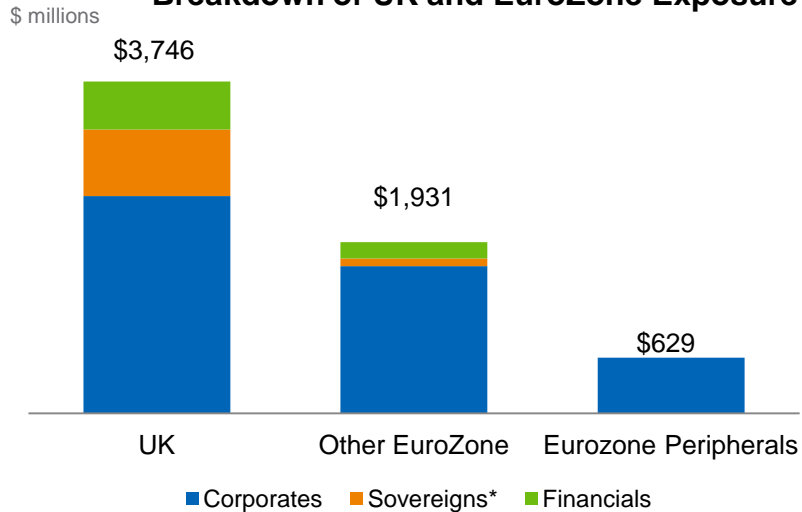


<sup>1</sup> Formerly 5.12% due to Lehman, Moody's has subsequently removed it

### Watch List

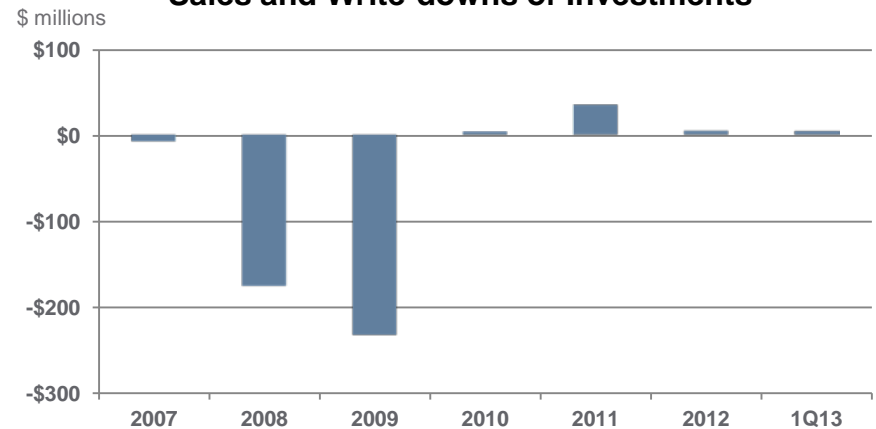


### Breakdown of UK and EuroZone Exposure



\* Includes Supranationals

### Sales and Write-downs of Investments



# Investment Performance

## ACTIVE INTEREST RATE MANAGEMENT

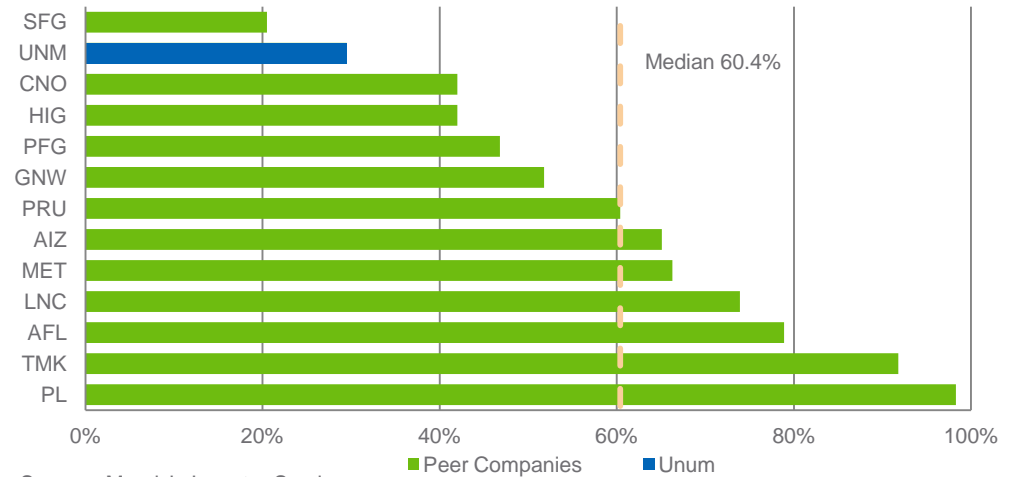
- 2012 Results:
  - \$2.7 billion invested
  - New money yield of 4.88% (hedge-adjusted)
  - Overall portfolio yield down 20 bp to 6.47%
  - Current investment portfolio market value \$51.9 billion
- Interest Rate Impacts:
  - Investing new cash flows at lower rates
  - Decreases to reserve discount 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

