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news

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Unum Group Reports Third Quarter 2013 Results

CHATTANOOGA, Tenn. (November 4, 2013) – Unum Group (NYSE: UNM) today reported net income of \$205.7 million (\$0.78 per diluted common share) for the third quarter of 2013, compared to net income of \$230.2 million (\$0.83 per diluted common share) for the third quarter of 2012.

After-tax operating income, which excludes after-tax realized investment gains and losses and the amortization of prior period actuarial losses on the Company's pension plans, was \$224.6 million (\$0.85 per diluted common share) in the third quarter of 2013, compared to \$224.0 million (\$0.80 per diluted common share) in the third quarter of 2012. The combined impact of realized investment gains and losses on the Company's investment portfolio and the amortization of prior period actuarial losses on the Company's pension plans is a net after-tax loss of \$18.9 million (\$0.07 per diluted common share) for the third quarter of 2013, compared to a net after-tax gain of \$6.2 million (\$0.03 per diluted common share) in the third quarter of 2012.

"I am pleased with our overall results for the third quarter. Our focus on disciplined underwriting, pricing, and risk selection continues to drive solid returns and profitability across our primary business segments. In addition, although the current environment presents challenges to achieving our longer term growth expectations, I am very encouraged by the improved sales trends we saw this quarter in several of our markets," said Thomas R. Watjen, president and chief executive officer. "We are continuing to generate very solid operating margins and cash flow, which gives us significant financial flexibility to both support the needs of our business while continuing to also return capital to our shareholders."



RESULTS BY SEGMENT

Unum US Segment

Unum US reported operating income of \$219.8 million in the third quarter of 2013, an increase of 1.6 percent from \$216.3 million in the third quarter of 2012. Premium income for the segment increased 1.1 percent to \$1,124.6 million in the third quarter of 2013, compared to premium income of \$1,111.9 million in the third quarter of 2012.

Within the Unum US operating segment, the group disability line of business reported a 5.5 percent increase in operating income, with \$78.6 million in the third quarter of 2013 compared to \$74.5 million in the third quarter of 2012. Premium income in group disability increased 0.4 percent to \$514.5 million in the third quarter of 2013, compared to \$512.5 million in the third quarter of 2012, with the favorable impact of premium rate increases partially offset by a decline in premium persistency. The benefit ratio for the third quarter of 2013 was 82.9 percent, compared to 84.9 percent in the third quarter of 2012. Underlying these results are favorable incidence rates, continued strong claim recovery experience, and the impact of premium rate increases. Group long-term disability sales increased 8.9 percent to \$25.7 million in the third quarter of 2013, compared to \$23.6 million in the third quarter of 2012. Group short-term disability sales decreased 9.2 percent to \$12.8 million in the third quarter of 2013, compared to \$14.1 million in the third quarter of 2012. Premium persistency in the group long-term disability line of business was 87.4 percent through the first nine months of 2013, compared to 90.7 percent through the first nine months of 2012. Premium persistency in the group short-term disability line of business was 88.4 percent through the first nine months of 2013, compared to 88.5 percent for the same period of 2012.

The group life and accidental death and dismemberment line of business reported operating income of \$58.5 million in the third quarter of 2013, an increase of 4.3 percent from \$56.1 million in the third quarter of



2012, as growth in premium income and favorable risk experience were partially offset by higher operating expenses. Premium income for this line of business increased 2.8 percent to \$335.7 million in the third quarter of 2013, compared to \$326.5 million in the third quarter of 2012, reflecting growth from prior year sales, partially offset by lower premium persistency. The benefit ratio in the third quarter of 2013 was 71.6 percent, compared to 72.3 percent in the third quarter of 2012, reflecting more favorable underlying risk experience. Sales of group life and accidental death and dismemberment products decreased 4.5 percent in the third quarter of 2013 to \$25.5 million, compared to \$26.7 million in the third quarter of 2012. Premium persistency in the group life line of business was 88.9 percent through the first nine months of 2013, compared to 91.1 percent for the same period of 2012.

