
Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2019
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission file number **1-11294**

Unum Group

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

62-1598430

(I.R.S. Employer Identification No.)

1 Fountain Square

Chattanooga, Tennessee 37402

(address of principal executive offices and zip code)

(423)294-1011

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.10 par value	UNM	New York Stock Exchange
6.250% Junior Subordinated Notes due 2058	UNMA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

206,268,474 shares of the registrant's common stock were outstanding as of October 28, 2019.

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Cautionary Statement Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a "safe harbor" to encourage companies to provide prospective information, as long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those included in the forward-looking statements. Certain information contained in this Quarterly Report on Form 10-Q (including certain statements in the consolidated financial statements and related notes and Management's Discussion and Analysis), or in any other written or oral statements made by us in communications with the financial community or contained in documents filed with the Securities and Exchange Commission (SEC), may be considered forward-looking statements within the meaning of the Act. Forward-looking statements are those not based on historical information, but rather relate to our outlook, future operations, strategies, financial results, or other developments. Forward-looking statements speak only as of the date made. We undertake no obligation to update these statements, even if made available on our website or otherwise. These statements may be made directly in this document or may be made part of this document by reference to other documents filed by us with the SEC, a practice which is known as "incorporation by reference." You can find many of these statements by looking for words such as "will," "may," "should," "could," "believes," "expects," "anticipates," "estimates," "plans," "assumes," "intends," "projects," "goals," "objectives," or similar expressions in this document or in documents incorporated herein.

These forward-looking statements are subject to numerous assumptions, risks, and uncertainties, many of which are beyond our control. We caution readers that the following factors, in addition to other factors mentioned from time to time, may cause actual results to differ materially from those contemplated by the forward-looking statements:

- Sustained periods of low interest rates.
- 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.
- 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.
- Changes in or interpretations of laws and regulations, including tax laws and regulations.
- A cyber attack or other security breach could result in the unauthorized acquisition of confidential data.
- 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.
- 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.
- Increased competition from other insurers and financial services companies due to industry consolidation, new entrants to our markets, or other factors.
- Changes in our financial strength and credit ratings.
- Our ability to execute on our technology systems upgrades or replacements.
- Damage to our reputation due to, among other factors, regulatory investigations, legal proceedings, external events, and/or inadequate or failed internal controls and procedures.
- Actual experience in the broad array of our products that deviates from our assumptions used in pricing, underwriting, and reserving.
- Changes in accounting standards, practices, or policies.
- Effectiveness of our risk management program.
- Contingencies and the level and results of litigation.
- Availability of reinsurance in the market and the ability of our reinsurers to meet their obligations to us.
- 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.
- Fluctuation in foreign currency exchange rates.
- Ability to generate sufficient internal liquidity and/or obtain external financing.
- Recoverability and/or realization of the carrying value of our intangible assets, long-lived assets, and deferred tax assets.
- Terrorism, both within the U.S. and abroad, ongoing military actions, and heightened security measures in response to these types of threats.

For further discussion of risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see Part 1, Item 1A of our annual report on Form 10-K for the year ended December 31, 2018.

All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Unum Group and Subsidiaries

	September 30 2019	December 31 2018
(in millions of dollars)		
(Unaudited)		
Assets		
Investments		
Fixed Maturity Securities - at fair value (amortized cost: \$40,789.7; \$40,275.2)	\$ 47,435.0	\$ 43,011.7
Mortgage Loans	2,321.7	2,295.0
Policy Loans	3,763.6	3,729.9
Other Long-term Investments	752.3	702.9
Short-term Investments	1,312.8	968.1
Total Investments	55,585.4	50,707.6
Other Assets		
Cash and Bank Deposits	77.0	94.0
Accounts and Premiums Receivable	1,675.8	1,615.5
Reinsurance Recoverable	4,807.2	4,662.4
Accrued Investment Income	695.8	690.6
Deferred Acquisition Costs	2,307.6	2,309.4
Goodwill	348.6	350.3
Property and Equipment	568.3	546.9
Deferred Income Tax	—	109.9
Other Assets	890.0	789.0
Total Assets	\$ 66,955.7	\$ 61,875.6

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued

Unum Group and Subsidiaries

	September 30 2019	December 31 2018
	(in millions of dollars)	
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities		
Policy and Contract Benefits	\$ 1,720.5	\$ 1,695.7
Reserves for Future Policy and Contract Benefits	48,060.8	44,841.9
Unearned Premiums	408.2	363.3
Other Policyholders' Funds	1,588.6	1,594.8
Income Tax Payable	224.0	24.0
Deferred Income Tax	64.1	—
Short-term Debt	399.7	—
Long-term Debt	3,037.6	2,971.3
Other Liabilities	1,820.6	1,762.8
Total Liabilities	57,324.1	53,253.8
Commitments and Contingent Liabilities - Note 11		
Stockholders' Equity		
Common Stock, \$0.10 par		
Authorized: 725,000,000 shares		
Issued: 305,751,664 and 305,104,548 shares	30.6	30.5
Additional Paid-in Capital	2,342.3	2,321.7
Accumulated Other Comprehensive Loss	(153.2)	(814.2)
Retained Earnings	10,491.5	9,863.1
Treasury Stock - at cost: 99,523,062 and 90,551,513 shares	(3,079.6)	(2,779.3)
Total Stockholders' Equity	9,631.6	8,621.8
Total Liabilities and Stockholders' Equity	\$ 66,955.7	\$ 61,875.6

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars, except share data)				
Revenue				
Premium Income	\$ 2,331.2	\$ 2,251.8	\$ 7,013.0	\$ 6,722.8
Net Investment Income	599.4	619.2	1,819.0	1,845.1
Realized Investment Gain (Loss)				
Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	(20.8)	—	(20.8)	(1.0)
Net Realized Investment Gain (Loss), Excluding Other-Than-Temporary Impairment Loss on Fixed Maturity Securities	(5.4)	6.7	(11.6)	2.9
Net Realized Investment Gain (Loss)	(26.2)	6.7	(32.4)	1.9
Other Income	55.6	50.1	164.7	147.9
Total Revenue	2,960.0	2,927.8	8,964.3	8,717.7
Benefits and Expenses				
Benefits and Change in Reserves for Future Benefits	1,871.5	2,578.9	5,614.9	6,190.9
Commissions	277.9	276.8	852.4	832.6
Interest and Debt Expense	46.1	42.7	130.8	125.3
Cost Related to Early Retirement of Debt	25.2	—	25.2	—
Deferral of Acquisition Costs	(160.6)	(166.8)	(504.6)	(501.8)
Amortization of Deferred Acquisition Costs	146.3	136.9	468.5	428.6
Compensation Expense	226.5	224.2	676.9	666.1
Other Expenses	227.7	212.9	695.5	657.9
Total Benefits and Expenses	2,660.6	3,305.6	7,959.6	8,399.6
Income (Loss) Before Income Tax Expense (Benefit)	299.4	(377.8)	1,004.7	318.1
Income Tax Expense (Benefit)				
Current	42.3	2.7	170.6	172.7
Deferred	15.1	(95.8)	30.0	(128.9)
Total Income Tax Expense (Benefit)	57.4	(93.1)	200.6	43.8
Net Income (Loss)	\$ 242.0	\$ (284.7)	\$ 804.1	\$ 274.3
Net Income (Loss) Per Common Share				
Basic	\$ 1.16	\$ (1.30)	\$ 3.81	\$ 1.24
Assuming Dilution	\$ 1.16	\$ (1.30)	\$ 3.81	\$ 1.24

