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# news

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## Unum Group Reports First Quarter 2018 Results

**CHATTANOOGA, Tenn. (May 1, 2018)** – Unum Group (NYSE: UNM) today reported net income of \$273.5 million (\$1.23 per diluted common share) for the first quarter of 2018, compared to net income of \$229.9 million (\$1.00 per diluted common share) for the first quarter of 2017.

Included in net income are net after-tax realized investment gains and losses on the Company's investment portfolio. Excluding net after-tax realized investment gains and losses, after-tax adjusted operating income was \$275.1 million (\$1.24 per diluted common share) in the first quarter of 2018. Net income, for the first quarter of 2017, also included a loss from a guaranty fund assessment related to an unaffiliated insurer that was declared insolvent of \$20.6 million before tax and \$13.4 million after tax (\$0.06 per diluted common share). Excluding net after-tax realized investment gains and losses and the loss from the guaranty fund assessment, after-tax adjusted operating income was \$236.1 million (\$1.02 per diluted common share) in the first quarter of 2017.

"The first quarter was a solid start to the year, reflecting both a lower tax rate and a corresponding earnings per share growth rate of more than 20 percent. The fundamentals of our business remained strong and our overall performance largely aligned with our expectations, with good premium growth and overall stable benefits experience," said Richard P. McKenney, president and chief executive officer. "We



continue to look for ways to grow our business both organically and through targeted, strategic acquisitions.”

## **RESULTS BY SEGMENT**

We measure and analyze our segment performance on the basis of "adjusted operating income" or "adjusted operating loss", which differ from income before income tax as presented in our consolidated statements of income due to the exclusion of net realized investment gains and losses and certain other items. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for income before income tax or net income.

### **Unum US Segment**

Unum US reported adjusted operating income of \$243.9 million in the first quarter of 2018, an increase of 2.0 percent from \$239.1 million in the first quarter of 2017. Premium income for the segment increased 5.8 percent to \$1,438.8 million in the first quarter of 2018, compared to premium income of \$1,360.4 million in the first quarter of 2017. Net investment income for the segment declined 4.1 percent to \$194.2 million in the first quarter of 2018, compared to \$202.5 million in the first quarter of 2017.

Within the Unum US operating segment, the group disability line of business reported a 6.4 percent decline in adjusted operating income to \$83.0 million in the first quarter of 2018, compared to \$88.7 million in the first quarter of 2017. Premium income in group disability increased 4.3 percent to \$617.5 million in the first quarter of 2018, compared to \$592.3 million in the first quarter of 2017, with growth in the in-force block resulting from prior period sales growth and improved persistency. Net investment income declined by 6.3 percent to \$108.2 million in the first quarter of 2018, compared to \$115.5 million in the first quarter of 2017, due to a decrease in the level of invested assets, a decline in portfolio yield, and slightly lower miscellaneous investment income. The benefit ratio for the first quarter of 2018 was 75.6 percent, compared to 76.6 percent in the first quarter of 2017, due primarily to favorable claim



recovery experience in the group long-term disability product line, partially offset by higher claims incidence in the group short-term disability product line. Group long-term disability sales were \$30.1 million in the first quarter of 2018, a decline of 16.4 percent from \$36.0 million in the first quarter of 2017. Group short-term disability sales were \$16.3 million in the first quarter of 2018, a decline of 3.6 percent from \$16.9 million in the first quarter of 2017. Persistency in the group long-term disability line of business was 90.8 percent for the first quarter of 2018, compared to 88.1 percent for the first quarter of 2017. Persistency in the group short-term disability line of business was 86.6 percent for the first quarter of 2018, compared to 85.2 percent for the first quarter of 2017.

The group life and accidental death and dismemberment line of business reported adjusted operating income of \$64.6 million in the first quarter of 2018, an increase of 15.4 percent from \$56.0 million in the first quarter of 2017. Premium income for this line of business increased 8.3 percent to \$437.9 million in the first quarter of 2018, compared to \$404.4 million in the first quarter of 2017, primarily due to sales growth and overall favorable persistency. Net investment income declined 2.9 percent to \$26.8 million in the first quarter of 2018, compared to \$27.6 million in the first quarter of 2017, primarily due to a decline in yield, partially offset by an increase in the level of invested assets and higher miscellaneous investment income. The benefit ratio in the first quarter of 2018 was 70.7 percent, compared to 71.9 percent in the first quarter of 2017, driven primarily by favorable waiver of premium experience in the group life product line. Sales of group life and accidental death and dismemberment products increased 19.9 percent in the first quarter of 2018 to \$44.6 million, compared to \$37.2 million in the first quarter of 2017. Persistency in the group life line of business was 89.3 percent for the first quarter of 2018, compared to 87.4 percent for the first quarter of 2017.