The supplemental and voluntary line of business reported a 3.5 percent decrease in operating income to \$82.7 million in the third quarter of 2013, compared to \$85.7 million in the third quarter of 2012. Premium income for supplemental and voluntary increased 0.5 percent to \$274.4 million in the third quarter of 2013, compared to \$272.9 million in the third quarter of 2012. This increase resulted from growth in voluntary benefits premium income, partially offset by lower premium income from the individual disability – recently issued product due to a reinsurance agreement entered into during the second quarter of 2013 to cede a small block of individual disability – recently issued business. The interest adjusted loss ratio for the individual disability - recently issued product line in the third quarter of 2013 declined to 31.6 percent from 31.7 percent in the third quarter of 2012, reflecting generally stable claim experience as compared to the third quarter of 2012. The benefit ratio for voluntary benefits, at 51.4 percent in the third quarter of 2013, was up from 50.4 percent in the third quarter of 2012 due to less favorable claim experience in the disability and critical illness product lines. Relative to the third quarter of 2012, sales in the voluntary benefits line of business increased 6.4 percent in the third quarter of 2013 to \$46.6 million. Sales



in the individual disability – recently issued line of business decreased 23.3 percent in the third quarter of 2013 to \$11.2 million. Premium persistency in the individual disability – recently issued product line was 90.6 percent through the first nine months of 2013, compared to 90.8 percent for the same period of 2012. Premium persistency in the voluntary benefits product line was 77.0 percent through the first nine months of 2013, compared to 79.2 percent through the first nine months of 2012.

Unum UK Segment

Unum UK reported operating income of \$31.3 million in the third quarter of 2013, an increase of 13.8 percent from \$27.5 million in the third quarter of 2012. In local currency, operating income for the third quarter of 2013 increased 16.2 percent, to £20.1 million from £17.3 million in the third quarter of 2012.

Premium income decreased 21.6 percent to \$137.3 million in the third quarter of 2013, compared to \$175.2 million in the third quarter of 2012, due primarily to group life reinsurance agreements entered into in the first quarter of 2013. In local currency, premium income decreased 20.2 percent to £88.4 million in the third quarter of 2013, compared to £110.8 million in the third quarter of 2012. The benefit ratio in the third quarter of 2013 was 70.6 percent, compared to 77.7 percent in the third quarter of 2012. The lower benefit ratio in the third quarter of 2013 reflects favorable risk experience in the group life line due primarily to the impact of the reinsurance agreements entered into in 2013.

Persistency in the group long-term disability line of business was 81.9 percent through the first nine months of 2013, compared to 82.9 percent through the first nine months of 2012. Persistency in the group life line of business was 64.8 percent through the first nine months of 2013, compared to 80.3 percent through the comparable period of 2012, reflecting the Company's aggressive efforts to re-price this block of business. Sales increased 1.8 percent to \$17.3 million in the third quarter



of 2013, compared to \$17.0 million in the third quarter of 2012. In local currency, sales for the third quarter of 2013 increased 3.7 percent to £11.1 million, compared to £10.7 million in the third quarter of 2012, reflecting an increase in both group life and group long-term disability sales relative to the comparable period of 2012.

Colonial Life Segment

Colonial Life reported a 0.4 percent increase in operating income to \$69.0 million in the third quarter of 2013, compared to \$68.7 million in the third quarter of 2012.

Premium income for the third quarter of 2013 increased 3.2 percent to \$309.1 million, compared to \$299.4 million in the third quarter of 2012, driven by continued growth in the inforce block of business. The benefit ratio in the third quarter of 2013 was 53.1 percent, up from 52.9 percent in the third quarter of 2012, as improved claims experience in the cancer and critical illness product line was offset by less favorable risk experience in the accident, sickness, and disability product line as well as the life product line.

Sales decreased 2.9 percent to \$76.1 million in the third quarter of 2013 from \$78.4 million in the third quarter of 2012, as an increase in public sector sales was more than offset by a decrease in commercial sector sales.

Closed Block Segment

The Closed Block segment reported operating income of \$25.7 million in the third quarter of 2013, compared to \$25.6 million in the third quarter of 2012.

Premium income for this segment declined 4.8 percent in the third quarter of 2013 compared to the third quarter of 2012, primarily due to the expected run-off of the individual disability block of business. The interest adjusted loss ratio for the individual disability line of business was 80.6 percent in the third quarter of 2013, compared to 82.5 percent in the



third quarter of 2012. The interest adjusted loss ratio for the long-term care line of business declined to 89.6 percent in the third quarter of 2013 from 91.3 percent in the third quarter of 2012 due to more favorable development in active life reserves.