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Net Income (Loss)	\$ 242.0	\$ (284.7)	\$ 804.1	\$ 274.3
Other Comprehensive Income (Loss)				
Change in Net Unrealized Gain (Loss) on Securities Before Adjustment (net of tax expense (benefit) of \$209.5; \$(80.6); \$815.6; \$(525.0))	800.4	(305.0)	3,093.2	(1,982.1)
Change in Adjustment to Deferred Acquisition Costs and Reserves for Future Policy and Contract Benefits, Net of Reinsurance (net of tax expense (benefit) of \$(172.6); \$(69.8); \$(619.3); \$276.1)	(665.2)	(260.2)	(2,358.7)	1,051.1
Change in Net Gain on Hedges (net of tax benefit of \$3.7; \$4.4; \$12.3; \$8.3)	(13.7)	(16.8)	(46.3)	(32.3)
Change in Foreign Currency Translation Adjustment (net of tax expense (benefit) of \$0.8; \$-; \$1.2; \$(0.3))	(37.6)	(15.2)	(40.0)	(29.5)
Change in Unrecognized Pension and Postretirement Benefit Costs (net of tax expense of \$0.8; \$1.3; \$2.8; \$4.0)	5.4	4.9	12.8	14.3
Total Other Comprehensive Income (Loss)	89.3	(592.3)	661.0	(978.5)
Comprehensive Income (Loss)	\$ 331.3	\$ (877.0)	\$ 1,465.1	\$ (704.2)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Unum Group and Subsidiaries

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars)				
Common Stock				
Balance at Beginning of Period	\$ 30.6	\$ 30.5	\$ 30.5	\$ 30.5
Common Stock Activity	—	—	0.1	—
Balance at End of Period	30.6	30.5	30.6	30.5
Additional Paid-in Capital				
Balance at Beginning of Period	2,335.6	2,308.6	2,321.7	2,303.3
Common Stock Activity	6.7	5.7	20.6	11.0
Balance at End of Period	2,342.3	2,314.3	2,342.3	2,314.3
Accumulated Other Comprehensive Loss				
Balance at Beginning of Period	(242.5)	(276.2)	(814.2)	127.5
Adjustment to Adopt Accounting Standard Update - Note 2	—	—	—	(17.5)
Balance at Beginning of Period, as Adjusted	(242.5)	(276.2)	(814.2)	110.0
Other Comprehensive Income (Loss)	89.3	(592.3)	661.0	(978.5)
Balance at End of Period	(153.2)	(868.5)	(153.2)	(868.5)
Retained Earnings				
Balance at Beginning of Period	10,308.9	10,012.4	9,863.1	9,542.2
Adjustment to Adopt Accounting Standard Update - Note 2	—	—	(3.4)	14.5
Balance at Beginning of Period, as Adjusted	10,308.9	10,012.4	9,859.7	9,556.7
Net Income (Loss)	242.0	(284.7)	804.1	274.3
Dividends to Stockholders (per common share: \$0.285; \$0.260; \$0.805; \$0.720)	(59.4)	(56.9)	(172.3)	(160.2)
Balance at End of Period	10,491.5	9,670.8	10,491.5	9,670.8
Treasury Stock				
Balance at Beginning of Period	(2,979.5)	(2,628.9)	(2,779.3)	(2,428.6)
Purchases of Treasury Stock	(100.1)	—	(300.3)	(200.3)
Balance at End of Period	(3,079.6)	(2,628.9)	(3,079.6)	(2,628.9)
Total Stockholders' Equity at End of Period	\$ 9,631.6	\$ 8,518.2	\$ 9,631.6	\$ 8,518.2

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Unum Group and Subsidiaries

	Nine Months Ended September 30	
	2019	2018
	(in millions of dollars)	
Cash Flows from Operating Activities		
Net Income	\$ 804.1	\$ 274.3
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Change in Receivables	7.1	(90.6)
Change in Deferred Acquisition Costs	(36.1)	(73.2)
Change in Insurance Reserves and Liabilities	302.6	1,101.6
Change in Income Taxes	215.3	(106.9)
Change in Other Accrued Liabilities	(29.9)	25.0
Non-cash Components of Net Investment Income	(178.9)	(120.9)
Net Realized Investment Gain (Loss)	32.4	(1.9)
Depreciation	82.6	74.9
Other, Net	57.6	1.2
Net Cash Provided by Operating Activities	1,256.8	1,083.5
Cash Flows from Investing Activities		
Proceeds from Sales of Fixed Maturity Securities	862.5	456.2
Proceeds from Maturities of Fixed Maturity Securities	1,392.3	2,234.9
Proceeds from Sales and Maturities of Other Investments	272.0	350.6
Purchases of Fixed Maturity Securities	(2,866.9)	(2,840.0)
Purchases of Other Investments	(354.9)	(448.5)
Net Purchases of Short-term Investments	(306.2)	(87.0)
Net Decrease in Payables for Collateral on Investments	(97.5)	(158.0)
Net Purchases of Property and Equipment	(107.5)	(95.6)
Other, Net	0.3	—
Net Cash Used by Investing Activities	(1,205.9)	(587.4)
Cash Flows from Financing Activities		
Short-term Debt Repayments	—	(200.0)
Issuance of Long-term Debt	841.9	290.7
Long-term Debt Repayments	(381.5)	(45.0)
Cost Related to Early Retirement of Debt	(24.1)	—
Issuance of Common Stock	4.7	3.6
Repurchase of Common Stock	(297.2)	(205.8)
Dividends Paid to Stockholders	(170.3)	(160.2)
Other, Net	(41.4)	(42.6)
Net Cash Used by Financing Activities	(67.9)	(359.3)
Net Increase (Decrease) in Cash and Bank Deposits	(17.0)	136.8
Cash and Bank Deposits at Beginning of Year	94.0	77.4
Cash and Bank Deposits at End of Period	\$ 77.0	\$ 214.2

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Unum Group and Subsidiaries

September 30, 2019

Note 1 - Basis of Presentation

The accompanying consolidated financial statements of Unum Group and its subsidiaries (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2018.

In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of full year performance.

Note 2 - Accounting Developments

Accounting Updates Adopted in 2019:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Effect on Financial Statements
ASC 220 "Income Statement - Reporting Comprehensive Income"	This update allowed entities to make an accounting policy election to reclassify the disproportionate tax effects arising as a result of the recognition of the enactment of the tax bill, H.R. 1, An Act to Provide Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, more commonly known as the Tax Cuts and Jobs Act (TCJA) from accumulated other comprehensive income to retained earnings. Tax effects that are disproportionate in accumulated other comprehensive income for reasons other than the TCJA may not be reclassified. This update required additional disclosures on whether an entity elects to reclassify the disproportionate tax effects and its policy for releasing tax effects from accumulated other comprehensive income. This guidance was applied in the period of adoption.	January 1, 2019	The adoption of this update expanded certain of our disclosures but had no impact on our financial position or results of operations because we did not make the optional accounting policy election to reclassify the disproportionate tax effects resulting from the TCJA from accumulated other comprehensive income to retained earnings. We use an aggregate portfolio approach to release disproportionate tax effects when disposing of an entire business segment's portfolio.
ASC 310 "Receivables - Nonrefundable Fees and Other Costs"	This update shortened the amortization period to the earliest call date for certain callable debt securities held at a premium. This update did not impact securities held at a discount. The guidance was applied in the period of adoption.	January 1, 2019	The adoption of this update did not have a material impact on our financial position or results of operations.
ASC 718 "Compensation - Stock Compensation"	This update generally aligned the accounting guidance for share-based payments issued to non-employees with guidance for share-based payments issued to employees. Specifically, the update required non-employee share-based payments to be measured using the grant date fair value of the equity instruments that an entity is obligated to issue when the good has been delivered or the service has been rendered rather than being remeasured through the performance completion date. Additionally, for non-employee share-based payments that contain performance conditions, the update changed the criteria regarding the recognition of compensation cost to when achievement of a performance condition is probable rather than upon actual achievement of the performance condition. The guidance was applied in the period of adoption.	January 1, 2019	The adoption of this update did not have an impact on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 842 "Leases"	This update changed the accounting for leases, requiring lessees to report most leases on their balance sheets, regardless of whether the lease is classified as a finance lease or an operating lease. For lessees, the initial lease liability is equal to the present value of lease payments, and a corresponding asset, adjusted for certain items, is also recorded. Expense recognition for lessees remained similar to previous accounting requirements for capital and operating leases. For lessors, the guidance modified the classification criteria and the accounting for sales-type and direct financing leases. The guidance was applied using a modified retrospective approach through a cumulative-effect adjustment to retained earnings at the beginning of the period of adoption. In addition, the package of practical expedients available to leases that commenced prior to the date of adoption was applied.	January 1, 2019	See the summary table below for the financial statement impacts of this modified retrospective adoption on our financial statement line items at January 1, 2019. In addition, see Note 12 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for the additional disclosures required by the update.