The supplemental and voluntary line of business reported an increase of 2.0 percent in adjusted operating income to \$96.3 million in the first quarter of 2018, compared to \$94.4 million in the first quarter of 2017. Premium income for supplemental and voluntary increased 5.4 percent to \$383.4 million in the first quarter of 2018, compared to \$363.7



million in the first quarter of 2017. This increase was primarily driven by growth in the voluntary benefits product line from higher sales and continued growth in the dental and vision product line from expanded distribution, offsetting a decline in premium income in the individual disability line. Net investment income declined 0.3 percent to \$59.2 million in the first quarter of 2018, compared to \$59.4 million in the first quarter of 2017, due to a decline in yield and lower miscellaneous investment income, which was partially offset by an increase in the level of invested assets. The benefit ratio for the individual disability product line was 51.0 percent for the first quarter of 2018, compared to 54.6 percent for the first quarter of 2017, due to the favorable impact from the reinsurance agreement entered during the fourth quarter of 2016 whereby we ceded additional business in the first quarter of 2018 compared to the prior year period. Excluding the impact of this agreement, benefits experience for the individual disability product line was generally consistent with the first quarter of 2017. The benefit ratio for voluntary benefits was 42.3 percent in the first quarter of 2018, compared to 42.2 percent for the first quarter of 2017, reflecting generally consistent claims experience between the two periods. The benefit ratio for dental and vision was 68.6 percent for the first quarter of 2018, compared to 71.6 percent for the first quarter of 2017, primarily driven by lower average claim size. Relative to the first quarter of 2017, sales in the individual disability line of business increased 10.5 percent in the first quarter of 2018 to \$17.9 million. Sales in the voluntary benefits line of business increased 4.2 percent in the first quarter of 2018 to \$153.5 million. Sales in the dental and vision product line totaled \$12.2 million for the first quarter of 2018, an increase of 23.2 percent compared to the first quarter of 2017. Persistency in the individual disability product line was 90.7 percent for the first quarter of 2018, compared to 91.1 percent for the first quarter of 2017. Persistency in the voluntary benefits product line was 76.9 percent for the first quarter of 2018, compared to 75.9 percent for the first quarter of 2017. Persistency in the dental and vision product line was 85.0 percent for the first quarter of 2018, compared to 83.4 percent for the first quarter of 2017.



### Unum UK Segment

Unum UK reported adjusted operating income of \$29.8 million in the first quarter of 2018, an increase of 12.0 percent from \$26.6 million in the first quarter of 2017. In local currency, adjusted operating income totaled £21.4 million in the first quarter of both 2018 and 2017.

Premium income increased by 15.1 percent to \$139.6 million in the first quarter of 2018, compared to \$121.3 million in the first quarter of 2017. In local currency, premium income was £100.3 million in the first quarter of 2018, an increase of 2.5 percent from £97.9 million in the first quarter of 2017, primarily driven by overall improved persistency and sales growth in the group critical illness and dental product lines. Net investment income was \$27.6 million in the first quarter of 2018, an increase of 3.8 percent from \$26.6 million in the first quarter of 2017. In local currency, net investment income was £19.9 million in the first quarter of 2018, a decline of 7.0 percent from £21.4 million in the first quarter of 2017, due primarily to lower yield on fixed-rate bonds, partially offset by the increase in the level of invested assets. The benefit ratio in the first quarter of 2018 was 71.9 percent, compared to 71.4 percent in the first quarter of 2017, due primarily to unfavorable claims experience in the group life and critical illness product lines, partially offset by favorable claim resolutions in the group long-term disability product line.

Sales declined by 13.2 percent to \$17.1 million in the first quarter of 2018, compared to \$19.7 million in the first quarter of 2017. In local currency, sales for the first quarter of 2018 declined by 22.6 percent to £12.3 million, compared to £15.9 million in the first quarter of 2017. Persistency in the group long-term disability line of business was 86.7 percent for the first quarter of 2018, compared to 84.2 percent for the first quarter of 2017. Persistency in the group life line of business was 85.5 percent for the first quarter of 2018, compared to 82.0 percent for the first



quarter of 2017. Persistency in the supplemental line of business was 91.5 percent for the first quarter of both 2018 and 2017.

### **Colonial Life Segment**

Colonial Life reported a 1.7 percent decline in adjusted operating income to \$81.0 million in the first quarter of 2018, compared to \$82.4 million in the first quarter of 2017. Premium income for the first quarter of 2018 increased 6.4 percent to \$398.3 million, compared to \$374.3 million in the first quarter of 2017, driven by sales growth and solid persistency. Net investment income totaled \$37.3 million in the first quarter of 2018, compared to \$35.1 million in the first quarter of 2017, primarily driven by an increase in the level of invested assets and higher miscellaneous investment income, which were partially offset by a decline in portfolio yield. The benefit ratio in the first quarter of 2018 was 51.6 percent, compared to 50.8 percent in the first quarter of 2017, due primarily to higher claims incidence and a higher average claim size in the life line of business, partially offset by favorable claims experience in the accident, sickness and disability line of business.