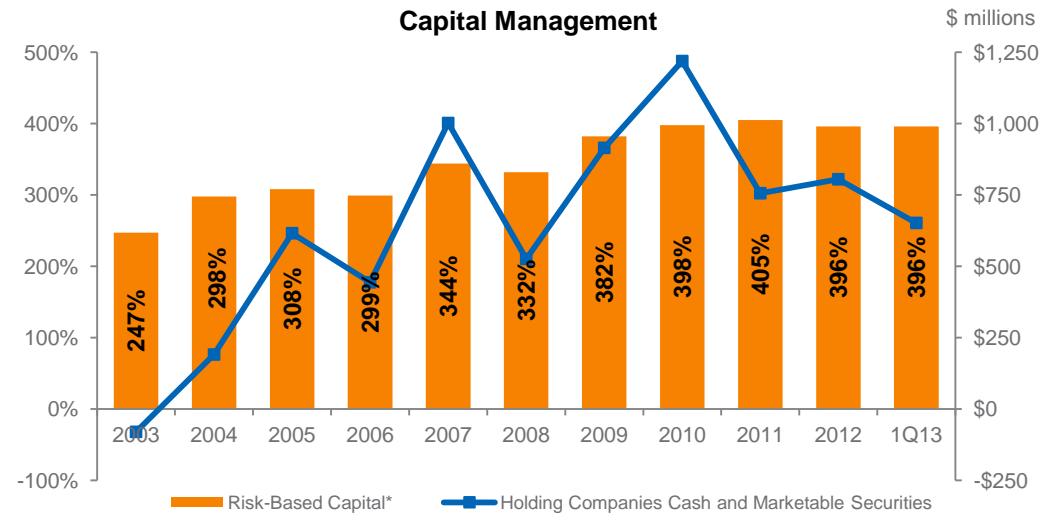
## QUALITY BALANCE SHEET

- **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**



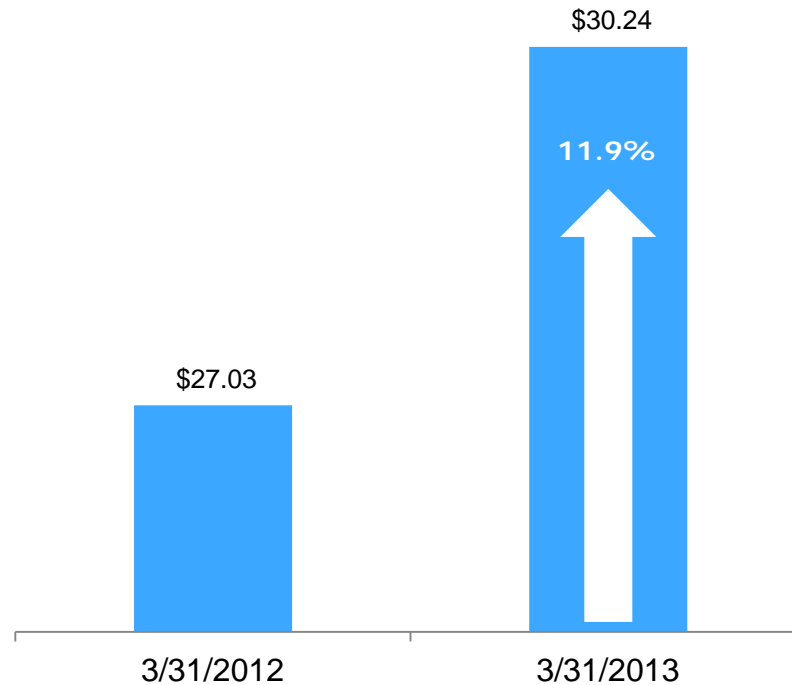
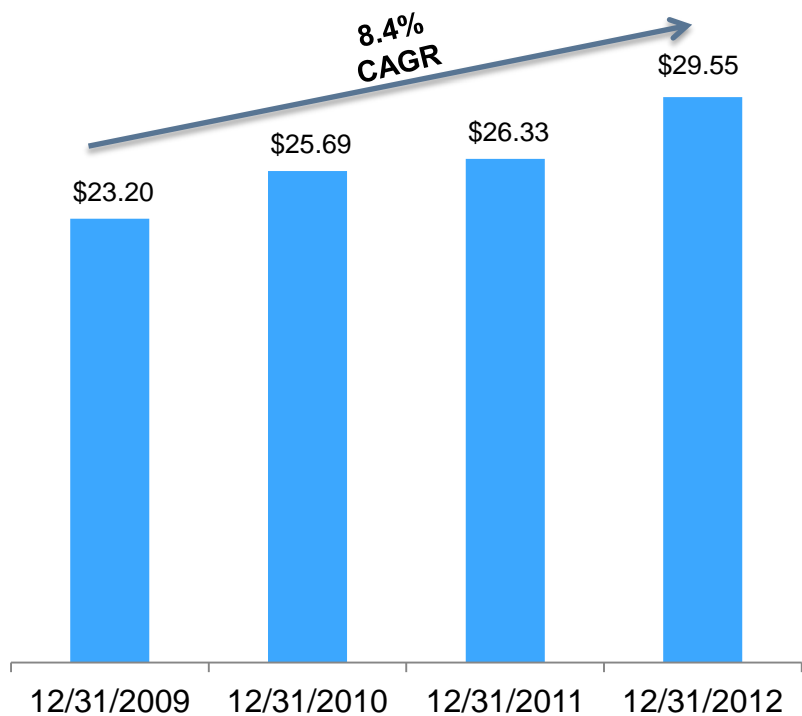
\* Weighted average RBC for traditional US Insurance Companies

# Balance Sheet

## BUILDING BOOK VALUE

### Book Value Per Share

(Excluding AOCI)



# Capital Management

## STABLE CASH FLOW

### Combined Statutory Net Income\*

(\$ millions)



### Capital Generation Model

(\$ millions)

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

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

† Trailing twelve months



# 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
3/31/13 Actual	396%	\$652 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
2013	\$500* million	+12%	
<b>TOTAL</b>	<b>\$2,676 million</b>	<b>\$578 million</b>	