Summary of Financial Statement Impacts of Accounting Updates Adopted in 2019:

	Balance at December 31, 2018	Balance at January 1, 2019	Effect of Change
	(in millions of dollars)		
Adjustments due to ASC 842			
Consolidated Balance Sheets			
Assets			
Other Assets	\$ 789.0	\$ 906.7	\$ 117.7
Deferred Income Tax	109.9	109.5	(0.4)
Liabilities			
Other Liabilities	1,762.8	1,884.8	122.0
Income Tax Payable	24.0	22.7	(1.3)
Stockholders' Equity			
Retained Earnings	9,863.1	9,859.7	(3.4)

Summary of Financial Statement Impacts of Accounting Updates adopted in 2018:

Effective January 1, 2018, we adopted an update under ASC 825 that changed the accounting and disclosure requirements for certain financial instruments. These changes included a requirement to measure equity investments, other than those that resulted in consolidation or are accounted for under the equity method, at fair value through net income unless the investment qualifies for certain practicability exceptions. The guidance was applied using a modified retrospective approach through a cumulative-effect reduction to accumulated other comprehensive income of \$17.5 million with a corresponding increase to retained earnings of \$14.5 million, a decrease to other long-term investments of \$3.8 million, and a decrease to deferred income tax liability of \$0.8 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 2 - Accounting Developments - Continued

Accounting Updates Outstanding:

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 326 "Financial Instruments - Credit Losses"	This update amends the guidance on the impairment of financial instruments. The update adds an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modifies the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognized as an allowance rather than as a reduction in the amortized cost of the security. The reversal of previously recognized credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures will also be required, including information used to develop the allowance for losses. The guidance is to be applied to most instruments in scope using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. For available-for-sale fixed maturity securities, the update is applied prospectively. Other-than-temporary impairment losses recognized on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed. Early adoption is permitted.	January 1, 2020	We have determined that this guidance is primarily applicable to our mortgage loan investments and reinsurance recoverables. The adoption of this update will result in the recognition of an allowance for expected credit losses on these applicable balances, with a corresponding immaterial cumulative-effect decrease to retained earnings. The adoption of this update will also expand our disclosures and modify the presentation of certain line items in our financial statements.
ASC 350 "Intangibles - Goodwill and Other"	This update eliminates the requirement to calculate the implied fair value of goodwill (the second step in the current two-step test) to measure a goodwill impairment charge. Instead, entities should perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the excess of the carrying amount over the fair value, with the loss not to exceed the total amount of goodwill allocated to that reporting unit. The guidance is to be applied prospectively, with early adoption permitted for goodwill impairment tests performed on testing dates after January 1, 2017.	January 1, 2020	The adoption of this update will not have a material effect on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 820 "Fair Value Measurement"	This update amended the fair value measurement guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removed certain disclosures related to Level 1 and Level 2 transfers and also removed the discussion regarding valuation processes of Level 3 fair value measurements. The update modifies guidance related to investments in certain entities that calculate net asset value to explicitly require disclosure regarding timing of liquidation of the investee's assets and timing of redemption restrictions. The update adds disclosures around the changes in unrealized gains and losses in other comprehensive income for recurring Level 3 investments held at the end of the reporting period and adds disclosures regarding certain unobservable inputs on Level 3 fair value measurements. The guidance was applied retrospectively or prospectively depending on the specific requirement of the update. Entities are permitted to early adopt any removed or modified disclosures and may delay adoption of the additional disclosures until their effective date.	December 31, 2018 for the removal and modification of certain disclosures and January 1, 2020 for the addition of certain disclosures.	We elected to early adopt the removal and modification of disclosures, as permitted by the update. We have elected to delay the adoption of the additional disclosures until the effective date. The adoption of this update will modify our disclosures but will not have an impact on our financial position or results of operations.
ASC 715 "Compensation - Retirement Benefits"	This update amends the defined benefit pension and other postretirement benefit guidance by removing or clarifying certain existing disclosure requirements, while also adding new disclosure requirements. Specifically, this update removes the requirement to disclose the effects of a one-percentage point change in the assumed healthcare cost trend and the requirement to disclose amounts in accumulated other comprehensive income expected to be recognized as part of net periodic benefit cost of the next year. This update adds a requirement to describe the reasons for significant gains and losses related to changes in the benefit obligation for the period. The update also clarifies that the projected benefit obligation (PBO) and accumulated benefit obligation (ABO) and fair value of plan assets are to be disclosed for plans with PBOs or ABOs in excess of plan assets. The guidance is to be applied retrospectively and early adoption is permitted.	December 31, 2020	The adoption of this update will modify our disclosures but will not have an impact on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 2 - Accounting Developments - Continued

ASC	Description	Date of Adoption	Effect on Financial Statements
ASC 944 "Financial Services - Insurance"	<p>This update significantly amends the accounting and disclosure requirements for long-duration insurance contracts. These changes include a requirement to review, and if necessary, update cash flow assumptions used to measure the liability for future policy benefits for traditional and limited-payment contracts at least annually, with changes recognized in earnings. In addition, an entity will be required to update the discount rate assumption at each reporting date using a yield that is reflective of an upper-medium grade fixed-income instrument, with changes recognized in other comprehensive income. These changes result in the elimination of the provision for risk of adverse deviation and premium deficiency (or loss recognition) testing. The update also requires that an entity measure all market risk benefits associated with deposit contracts at fair value, with changes recognized in earnings except for the portion attributable to a change in the instrument-specific credit risk, which is to be recognized in other comprehensive income. This update also simplifies the amortization of deferred acquisition costs by requiring amortization on a constant level basis over the expected term of the related contracts. Deferred acquisition costs are required to be written off for unexpected contract terminations but are no longer subject to an impairment test. Significant additional disclosures will also be required, which include disaggregated rollforwards of certain liability balances and the disclosure of qualitative and quantitative information about expected cash flows, estimates, and assumptions. The application of this guidance will vary based upon the specific requirements of the update but will generally result in either a modified retrospective or full retrospective approach with changes applied as of the beginning of the earliest period presented. Early adoption is permitted.</p> <p>* The Financial Accounting Standards Board (FASB) has ratified a one-year deferral of the effective date to January 1, 2022 and is expected to issue a final amendment later in 2019.</p>	January 1, 2021*	We are currently evaluating the impact of the update and expect that the adoption may have a material impact on our financial position and results of operations. The update will also significantly expand our disclosures.

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Note 3 - Fair Values of Financial Instruments

Fair Value Measurements for Financial Instruments Carried at Fair Value

We report fixed maturity securities, which are classified as available-for-sale securities, derivative financial instruments, and unrestricted equity securities at fair value in our consolidated balance sheets. We report our investments in private equity partnerships at our share of the partnerships' net asset value per share or its equivalent (NAV) as a practical expedient for fair value.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices in active markets generally have more pricing observability and less judgment utilized in measuring fair value. An active market for a financial instrument is a market in which transactions for an asset or a similar asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and should be used to measure fair value whenever available. Conversely, financial instruments rarely traded or not quoted have less observability and are measured at fair value using valuation techniques that require more judgment. Pricing observability is generally impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction, and overall market conditions.

We classify financial instruments in accordance with a fair value hierarchy consisting of three levels based on the observability of valuation inputs:

- Level 1 - the highest category of the fair value hierarchy classification wherein inputs are unadjusted and represent quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 - valued using inputs (other than prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 - the lowest category of the fair value hierarchy and reflects the judgment of management regarding what market participants would use in pricing assets or liabilities at the measurement date. Financial assets and liabilities categorized as Level 3 are generally those that are valued using unobservable inputs to extrapolate an estimated fair value.