Sales increased 7.6 percent to \$103.7 million in the first quarter of 2018 from \$96.4 million in the first quarter of 2017, driven by increased sales in all products and market segments. Persistency in Colonial Life was 79.0 percent for the first quarter of 2018, compared to 78.5 percent for the first quarter of 2017.

### **Closed Block Segment**

The Closed Block segment reported adjusted operating income of \$28.9 million in the first quarter of 2018, compared to \$31.6 million in the first quarter of 2017.

Premium income for this segment declined 4.7 percent in the first quarter of 2018 compared to the first quarter of 2017, primarily due to



policy terminations and maturities for the individual disability line of business. Premium income for long-term care decreased slightly due primarily to policy terminations, partially offset by rate increases. Net investment income increased 0.7 percent to \$337.7 million in the first quarter of 2018, compared to \$335.3 million in the first quarter of 2017, primarily driven by an increase in the level of invested assets, which was partially offset by a lower portfolio yield. The interest adjusted loss ratio for the individual disability line of business declined to 77.1 percent in the first quarter of 2018, compared to 83.6 percent in the first quarter of 2017, due primarily to a lower average size of new claims. The interest adjusted loss ratio for the long-term care line of business was 96.6 percent in the first quarter of 2018, compared to 88.6 percent in the first quarter of 2017, due primarily to higher claims incidence which was partially offset by favorable claim resolutions related to mortality experience. Also contributing to the higher interest adjusted loss ratio was less favorable policy terminations.

### **Corporate Segment**

The Corporate segment reported an adjusted operating loss of \$40.3 million for the first quarter of 2018, compared to an adjusted operating loss, including the loss from a guaranty fund assessment, of \$60.4 million for the first quarter of 2017. The adjusted operating loss in the year ago first quarter, excluding the loss from the assessment, was \$39.8 million.

## **OTHER INFORMATION**

### **Shares Outstanding**

The Company's weighted average number of shares outstanding, assuming dilution, was 222.6 million for the first quarter of 2018, compared to 230.4 million for the first quarter of 2017. Shares outstanding totaled 221.2 million at March 31, 2018. During the first



quarter of 2018, the Company repurchased approximately 1.9 million shares at a cost of approximately \$100 million.

### **Capital Management**

At March 31, 2018, the weighted average risk-based capital ratio for the Company's traditional U.S. insurance companies was approximately 380 percent, and cash and marketable securities in the holding companies equaled \$887 million.

### **Book Value**

Book value per common share as of March 31, 2018 was \$42.95, compared to \$39.91 at March 31, 2017.

### **Outlook**

The Company continues to expect after-tax adjusted operating income growth per share for full-year 2018 to be within the range of 17 percent to 23 percent.

## **NON-GAAP FINANCIAL MEASURES**

We analyze our 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 measure of "after-tax adjusted operating income" differs from net income as presented in our consolidated operating results and income statements prepared in accordance with GAAP due to the exclusion of net realized investment gains and losses and certain other items as specified in the reconciliations in the Financial Highlights section below. We believe adjusted operating income is a better performance measure and better indicator of the 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.

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.

Information reconciling the Company's outlook on after-tax adjusted operating income growth per share to the comparable GAAP financial measure is not provided. The only amounts excluded from after-tax adjusted operating income are those described in the preceding paragraphs. The Company is unable to predict with reasonable certainty realized investment gains and losses, which are affected by overall market conditions and also by factors such as an economic or political change in the country of the issuer, a regulatory change pertaining to the issuer's industry, a significant improvement or deterioration in the cash flows of the issuer, unforeseen accounting irregularities or fraud committed by an issuer, movement in credit spreads, ratings upgrades or downgrades, a change in the issuer's marketplace or business prospects, or any other event that significantly affects the issuers of the fixed maturity securities which the Company holds in its investment portfolio.

#### **CONFERENCE CALL INFORMATION**

Members of Unum Group senior management will host a conference call on Wednesday, May 2, at 9:00 a.m. (Eastern Time) to discuss the results of operations for the first 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 (800) 239-9838, for U.S. and Canada (pass code 3476122). For international, the dial-in number is (323) 794-2551 (pass code 3476122).** A live webcast of the call will also be available at [www.investors.unum.com](http://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 Wednesday, May 9. 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 3476122.

In conjunction with today's earnings announcement, the Company's Statistical Supplement for the first quarter of 2018 is available on the "Investors" section of the Company's website.