Corporate Segment

The Corporate segment reported an operating loss of \$32.9 million in the third quarter of 2013, compared to a loss of \$27.4 million in the third quarter of 2012. The higher operating loss in the third quarter of 2013 was driven primarily by lower net investment income due to lower yielding assets and a decrease in investment income attributable to tax credit partnerships. However, the negative impact on net investment income from the tax credit partnerships was offset by a lower income tax rate due to the tax benefits recognized as a result of these investments.

OTHER INFORMATION

Tax Rate Change

During the third quarters of 2013 and 2012, income tax reductions were enacted which reduced the tax rates in the U.K. The Company adjusted its deferred tax assets and liabilities through income on the date of each enactment of the rate changes and recorded a reduction to income tax expense of \$6.3 million and \$9.3 million in the third quarter of 2013 and 2012, respectively.

Shares Outstanding

The Company's average number of shares outstanding, assuming dilution, was 264.3 million for the third quarter of 2013, compared to 278.5 million for the third quarter of 2012. Shares outstanding totaled 261.1 million at September 30, 2013. During the third quarter of 2013, the Company repurchased approximately 2.5 million shares at a cost of \$75 million.



Capital Management

At September 30, 2013, the weighted average risk-based capital ratio for the Company's traditional U.S. insurance companies was approximately 397 percent, and cash and marketable securities in the holding companies equaled \$678 million.

Capital Structure

The Company is evaluating various options for its Bermuda-based insurance subsidiary with the intention of re-domesticating it under a U.S.-domiciled regulator. The Company currently estimates that the financial impact from taking these steps, if completed in the fourth quarter of 2013, would result in a U.S.-based subsidiary with a financial profile consistent with its traditional U.S. insurance companies while maintaining the Company's weighted average risk-based capital ratio within its target range of 375 percent to 400 percent and the cash and marketable securities in its holding companies within its target range of \$500 million to \$800 million at year-end 2013. This transaction, if completed in the fourth quarter of 2013, would have no material impact on the Company's consolidated net income for the fourth quarter of 2013.

Book Value

Book value per common share as of September 30, 2013 was \$33.20, compared to \$31.53 at September 30, 2012.

Outlook

The Company anticipates growth in after-tax operating earnings per share for full-year 2013 to be in the higher end of the outlook range announced in December 2012 of zero percent to six percent, including the effect of expected share repurchases.

NON-GAAP FINANCIAL MEASURES

The Company analyzes its 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 included in this release are:

- Operating income or loss, which is net income or loss, excluding net realized investment gains or losses and non-operating retirement-related gains or losses and, when reported by segment, is before tax.
- Operating earnings per share, which is after-tax operating income per diluted common share.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, refer to the tables in the Financial Highlights section below.

The Company believes operating income or loss is a better performance measure and a better indicator of the profitability and underlying trends in its business. Realized investment gains or losses depend on market conditions and do not necessarily relate to decisions regarding the underlying business of the Company's segments. The Company's investment focus is on investment income to support its insurance liabilities as opposed to the generation of realized investment gains or losses. Although the Company 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 the Company's underlying business is long-term in nature, and the Company needs to earn the interest rates assumed in calculating its liabilities. The amortization of prior period actuarial gains or losses, a component of the net periodic benefit cost for the Company's 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 the Company's businesses. The Company believes that excluding the amortization of prior period gains or losses from operating income or loss by segment provides investors with additional information for comparison and analysis of operating results. Although the Company manages its non-operating retirement-related gains or losses separately from the operational performance of its business, these gains or losses impact the overall profitability of the Company and will increase or decrease over time, depending on market conditions and the resulting impact on the actuarial gains or losses in the Company's pensions and



other postretirement benefit plans. Plan amendments may also change the length of time over which the prior period actuarial gain or loss is amortized.

CONFERENCE CALL INFORMATION

Members of Unum Group senior management will host a conference call on Tuesday, November 5, 2013 at 9:00 A.M. (Eastern Time) to discuss the results of operations for the third quarter. Topics may include forward-looking information such as the Company's outlook on future results, trends in operations, and other material information.