Valuation Methodologies of Financial Instruments Measured at Fair Value

Valuation techniques used for assets and liabilities accounted for at fair value are generally categorized into three types. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities. The income approach converts future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. The cost approach is based upon the amount that currently would be required to replace the service capacity of an asset, or the current replacement cost.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available that can be obtained without undue cost and effort. In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or liability using quoted prices in an active market for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate. If we use multiple valuation techniques to measure fair value, we evaluate and weigh the results, as appropriate, considering the reasonableness of the range indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The selection of the valuation method(s) to apply considers the definition of an exit price and depends on the nature of the asset or liability being valued. For assets and liabilities accounted for at fair value, we generally use valuation techniques consistent with the market approach, and to a lesser extent, the income approach. We believe the market approach provides more observable data than the income approach, considering the type of investments we hold. Our fair value measurements could differ significantly based on the valuation technique and available inputs. When using a pricing service, we obtain the vendor's pricing documentation to ensure we understand their methodologies. We periodically review and approve the selection of our pricing vendors to ensure we are in agreement with their current methodologies. When markets are less active, brokers may rely more on models with inputs based on the information available only to the broker. Our internal investment management professionals, which include portfolio managers and analysts, monitor securities priced by brokers and evaluate their prices for reasonableness based on benchmarking to available primary and secondary market information. In weighing a broker quote as an input to fair value, we place less reliance on quotes that do not reflect the result of market transactions. We also consider the nature of the quote, particularly whether it is a bid or market quote. If prices in an inactive market do not reflect current prices for the same or similar assets, adjustments may be necessary to arrive at fair value. When relevant market data is unavailable, which may be the case during periods of market uncertainty, the income approach can, in suitable circumstances, provide a more appropriate fair value. During 2019, we have applied valuation approaches and techniques on a consistent basis to similar assets and liabilities and consistent with those approaches and techniques used at year end 2018.

Fixed Maturity and Equity Securities

We use observable and unobservable inputs in measuring the fair value of our fixed maturity and equity securities. For securities categorized as Level 1, fair values equal active Trade Reporting and Compliance Engine (TRACE) pricing or unadjusted broker market maker prices. For securities categorized as Level 2 or Level 3, inputs that may be used in valuing each class of securities at any given time period are disclosed below. Actual inputs used to determine fair values will vary for each reporting period depending on the availability of inputs which may, at times, be affected by the lack of market liquidity.

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
United States Government and Government Agencies and Authorities		
Valuation Method	Principally the market approach	Not applicable
Valuation Techniques / Inputs	Prices obtained from external pricing services	
States, Municipalities, and Political Subdivisions		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Relevant reports issued by analysts and rating agencies Audited financial statements	Analysis of similar bonds, adjusted for comparability
Foreign Governments		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services Non-binding broker quotes Call provisions	Analysis of similar bonds, adjusted for comparability

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
Public Utilities		
Valuation Method	Principally the market and income approaches	Principally the market and income approaches
Valuation Techniques / Inputs	Audited financial statements	Change in benchmark reference
	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	Discount for size - illiquidity
	Benchmark yields	Volatility of credit
	Transactional data for new issuances and secondary trades	Lack of marketability
	Security cash flows and structures	
	Recent issuance / supply	
	Security and issuer level spreads	
	Security creditor ratings/maturity/capital structure/optionality	
	Public covenants	
	Comparative bond analysis	
	Relevant reports issued by analysts and rating agencies	
Mortgage/Asset-Backed Securities		
Valuation Method	Principally the market and income approaches	Principally the market approach
Valuation Techniques / Inputs	Prices obtained from external pricing services	Analysis of similar bonds, adjusted for comparability
	Non-binding broker quotes	Prices obtained from external pricing services
	Security cash flows and structures	
	Underlying collateral	
	Prepayment speeds/loan performance/delinquencies	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
All Other Corporate Bonds		
Valuation Method	Principally the market and income approaches	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Change in benchmark reference

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Instrument	Level 2 Observable Inputs	Level 3 Unobservable Inputs
All Other Corporate Bonds - Continued		
	Non-binding broker quotes	Discount for size - illiquidity
	Benchmark yields	Volatility of credit
	Transactional data for new issuances and secondary trades	Lack of marketability
	Security cash flows and structures	Prices obtained from external pricing services
	Recent issuance / supply	
	Security and issuer level spreads	
	Security creditor ratings/maturity/capital structure/optionality	
	Public covenants	
	Comparative bond analysis	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Redeemable Preferred Stocks		
Valuation Method	Principally the market approach	Principally the market approach
Valuation Techniques / Inputs	Non-binding broker quotes	Financial statement analysis
	Benchmark yields	
	Comparative bond analysis	
	Call provisions	
	Relevant reports issued by analysts and rating agencies	
	Audited financial statements	
Equity Securities		
Valuation Method	Principally the market approach	Principally the market and income approaches
Valuation Techniques / Inputs	Prices obtained from external pricing services	Financial statement analysis
	Non-binding broker quotes	

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The management of our investment portfolio includes establishing pricing policy and reviewing the reasonableness of sources and inputs used in developing pricing. We review all prices that vary between multiple pricing vendors by a threshold that is outside a normal market range for the asset type. In the event we receive a vendor's market price that does not appear reasonable based on our comparative analysis, we may challenge the price and request further information about the assumptions and methodologies used by the vendor to price the security. We may change the vendor price based on a better data source such as an actual trade. We also review all prices that did not change from the prior month to ensure that these prices are within our expectations. The overall valuation process for determining fair values may include adjustments to valuations obtained from our pricing sources when they do not represent a valid exit price. These adjustments may be made when, in our judgment and considering our knowledge of the financial conditions and industry in which the issuer operates, certain features of the financial instrument require that an adjustment be made to the value originally obtained from our pricing sources. These features may include the complexity of the financial instrument, the market in which the financial instrument is traded, counterparty credit risk, credit structure, concentration, or liquidity. Additionally, an adjustment to the price derived from a model typically reflects our judgment of the inputs that other participants in the market for the financial instrument being measured at fair value would consider in pricing that same financial instrument. In the event an asset is sold, we test the validity of the fair value determined by our valuation techniques by comparing the selling price to the fair value determined for the asset in the immediately preceding month end reporting period.

Certain of our investments do not have readily determinable market prices and/or observable inputs or may at times be affected by the lack of market liquidity. For these securities, we use internally prepared valuations, including valuations based on estimates of future profitability, to estimate the fair value. Additionally, we may obtain prices from independent third-party brokers to aid in establishing valuations for certain of these securities. Key assumptions used by us to determine fair value for these securities include risk free interest rates, risk premiums, performance of underlying collateral (if any), and other factors involving significant assumptions which may or may not reflect those of an active market.

The parameters and inputs used to validate a price on a security may be adjusted for assumptions about risk and current market conditions on a quarter to quarter basis, as certain features may be more significant drivers of valuation at the time of pricing. Changes to inputs in valuations are not changes to valuation methodologies; rather, the inputs are modified to reflect direct or indirect impacts on asset classes from changes in market conditions.

At September 30, 2019, 19.7 percent of our fixed maturity securities were valued using active trades from TRACE pricing or broker market maker prices for which there was current market activity in that specific security (comparable to receiving one binding quote). The prices obtained were not adjusted, and the assets were classified as Level 1.

The remaining 80.3 percent of our fixed maturity securities were valued based on non-binding quotes or other observable and unobservable inputs, as discussed below:

- 67.3 percent of our fixed maturity securities were valued based on prices from pricing services that generally use observable inputs such as prices for securities or comparable securities in active markets in their valuation techniques. These assets were classified as Level 2.
- 9.0 percent of our fixed maturity securities were valued based on one or more non-binding broker quotes, if validated by observable market data. When only one price is available, it is used if observable inputs and analysis confirms that it is appropriate. These assets, for which we were able to validate the price using other observable market data, were classified as Level 2.
- 4.0 percent of our fixed maturity securities were valued based on prices of comparable securities, internal models, or pricing services or other non-binding quotes with no other observable market data. These assets were classified as either Level 2 or Level 3, with the categorization dependent on whether there was other observable market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Derivatives

Fair values for derivatives other than embedded derivatives in modified coinsurance arrangements are based on market quotes or pricing models and represent the net amount of cash we would have paid or received if the contracts had been settled or closed as of the last day of the period. We analyze credit default swap spreads relative to the average credit spread embedded within the LIBOR-setting syndicate in determining the effect of credit risk on our derivatives' fair values. If net counterparty credit risk for a derivative asset is determined to be material and is not adequately reflected in the LIBOR-based fair value obtained from our pricing sources, we adjust the valuations obtained from our pricing sources. For purposes of valuing net counterparty risk, we measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position or transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. In regard to our own credit risk component, we adjust the valuation of derivative liabilities wherein the counterparty is exposed to our credit risk when the LIBOR-based valuation of our derivatives obtained from pricing sources does not effectively include an adequate credit component for our own credit risk.