\* Projection for 2013

# Key Challenges

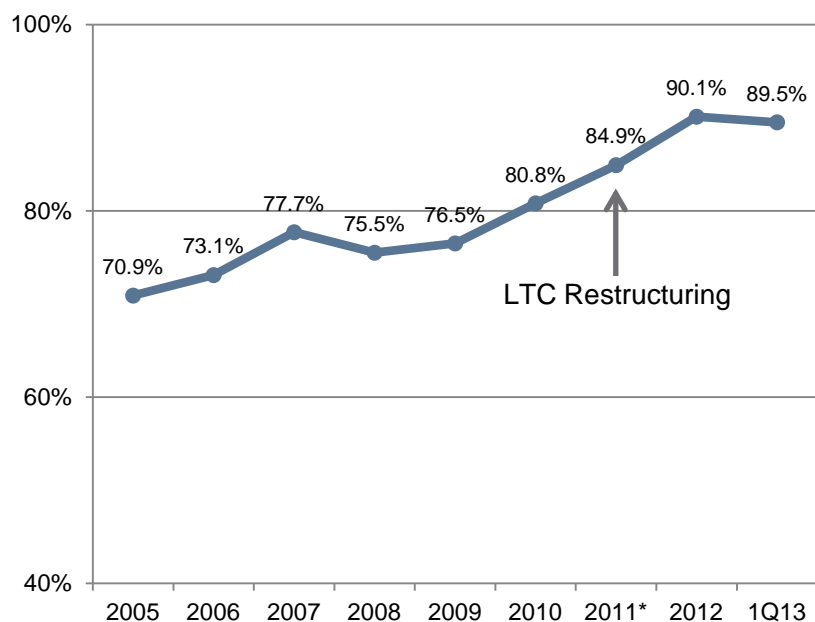
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# Key Challenges

- Long-term Care
- Interest Rate Management

# 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.

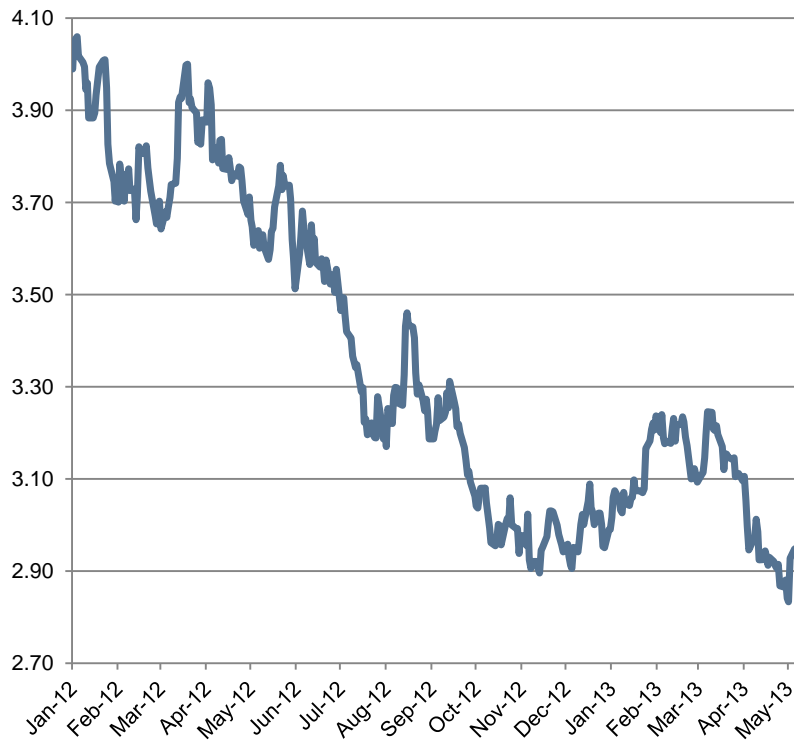
\* Excludes \$573.6 million reserve charge.  
Including this charge, the IALR was 179.3%.

# Interest Rate Management

## 10-Year Single-A Bond Yields

## Key Messages

Barclays US Corporate (7-10Y)