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#### **ABOUT UNUM GROUP**

Unum ([www.unum.com](http://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 news 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 adjusted operating income per share, 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) sustained periods of low interest rates; (2) fluctuation in insurance reserve liabilities and claim payments due to changes in claim incidence, recovery rates, mortality and morbidity rates, and policy benefit offsets due to, among other factors, the rate of unemployment and consumer confidence, the emergence of new diseases, epidemics, or pandemics, new trends and developments in medical treatments, the effectiveness of our claims operational processes, and changes in governmental programs; (3) unfavorable economic or business conditions, both domestic and foreign, that may result in decreases in sales, premiums, or persistency, as well as unfavorable claims activity; (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) a cyber attack or other security breach could result in the unauthorized acquisition of confidential data; (7) the failure of our business recovery and incident management processes to resume our business operations in the event of a natural catastrophe, cyber attack, or other event; (8) execution risk related to our technology needs; (9) increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors; (10) changes in our financial strength and credit ratings; (11) damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures; (12) actual experience in the broad array of our products that deviates from our assumptions used in pricing, underwriting, and reserving; (13) changes in accounting standards, practices, or policies; (14) effectiveness of our risk management program; (15) contingencies and the level and results of litigation; (16) availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us; (17) 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; (18) fluctuation in foreign currency exchange rates; (19) ability to generate sufficient internal liquidity and/or obtain external financing; (20) recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets; and (21) 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 "Risk Factors" of our annual report on Form 10-K for the year ended December 31, 2017. The forward-looking statements in this news release are being made as of the date of this news 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.



**Unum Group**  
**FINANCIAL HIGHLIGHTS**  
(Unaudited)

(\$ in millions, except share data)

	Three Months Ended March 31	
	2018	2017
<b>Revenue</b>		
Premium Income	\$ 2,250.0	\$ 2,142.9
Net Investment Income	602.3	602.4
Net Realized Investment Gain (Loss)	(2.2)	11.0
Other Income	49.5	50.2
<b>Total Revenue</b>	<b>2,899.6</b>	<b>2,806.5</b>
<b>Benefits and Expenses</b>		
Benefits and Change in Reserves for Future Benefits	1,807.9	1,749.0
Commissions	282.3	270.2
Interest and Debt Expense	40.2	39.8
Deferral of Acquisition Costs	(169.3)	(162.1)
Amortization of Deferred Acquisition Costs	151.5	141.5
Other Expenses	445.9	437.8
<b>Total Benefits and Expenses</b>	<b>2,558.5</b>	<b>2,476.2</b>
<b>Income Before Income Tax</b>		
	341.1	330.3
Income Tax	67.6	100.4
<b>Net Income</b>	<b>\$ 273.5</b>	<b>\$ 229.9</b>
<b>PER SHARE INFORMATION</b>		
Net Income Per Common Share		
Basic	\$ 1.23	\$ 1.00
Assuming Dilution	\$ 1.23	\$ 1.00
Weighted Average Common Shares - Basic (000s)	221,894.0	229,429.6
Weighted Average Common Shares - Assuming Dilution (000s)	222,577.0	230,378.8
Outstanding Shares - (000s)	221,168.7	228,194.5

**Reconciliation of Non-GAAP Financial Measures**

	Three Months Ended March 31			
	2018		2017	
	(in millions)	per share *	(in millions)	per share *
<b>Net Income</b>	\$ 273.5	\$ 1.23	\$ 229.9	\$ 1.00
Excluding:				
Net Realized Investment Gain (Loss) (net of tax expense (benefit) of \$(0.6); \$3.8)	(1.6)	(0.01)	7.2	0.04
Loss from Guaranty Fund Assessment (net of tax benefit of \$-; \$7.2)	-	-	(13.4)	(0.06)
<b>After-tax Adjusted Operating Income</b>	<b>\$ 275.1</b>	<b>\$ 1.24</b>	<b>\$ 236.1</b>	<b>\$ 1.02</b>

\* Assuming Dilution

	March 31			
	2018		2017	
	(in millions)	per share	(in millions)	per share
<b>Total Stockholders' Equity (Book Value)</b>	\$ 9,499.5	\$ 42.95	\$ 9,107.4	\$ 39.91
Excluding:				
Net Unrealized Gain on Securities	356.1	1.61	483.0	2.12
Net Gain on Hedges	273.5	1.24	316.8	1.38
Subtotal	8,869.9	40.10	8,307.6	36.41
Excluding:				
Foreign Currency Translation Adjustment	(207.0)	(0.94)	(336.9)	(1.47)
Subtotal	9,076.9	41.04	8,644.5	37.88
Excluding:				
Unrecognized Pension and Postretirement Benefit Costs	(505.0)	(2.28)	(462.5)	(2.03)
<b>Total Stockholders' Equity, Excluding Accumulated Other Comprehensive Income (Loss)</b>	<b>\$ 9,581.9</b>	<b>\$ 43.32</b>	<b>\$ 9,107.0</b>	<b>\$ 39.91</b>