Fair values for our embedded derivative in a modified coinsurance arrangement are estimated using internal pricing models and represent the hypothetical value of the duration mismatch of assets and liabilities, interest rate risk, and third party credit risk embedded in the modified coinsurance arrangement.

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

Private Equity Partnerships

Our private equity partnerships represent funds that are primarily invested in private credit, private equity, and real assets, as described below. Distributions received from the funds arise from income generated by the underlying investments as well as the liquidation of the underlying investments. There is generally not a public market for these investments.

The following tables present additional information about our private equity partnerships, including commitments for additional investments which may or may not be funded:

Investment Category	September 30, 2019		
	Fair Value (in millions of dollars)	Redemption Term / Redemption Notice	Unfunded Commitments (in millions of dollars)
Private Credit (a)	\$ 172.0	Not redeemable	\$ 205.7
	32.3	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	6.2
Total Private Credit	204.3		211.9
Private Equity (b)	151.5	Not redeemable	166.5
Real Assets (c)	171.2	Not redeemable	134.1
	30.4	Quarterly / 90 days notice	25.0
Total Real Assets	201.6		159.1
Total Partnerships	\$ 557.4		\$ 537.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Investment Category	December 31, 2018		
	Fair Value	Redemption Term / Redemption Notice	Unfunded Commitments
	(in millions of dollars)		(in millions of dollars)
Private Credit (a)	\$ 168.6	Not redeemable	\$ 99.5
	25.7	Initial 2 year lock on each new investment / Quarterly after 2 year lock with 90 days notice	10.3
Total Private Credit	194.3		109.8
Private Equity (b)	128.3	Not redeemable	169.5
Real Assets (c)	131.0	Not redeemable	106.0
	30.2	Quarterly / 90 days notice	—
Total Real Assets	161.2		106.0
Total Partnerships	\$ 483.8		\$ 385.3

- (a) **Private Credit** - The limited partnerships described in this category employ various investment strategies, generally providing direct lending or other forms of debt financing including first-lien, second-lien, mezzanine, and subordinated loans. The limited partnerships have credit exposure to corporates, physical assets, and/or financial assets within a variety of industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail) in North America and, to a lesser extent, outside of North America. Unless specifically disclosed in the table above, these limited partnerships do not allow for redemptions. As of September 30, 2019, the estimated remaining life of the investments that do not allow for redemptions is approximately 58 percent in the next 3 years, 31 percent during the period from 3 to 5 years, 8 percent during the period from 5 to 10 years, and 3 percent during the period from 10 to 15 years.
- (b) **Private Equity** - The limited partnerships described in this category employ various strategies generally investing in controlling or minority control equity positions directly in companies and/or assets across various industries (including manufacturing, healthcare, energy, business services, technology, materials, and retail), primarily in private markets within North America and, to a lesser extent, outside of North America. Unless specifically disclosed in the table above, these limited partnerships do not allow for redemptions. As of September 30, 2019, the estimated remaining life of the investments that do not allow for redemptions is approximately 36 percent in the next 3 years, 7 percent during the period from 3 to 5 years, 55 percent during the period from 5 to 10 years, and 2 percent during the period from 10 to 15 years.
- (c) **Real Assets** - The limited partnerships described in this category employ various strategies, which include investing in the equity and/or debt financing of physical assets, including infrastructure (energy, power, water/wastewater, communications), transportation (including airports, ports, toll roads, aircraft, railcars) and real estate in North America, Europe, South America, and Asia. Unless specifically disclosed in the table above, these limited partnerships do not allow for redemptions. As of September 30, 2019, the estimated remaining life of the investments that do not allow for redemptions is approximately 1 percent in the next 3 years, 20 percent during period from 3 to 5 years, 71 percent during the period from 5 to 10 years, and 8 percent during the period from 10 to 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The following tables present information about assets and liabilities measured at fair value on a recurring basis by fair value level, based on the observability of the inputs used:

	September 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
	(in millions of dollars)				
Assets					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$ 210.8	\$ 1,636.7	\$ —	\$ —	\$ 1,847.5
States, Municipalities, and Political Subdivisions	—	2,935.6	13.1	—	2,948.7
Foreign Governments	—	1,019.9	31.9	—	1,051.8
Public Utilities	453.9	7,265.6	96.2	—	7,815.7
Mortgage/Asset-Backed Securities	—	1,452.0	61.2	—	1,513.2
All Other Corporate Bonds	8,689.2	23,107.2	421.7	—	32,218.1
Redeemable Preferred Stocks	—	40.0	—	—	40.0
Total Fixed Maturity Securities	9,353.9	37,457.0	624.1	—	47,435.0
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	34.7	—	—	34.7
Credit Default Swaps	—	0.2	—	—	0.2
Total Derivatives	—	34.9	—	—	34.9
Equity Securities	—	27.8	4.6	—	32.4
Private Equity Partnerships	—	—	—	557.4	557.4
Total Other Long-term Investments	—	62.7	4.6	557.4	624.7
Total Financial Instrument Assets Carried at Fair Value	\$ 9,353.9	\$ 37,519.7	\$ 628.7	\$ 557.4	\$ 48,059.7
Liabilities					
Other Liabilities					
Derivatives					
Interest Rate Swaps and Forwards	\$ —	\$ 1.1	\$ —	\$ —	\$ 1.1
Foreign Exchange Contracts	—	32.8	—	—	32.8
Embedded Derivative in Modified Coinsurance Arrangement	—	—	37.5	—	37.5
Total Derivatives	—	33.9	37.5	—	71.4
Total Financial Instrument Liabilities Carried at Fair Value	\$ —	\$ 33.9	\$ 37.5	\$ —	\$ 71.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

	December 31, 2018				
	Level 1	Level 2	Level 3	NAV	Total
	(in millions of dollars)				
Assets					
Fixed Maturity Securities					
United States Government and Government Agencies and Authorities	\$ 513.4	\$ 1,301.0	\$ —	\$ —	\$ 1,814.4
States, Municipalities, and Political Subdivisions	—	2,424.2	—	—	2,424.2
Foreign Governments	—	952.3	31.4	—	983.7
Public Utilities	286.4	7,041.7	84.7	—	7,412.8
Mortgage/Asset-Backed Securities	—	1,582.7	—	—	1,582.7
All Other Corporate Bonds	4,232.1	23,026.1	1,495.8	—	28,754.0
Redeemable Preferred Stocks	—	18.8	21.1	—	39.9
Total Fixed Maturity Securities	5,031.9	36,346.8	1,633.0	—	43,011.7
Other Long-term Investments					
Derivatives					
Foreign Exchange Contracts	—	30.4	—	—	30.4
Credit Default Swaps	—	0.5	—	—	0.5
Total Derivatives	—	30.9	—	—	30.9
Equity Securities	—	24.6	4.6	—	29.2
Private Equity Partnerships	—	—	—	483.8	483.8
Total Other Long-term Investments	—	55.5	4.6	483.8	543.9
Total Financial Instrument Assets Carried at Fair Value	\$ 5,031.9	\$ 36,402.3	\$ 1,637.6	\$ 483.8	\$ 43,555.6
Liabilities					
Other Liabilities					
Derivatives					
Interest Rate Swaps	\$ —	\$ 5.2	\$ —	\$ —	\$ 5.2
Foreign Exchange Contracts	—	32.8	—	—	32.8
Embedded Derivative in Modified Coinsurance Arrangement	—	—	31.1	—	31.1
Total Derivatives	—	38.0	31.1	—	69.1
Total Financial Instrument Liabilities Carried at Fair Value	\$ —	\$ 38.0	\$ 31.1	\$ —	\$ 69.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Changes in assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Three Months Ended September 30, 2019							Fair Value End of Period
	Fair Value Beginning of Period	Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		
		Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$ —	\$ —	\$ —	\$ 13.1	\$ —	\$ —	\$ —	\$ 13.1
Foreign Governments	31.9	—	—	—	—	—	—	31.9
Public Utilities	189.1	—	3.6	—	—	84.2	(180.7)	96.2
Mortgage/Asset- Backed Securities	—	—	(0.8)	—	—	62.0	—	61.2
All Other Corporate Bonds	1,014.1	—	2.7	19.8	(1.4)	76.5	(690.0)	421.7
Redeemable Preferred Stocks	—	—	—	—	—	—	—	—
Total Fixed Maturity Securities	1,235.1	—	5.5	32.9	(1.4)	222.7	(870.7)	624.1
Equity Securities	4.6	—	—	—	—	—	—	4.6
Embedded Derivative in Modified Coinsurance Arrangement	(26.4)	(11.1)	—	—	—	—	—	(37.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