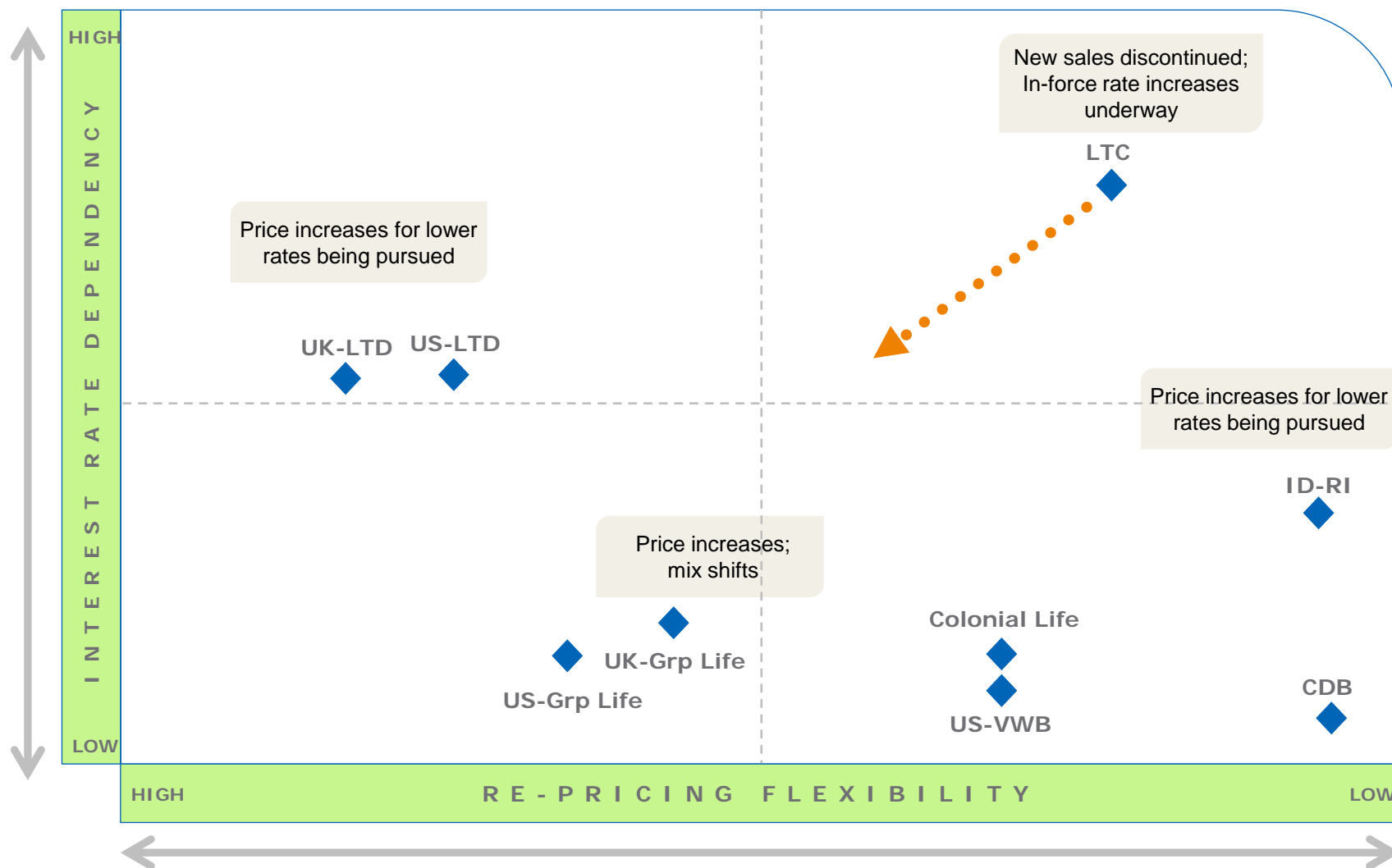
Source: FactSet

May 8, 2013

- 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

# 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>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 Q4 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	220.9
Supplemental and Voluntary	<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>

	Year Ended December 31			
	2007		2006	
	(in millions)	Benefit Ratio	(in millions)	Benefit 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%



# Reconciliation of Non-GAAP Financial Measures

Year Ended December 31			
2007		2006	
(in millions)	Other Expense Ratio	(in millions)	Other Expense Ratio

Unum US				
Premium Income	\$ 4,481.1		\$ 4,703.6	
Other Expenses	927.5	20.7%	958.5	20.4%
Regulatory Reassessment Charge	10.3		(15.0)	
Other Expenses Excluding Regulatory Reassessment Charge	937.8	20.9%	943.5	20.1%

Year Ended December 31*									
	2012	2011	2010	2009	2008	2007**	2006**	2005**	2004**
After-tax Operating Earnings	\$ 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	-	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)

\* Assuming dilution

\*\* Does not reflect the impact of ASU 2010-26.