The dial-in number for the conference call is (888) 239-5247 for U.S. and Canada (pass code 7335277). For international, the dial-in number is (913) 312-0948 (pass code 7335277). A live webcast of the call will also be available at www.investors.unum.com in a listen-only mode. It is recommended that webcast viewers access the "Investors" section of the Company's website and opt-in to the webcast approximately 5-10 minutes prior to the start of the call. The Company will maintain a replay of the call on its website through Tuesday, November 12, 2013. A replay of the call will also be available by dialing (888) 203-1112 (U.S. and Canada) or (719) 457-0820 (International) – pass code 7335277.

In conjunction with today's earnings announcement, the Company's Statistical Supplement for the third quarter of 2013 is available on the "Investors" section of the Company's website.

ABOUT UNUM GROUP

Unum (www.unum.com) is one of the leading providers of employee benefits products and services and the largest provider of disability insurance products in the United States and the United Kingdom.



SAFE HARBOR STATEMENT

Certain information in this press release 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 our outlook, future operations, strategies, financial results, or other developments and speak only as of the date made. These forward-looking statements, including statements about anticipated growth in after-tax operating income per share, planned share repurchases, and the financial impact of moving our Bermuda-based insurance subsidiary to the U.S., 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) 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 business 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 of our reinsurers to meet their obligations to us; and (20) recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.

For further discussion 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 and our subsequently filed Forms 10-Q. The forward-looking statements in this press release are being made as of the date of this press release, 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.

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Unum Group
FINANCIAL HIGHLIGHTS
(Unaudited)

(\$ in millions, except share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
Operating Revenue by Segment	\$ 2,567.0	\$ 2,606.7	\$ 7,770.1	\$ 7,825.6
Net Realized Investment Gain (Loss)	(26.1)	21.3	(2.5)	31.6
Total Revenue	\$ 2,540.9	\$ 2,628.0	\$ 7,767.6	\$ 7,857.2
Operating Income by Segment	\$ 312.9	\$ 310.7	\$ 932.4	\$ 930.0
Net Realized Investment Gain (Loss)	(26.1)	21.3	(2.5)	31.6
Non-operating Retirement-related Loss	(2.7)	(11.6)	(30.5)	(34.8)
Income Tax	(78.4)	(90.2)	(262.5)	(266.3)
Net Income	\$ 205.7	\$ 230.2	\$ 636.9	\$ 660.5

PER SHARE INFORMATION

Net Income Per Common Share				
Basic	\$ 0.78	\$ 0.83	\$ 2.39	\$ 2.33
Assuming Dilution	\$ 0.78	\$ 0.83	\$ 2.38	\$ 2.32
Weighted Average Common Shares - Basic (000s)	262,945.9	278,354.4	265,932.6	284,012.8
Weighted Average Common Shares - Assuming Dilution (000s)	264,260.0	278,511.0	267,093.7	284,491.2

	Three Months Ended September 30			
	2013		2012	
	per share *		per share *	
After-tax Operating Income	\$ 224.6	\$ 0.85	\$ 224.0	\$ 0.80
Net Realized Investment Gain (Loss), Net of Tax	(17.2)	(0.06)	13.8	0.06
Non-operating Retirement-related Loss, Net of Tax	(1.7)	(0.01)	(7.6)	(0.03)
Net Income	\$ 205.7	\$ 0.78	\$ 230.2	\$ 0.83

* Assuming Dilution

	September 30			
	2013		2012	
	per share		per share	
Total Stockholders' Equity (Book Value)	\$ 8,669.9	\$ 33.20	\$ 8,673.3	\$ 31.53
Net Unrealized Gain on Securities	427.4	1.64	892.2	3.24
Net Gain on Cash Flow Hedges	397.2	1.52	400.3	1.46
Subtotal	7,845.3	30.04	7,380.8	26.83
Foreign Currency Translation Adjustment	(73.4)	(0.28)	(78.6)	(0.29)
Subtotal	7,918.7	30.32	7,459.4	27.12
Unrecognized Pension and Postretirement Benefit Costs	(341.6)	(1.31)	(423.6)	(1.54)
Total Stockholders' Equity, Excluding Accumulated Other Comprehensive Income	\$ 8,260.3	\$ 31.63	\$ 7,883.0	\$ 28.66