	Three Months Ended September 30, 2018							
	Fair Value Beginning of Period	Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		Fair Value End of Period
		Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of	
Fixed Maturity Securities								
States, Municipalities, and Political Subdivisions	\$ 36.5	\$ —	\$ (1.5)	\$ —	\$ —	\$ 28.9	\$ —	\$ 63.9
Foreign Governments	31.5	—	0.1	—	—	—	—	31.6
Public Utilities	169.2	—	(1.2)	—	—	66.9	(112.5)	122.4
Mortgage/Asset- Backed Securities	0.5	—	—	—	—	—	—	0.5
All Other Corporate Bonds	816.3	—	(6.9)	—	(21.0)	358.8	(255.4)	891.8
Redeemable Preferred Stocks	21.6	—	(0.1)	—	—	—	—	21.5
Total Fixed Maturity Securities	1,075.6	—	(9.6)	—	(21.0)	454.6	(367.9)	1,131.7
Equity Securities	1.1	—	—	—	—	—	—	1.1
Embedded Derivative in Modified Coinsurance Arrangement	(19.9)	6.1	—	—	—	—	—	(13.8)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Nine Months Ended September 30, 2019									
	Fair Value Beginning of Year	Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		Fair Value End of Period	
		Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of		
(in millions of dollars)									
Fixed Maturity Securities									
States, Municipalities, and Political Subdivisions	\$ —	\$ —	\$ —	\$ 13.1	\$ —	\$ —	\$ —	\$ —	\$ 13.1
Foreign Governments	31.4	—	0.5	—	—	—	—	—	31.9
Public Utilities	84.7	—	0.8	—	—	87.5	(76.8)	—	96.2
Mortgage/Asset- Backed Securities	—	—	(1.2)	—	—	62.4	—	—	61.2
All Other Corporate Bonds	1,495.8	—	15.5	35.2	(48.6)	146.5	(1,222.7)	—	421.7
Redeemable Preferred Stocks	21.1	—	—	—	—	—	(21.1)	—	—
Total Fixed Maturity Securities	1,633.0	—	15.6	48.3	(48.6)	296.4	(1,320.6)	—	624.1
Equity Securities	4.6	—	—	—	—	—	—	—	4.6
Embedded Derivative in Modified Coinsurance Arrangement	(31.1)	(6.4)	—	—	—	—	—	—	(37.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Nine Months Ended September 30, 2018									
	Fair Value Beginning of Year	Total Realized and Unrealized Investment Gains (Losses) Included in				Level 3 Transfers		Fair Value End of Period	
		Earnings	Other Comprehensive Income or Loss	Purchases	Sales	Into	Out of		
(in millions of dollars)									
Fixed Maturity Securities									
States, Municipalities, and Political Subdivisions	\$ —	\$ —	\$ (1.6)	\$ —	\$ (0.4)	\$ 65.9	\$ —	\$ 63.9	
Foreign Governments	—	—	(1.2)	—	—	32.8	—	31.6	
Public Utilities	207.7	—	(6.7)	—	—	120.7	(199.3)	122.4	
Mortgage/Asset- Backed Securities	—	—	—	—	—	0.5	—	0.5	
All Other Corporate Bonds	1,150.1	5.8	(49.5)	47.0	(117.7)	471.0	(614.9)	891.8	
Redeemable Preferred Stocks	22.8	—	(1.3)	—	—	—	—	21.5	
Total Fixed Maturity Securities	1,380.6	5.8	(60.3)	47.0	(118.1)	690.9	(814.2)	1,131.7	
Equity Securities	1.1	—	—	—	—	—	—	1.1	
Embedded Derivative in Modified Coinsurance Arrangement	(15.9)	2.1	—	—	—	—	—	(13.8)	

Realized and unrealized investment gains and losses presented in the preceding tables represent gains and losses only for the time during which the applicable financial instruments were classified as Level 3. The transfers between levels resulted primarily from a change in observability of three inputs used to determine fair values of the securities transferred: (1) transactional data for new issuance and secondary trades, (2) broker/dealer quotes and pricing, primarily related to changes in the level of activity in the market and whether the market was considered orderly, and (3) comparable bond metrics from which to perform an analysis. For fair value measurements of financial instruments that were transferred either into or out of Level 3, we reflect the transfers using the fair value at the beginning of the period. We believe this allows for greater transparency, as all changes in fair value that arise during the reporting period of the transfer are disclosed as a component of our Level 3 reconciliation. Gains (losses) which are included in earnings and are attributable to the change in fair value of assets or liabilities valued using significant unobservable inputs and still held at period end were \$(11.1) million and \$(6.4) million for the three and nine months ended September 30, 2019, respectively, and \$6.1 million and \$2.1 million for the three and nine months ended September 30, 2018, respectively. These amounts relate entirely to the change in fair value of an embedded derivative in a modified coinsurance arrangement and are reported as a component of realized investment gains and losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The table below provides quantitative information regarding the significant unobservable inputs used in Level 3 fair value measurements derived from internal models. Certain securities classified as Level 3 are excluded from the table below due to limitations in our ability to obtain the underlying inputs used by external pricing sources.

		September 30, 2019			
		Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
		(in millions of dollars)			
Fixed Maturity Securities					
All Other Corporate Bonds - Private	\$ 120.5	Market Approach	Lack of Marketability Volatility of Credit Market Convention	(a) 8.64% - 8.64% / 8.64% (b) 0.35% - 0.50% / 0.42% (c) Priced at Par	
Equity Securities - Private	4.6	Market Approach	Market Convention	(c) Priced at Cost or Owner's Equity	
Embedded Derivative in Modified Coinsurance Arrangement	(37.5)	Discounted Cash Flows	Projected Liability Cash Flows	(d) Actuarial Assumptions	
		December 31, 2018			
		Fair Value	Valuation Method	Unobservable Input	Range/Weighted Average
		(in millions of dollars)			
Fixed Maturity Securities					
All Other Corporate Bonds - Private	\$ 148.5	Market Approach	Lack of Marketability Volatility of Credit Market Convention	(a) 0.25% - 0.25% / 0.25% (b) 0.25% - 10.99% / 1.00% (c) Priced at Par	
Equity Securities - Private	4.6	Market Approach	Market Convention	(c) Priced at Cost or Owner's Equity	
Embedded Derivative in Modified Coinsurance Arrangement	(31.1)	Discounted Cash Flows	Projected Liability Cash Flows	(d) Actuarial Assumptions	

- (a) Represents basis point adjustments to apply a discount due to the illiquidity of an investment
- (b) Represents basis point adjustments for credit-specific factors
- (c) Represents a decision to price based on par value, cost, or owner's equity when limited data is available
- (d) Represents various actuarial assumptions required to derive the liability cash flows including incidence, termination, and lapse rates

Isolated increases in unobservable inputs other than market convention will result in a lower fair value measurement, whereas isolated decreases will result in a higher fair value measurement. The unobservable input for market convention is not sensitive to input movements. The projected liability cash flows used in the fair value measurement of our Level 3 embedded derivative are based on expected claim payments. If claim payments increase, the projected liability cash flows will increase, resulting in a decrease in the fair value of the embedded derivative. Decreases in projected liability cash flows will result in an increase in the fair value of the embedded derivative.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

Fair Value Measurements for Financial Instruments Not Carried at Fair Value

The methods and assumptions used to estimate fair values of financial instruments not carried at fair value are discussed as follows:

Mortgage Loans: Fair values are estimated using discounted cash flow analyses and interest rates currently being offered for similar loans to borrowers with similar credit ratings and maturities. Loans with similar characteristics are aggregated for purposes of the calculations.