# Reconciliation of Non-GAAP Financial Measures

	Three Months Ended March 31	
	2013	2012
	per share *	
After-tax Operating Earnings	\$ 0.80	\$ 0.73
Net Realized Investment Gain, Net of Tax	0.03	0.03
Non-operating Retirement-related Loss, Net of Tax	(0.04)	(0.03)
Net Income	<u>\$ 0.79</u>	<u>\$ 0.73</u>

\* Assuming dilution

	After-Tax Operating Earnings (Loss)	Average Allocated Equity	Annualized Operating Return On Equity
	(in millions)		
Three Months Ended March 31, 2013			
Unum US			
Group Disability	\$ 51.3	\$ 1,529.5	13.4%
Group Life and Accidental Death and Dismemberment	37.7	907.0	16.6%
Supplemental and Voluntary	47.4	1,682.0	11.3%
Total Unum US	<u>136.4</u>	<u>4,118.5</u>	
Unum UK	24.3	743.1	13.1%
Colonial Life	49.0	1,103.8	17.8%
Closed Block	17.6	2,489.1	2.8%
Corporate	(11.7)	(1,102.9)	
Total	<u>\$ 215.6</u>	<u>\$ 7,351.6</u>	11.7%

# Reconciliation of Non-GAAP Financial Measures

	Three Months Ended March 31 2013 <u>(in millions)</u>
After-tax Operating Earnings	\$ 215.6
Net Realized Investment Gain, Net of Tax	6.7
Non-operating Retirement-related Loss, Net of Tax	<u>(9.7)</u>
Net Income	<u>\$ 212.6</u>

	<u>March 31 2013</u>	<u>December 31 2012</u>
	<u>(in millions)</u>	
Total Stockholders' Equity, As Reported	\$ 8,557.8	\$ 8,612.6
Net Unrealized Gain on Securities	792.4	873.5
Net Gain on Cash Flow Hedges	399.6	401.6
Total Stockholders' Equity, As Adjusted	<u>\$ 7,365.8</u>	<u>\$ 7,337.5</u>
 Average Equity, As Adjusted	 \$ 7,351.6	

	<u>March 31</u>		<u>December 31</u>				
	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	
	<u>(per share)</u>						
Total Stockholders' Equity (Book Value)	\$ 32.06	\$ 28.62	\$ 31.87	\$ 27.91	\$ 26.80	\$ 24.25	
Net Unrealized Gain on Securities	2.97	2.05	3.23	2.11	1.31	1.16	
Net Gain on Cash Flow Hedges	1.50	1.39	1.48	1.39	1.14	1.12	
Subtotal	<u>27.59</u>	<u>25.18</u>	<u>27.16</u>	<u>24.41</u>	<u>24.35</u>	<u>21.97</u>	
Foreign Currency Translation Adjustment	(0.53)	(0.32)	(0.26)	(0.41)	(0.34)	(0.23)	
Subtotal	<u>28.12</u>	<u>25.50</u>	<u>27.42</u>	<u>24.82</u>	<u>24.69</u>	<u>22.20</u>	
Unrecognized Pension and Postretirement Benefit Costs	(2.12)	(1.53)	(2.13)	(1.51)	(1.00)	(1.00)	
Total Stockholders' Equity, Excluding Accumulated Other Comprehensive Income	<u>\$ 30.24</u>	<u>\$ 27.03</u>	<u>\$ 29.55</u>	<u>\$ 26.33</u>	<u>\$ 25.69</u>	<u>\$ 23.20</u>	