Policy Loans: Fair values for policy loans, net of reinsurance ceded, are estimated using discounted cash flow analyses and interest rates currently being offered to policyholders with similar policies. Carrying amounts for ceded policy loans, which equal \$3,476.9 million and \$3,449.3 million as of September 30, 2019 and December 31, 2018, respectively, approximate fair value and are reported on a gross basis in our consolidated balance sheets. A change in interest rates for ceded policy loans will not impact our financial position because the benefits and risks are fully ceded to reinsuring counterparties.

Miscellaneous Long-term Investments: Carrying amounts for tax credit partnerships equal the unamortized balance of our contractual commitments and approximate fair value. Our shares of Federal Home Loan Bank (FHLB) common stock are carried at cost, which approximates fair value.

Long-term Debt: Fair values for long-term debt are obtained from independent pricing services or discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements.

FHLB Funding Agreements: Funding agreements with the FHLB represent cash advances used for the purpose of investing in fixed maturity securities. Carrying amounts approximate fair value.

Unfunded Commitments to Investment Partnerships: Unfunded equity commitments represent amounts that we have committed to fund certain investment partnerships. These commitments are legally binding, subject to the partnerships meeting specified conditions. Carrying amounts of these financial instruments approximate fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The following table presents the carrying amounts and estimated fair values of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

	September 30, 2019					Carrying Value
	Estimated Fair Value				Total	
	Level 1	Level 2	Level 3			
(in millions of dollars)						
Assets						
Mortgage Loans	\$ —	\$ 2,491.6	\$ —	\$ 2,491.6	\$ 2,321.7	
Policy Loans	—	—	3,899.3	3,899.3	3,763.6	
Other Long-term Investments						
Miscellaneous Long-term Investments	—	18.5	66.5	85.0	85.0	
Total Financial Instrument Assets Not Carried at Fair Value	\$ —	\$ 2,510.1	\$ 3,965.8	\$ 6,475.9	\$ 6,170.3	
Liabilities						
Long-term Debt	\$ 2,588.0	\$ 763.6	\$ —	\$ 3,351.6	\$ 3,037.6	
Other Liabilities						
Unfunded Commitments	—	2.0	—	2.0	2.0	
Total Financial Instrument Liabilities Not Carried at Fair Value	\$ 2,588.0	\$ 765.6	\$ —	\$ 3,353.6	\$ 3,039.6	
December 31, 2018						
Estimated Fair Value						Carrying Value
Level 1	Level 2	Level 3	Total			
(in millions of dollars)						
Assets						
Mortgage Loans	\$ —	\$ 2,317.4	\$ —	\$ 2,317.4	\$ 2,295.0	
Policy Loans	—	—	3,831.1	3,831.1	3,729.9	
Other Long-term Investments						
Miscellaneous Long-term Investments	—	24.1	91.5	115.6	115.6	
Total Financial Instrument Assets Not Carried at Fair Value	\$ —	\$ 2,341.5	\$ 3,922.6	\$ 6,264.1	\$ 6,140.5	
Liabilities						
Long-term Debt	\$ 1,429.8	\$ 1,639.4	\$ —	\$ 3,069.2	\$ 2,971.3	
Payables for Collateral on Investments						
FHLB Funding Agreements	—	104.0	—	104.0	104.0	
Other Liabilities						
Unfunded Commitments	—	2.3	—	2.3	2.3	
Total Financial Instrument Liabilities Not Carried at Fair Value	\$ 1,429.8	\$ 1,745.7	\$ —	\$ 3,175.5	\$ 3,077.6	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 3 - Fair Values of Financial Instruments - Continued

The carrying values of financial instruments such as short-term investments, cash and bank deposits, accounts and premiums receivable, accrued investment income, securities lending agreements, and short-term debt approximate fair value due to the short-term nature of the instruments. As such, these financial instruments are not included in the above chart.

Fair values for insurance contracts other than investment contracts are not required to be disclosed. However, the fair values of liabilities under all insurance contracts are taken into consideration in our overall management of interest rate risk, which seeks to minimize exposure to changing interest rates through the matching of investment maturities with amounts due under insurance contracts.

Note 4 - Investments

Fixed Maturity Securities

At September 30, 2019 and December 31, 2018, all fixed maturity securities were classified as available-for-sale. The amortized cost and fair values of securities by security type are shown as follows:

	September 30, 2019			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$ 1,652.7	\$ 195.1	\$ 0.3	\$ 1,847.5
States, Municipalities, and Political Subdivisions	2,415.7	534.3	1.3	2,948.7
Foreign Governments	812.4	239.8	0.4	1,051.8
Public Utilities	6,424.8	1,396.6	5.7	7,815.7
Mortgage/Asset-Backed Securities	1,406.7	106.7	0.2	1,513.2
All Other Corporate Bonds	28,038.4	4,290.1	110.4	32,218.1
Redeemable Preferred Stocks	39.0	1.0	—	40.0
Total Fixed Maturity Securities	\$ 40,789.7	\$ 6,763.6	\$ 118.3	\$ 47,435.0
	December 31, 2018			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$ 1,702.1	\$ 123.2	\$ 10.9	\$ 1,814.4
States, Municipalities, and Political Subdivisions	2,121.5	307.1	4.4	2,424.2
Foreign Governments	825.8	162.7	4.8	983.7
Public Utilities	6,626.2	850.0	63.4	7,412.8
Mortgage/Asset-Backed Securities	1,523.8	67.2	8.3	1,582.7
All Other Corporate Bonds	27,436.8	1,981.6	664.4	28,754.0
Redeemable Preferred Stocks	39.0	1.1	0.2	39.9
Total Fixed Maturity Securities	\$ 40,275.2	\$ 3,492.9	\$ 756.4	\$ 43,011.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

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

	September 30, 2019			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$ 89.7	\$ 0.3	\$ —	\$ —
States, Municipalities, and Political Subdivisions	134.4	1.3	—	—
Foreign Governments	3.8	0.4	—	—
Public Utilities	120.8	2.9	12.9	2.8
Mortgage/Asset-Backed Securities	12.4	0.2	3.1	—
All Other Corporate Bonds	499.3	34.3	471.0	76.1
Total Fixed Maturity Securities	\$ 860.4	\$ 39.4	\$ 487.0	\$ 78.9

	December 31, 2018			
	Less Than 12 Months		12 Months or Greater	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in millions of dollars)			
United States Government and Government Agencies and Authorities	\$ 68.8	\$ 1.7	\$ 212.5	\$ 9.2
States, Municipalities, and Political Subdivisions	183.2	2.1	65.0	2.3
Foreign Governments	58.4	3.8	12.0	1.0
Public Utilities	740.1	31.3	325.7	32.1
Mortgage/Asset-Backed Securities	81.5	1.2	201.6	7.1
All Other Corporate Bonds	9,240.2	462.2	1,704.9	202.2
Redeemable Preferred Stocks	18.8	0.2	—	—
Total Fixed Maturity Securities	\$ 10,391.0	\$ 502.5	\$ 2,521.7	\$ 253.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

The following is a distribution of the maturity dates for fixed maturity securities. The maturity dates have not been adjusted for possible calls or prepayments.

	September 30, 2019				
	Total Amortized Cost	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
(in millions of dollars)					
1 year or less	\$ 1,286.5	\$ 17.7	\$ 1,294.0	\$ 1.2	\$ 9.0
Over 1 year through 5 years	5,942.5	445.8	6,081.9	47.3	259.1
Over 5 years through 10 years	13,503.9	1,716.1	14,727.8	25.3	466.9
Over 10 years	18,650.1	4,477.3	22,486.2	44.3	596.9
	39,383.0	6,656.9	44,589.9	118.1	1,331.9
Mortgage/Asset-Backed Securities	1,406.7	106.7	1,497.7	0.2	15.5
Total Fixed Maturity Securities	\$ 40,789.7	\$ 6,763.6	\$ 46,087.6	\$ 118.3	\$ 1,347.4

	December 31, 2018				
	Total Amortized Cost	Unrealized Gain Position		Unrealized Loss Position	
		Gross Gain	Fair Value	Gross Loss	Fair Value
(in millions of dollars)					
1 year or less	\$ 1,073.3	\$ 14.5	\$ 1,020.1	\$ 8.4	\$ 59.3
Over 1 year through 5 years	6,267.5	300.6	5,186.9	80.2	1,301.0
Over 5 years through 10 years	12,573.4	795.0	6,812.7	303.9	6,251.8
Over 10 years	18,837.2	2,315.6	15,779.7	355.6	5,017.5
	38,751.4	3,425.7	28,799.4	748.1	12,629.6
Mortgage/Asset-Backed Securities	1,523.8	67.2	1,299.6	8.3	283.1
Total Fixed Maturity Securities	\$ 40,275.2	\$ 3,492.9	\$ 30,099.0	\$ 756.4	\$ 12,912.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

The following chart depicts an analysis of our fixed maturity security portfolio between investment-grade and below-investment-grade categories as of September 30, 2019:

	Fair Value	Gross Unrealized Gain (in millions of dollars)	Gross Unrealized Loss	
			Amount	Percent of Total Gross Unrealized Loss
Investment-Grade	\$ 44,372.4	\$ 6,609.3	\$ 17.7	15.0%
Below-Investment-Grade	3,062.6	154.3	100.6	85.0
Total Fixed Maturity Securities	\$ 47,435.0	\$ 6,763.6	\$ 118.3	100.0%

The unrealized losses on investment-grade fixed maturity securities principally relate to changes in interest rates or changes in market or sector credit spreads which occurred subsequent to the acquisition of the securities. Below-investment-grade fixed maturity securities are generally more likely to develop credit concerns than investment-grade securities. At September 30, 2019, the unrealized losses in our below-investment-grade fixed maturity securities were generally due to credit spreads in certain industries or sectors and, to a lesser extent, credit concerns related to specific securities. For each specific security in an unrealized loss position, we believe that there are positive factors which mitigate credit concerns and that the securities for which we have not recorded an other-than-temporary impairment will recover in value.

As of September 30, 2019, we held 79 individual investment-grade fixed maturity securities and 52 individual below-investment-grade fixed maturity securities that were in an unrealized loss position, of which 13 investment-grade fixed maturity securities and 33 below-investment-grade fixed maturity securities had been in an unrealized loss position continuously for over one year.

In determining when a decline in fair value below amortized cost of a fixed maturity security is other than temporary, we evaluate the following factors:

- Whether we expect to recover the entire amortized cost basis of the security
- Whether we intend to sell the security or will be required to sell the security before the recovery of its amortized cost basis
- Whether the security is current as to principal and interest payments
- The significance of the decline in value
- The time period during which there has been a significant decline in value
- Current and future business prospects and trends of earnings
- The valuation of the security's underlying collateral
- Relevant industry conditions and trends relative to their historical cycles
- Market conditions
- Rating agency and governmental actions
- Bid and offering prices and the level of trading activity
- Adverse changes in estimated cash flows for securitized investments
- Changes in fair value subsequent to the balance sheet date
- Any other key measures for the related security

While determining other-than-temporary impairments is a judgmental area, we utilize a formal, well-defined, and disciplined process to monitor and evaluate our fixed income investment portfolio, supported by issuer specific research and documentation as of the end of each period. The process results in a thorough evaluation of problem investments and the recording of losses on a timely basis for investments determined to have an other-than-temporary impairment.

We held no fixed maturity securities as of September 30, 2019 or December 31, 2018 for which a portion of an other-than-temporary impairment was recognized in accumulated other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

At September 30, 2019, we had commitments of \$173.6 million to fund private placement fixed maturity securities, the amount of which may or may not be funded.

Variable Interest Entities

We invest in variable interests issued by variable interest entities. These investments include tax credit partnerships, private equity partnerships, and special purpose entities. For those variable interests that are not consolidated in our financial statements, we are not the primary beneficiary because we have neither the power to direct the activities that are most significant to economic performance nor the responsibility to absorb a majority of the expected losses. The determination of whether we are the primary beneficiary is performed at the time of our initial investment and at the date of each subsequent reporting period.

As of September 30, 2019, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$623.9 million, comprised of \$66.5 million of tax credit partnerships and \$557.4 million of private equity partnerships. At December 31, 2018, the carrying amount of our variable interest entity investments that are not consolidated in our financial statements was \$575.3 million, comprised of \$91.5 million of tax credit partnerships and \$483.8 million of private equity partnerships. These variable interest entity investments are reported as other long-term investments in our consolidated balance sheets.

The Company invests in tax credit partnerships primarily for the receipt of income tax credits and tax benefits derived from passive losses on the investments. Amounts recognized in the consolidated statements of operations are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Income Tax Credits	\$ 9.5	\$ 10.4	\$ 28.3	\$ 31.1
Amortization, net of tax	(6.1)	(7.1)	(19.0)	(21.1)
Income Tax Benefit	\$ 3.4	\$ 3.3	\$ 9.3	\$ 10.0

Contractually, we are a limited partner in these tax credit partnerships, and our maximum exposure to loss is limited to the carrying value of our investment, which includes \$2.0 million of unfunded unconditional commitments at September 30, 2019. See Note 3 for commitments to fund private equity partnerships.

We are the sole beneficiary of a special purpose entity which is consolidated in our financial statements. This entity is a securitized asset trust containing a highly rated bond for principal protection which we contributed into the trust at the time it was established. There are no restrictions on the asset held in this trust, and the trust is free to dispose of the asset at any time. The fair values of the bond were \$159.9 million and \$156.7 million as of September 30, 2019 and December 31, 2018, respectively. The bond is reported as a component of fixed maturity securities in our consolidated balance sheets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

Mortgage Loans

Our mortgage loan portfolio is well diversified by both geographic region and property type to reduce risk of concentration. All of our mortgage loans are collateralized by commercial real estate. When issuing a new loan, our general policy is not to exceed a loan-to-value ratio, or the ratio of the loan balance to the estimated fair value of the underlying collateral, of 75 percent. We update the loan-to-value ratios at least every three years for each loan, and properties undergo a general inspection at least every two years. Our general policy for newly issued loans is to have a debt service coverage ratio greater than 1.25 times on a normalized 25 year amortization period. We update our debt service coverage ratios annually. Mortgage loans by property type and geographic region are presented below.

	September 30, 2019		December 31, 2018	
	Carrying Amount	Percent of Total	Carrying Amount	Percent of Total
(in millions of dollars)				
Property Type				
Apartment	\$ 535.4	23.1%	\$ 491.0	21.4%
Industrial	608.1	26.2	635.6	27.7
Office	561.5	24.2	604.2	26.3
Retail	568.7	24.5	519.5	22.6
Other	48.0	2.0	44.7	2.0
Total	\$ 2,321.7	100.0%	\$ 2,295.0	100.0%
Region				
New England	\$ 40.7	1.8%	\$ 45.9	2.0%
Mid-Atlantic	170.0	7.3	160.6	7.0
East North Central	290.1	12.5	354.4	15.4
West North Central	217.3	9.3	190.3	8.3
South Atlantic	527.2	22.7	485.2	21.1
East South Central	115.2	5.0	105.5	4.6
West South Central	222.3	9.6	240.6	10.5
Mountain	262.9	11.3	242.7	10.6
Pacific	476.0	20.5	469.8	20.5
Total	\$ 2,321.7	100.0%	\$ 2,295.0	100.0%

We evaluate each of our mortgage loans individually for impairment and assign an internal credit quality rating based on a comprehensive rating system used to evaluate the credit risk of the loan. The factors we use to derive our internal credit ratings may include the following:

- Loan-to-value ratio
- Debt service coverage ratio based on current operating income
- Property location, including regional economics, trends and demographics
- Age, condition, and construction quality of property
- Current and historical occupancy of property
- Lease terms relative to market
- Tenant size and financial strength
- Borrower's financial strength
- Borrower's equity in transaction
- Additional collateral, if any

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

Although all available and applicable factors are considered in our analysis, loan-to-value and debt service coverage ratios are the most critical factors in determining whether we will initially issue the loan and also in assigning values and determining impairment. We assign an overall rating to each loan using an internal rating scale of AA (highest quality) to B (lowest quality). We review and adjust, as needed, our internal credit quality ratings on an annual basis. This review process is performed more frequently for mortgage loans deemed to have a higher risk of delinquency.

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

	September 30, 2019	December 31, 2018
	(in millions of dollars)	
Internal Rating		
A	\$ 386.5	\$ 477.5
BBB	1,935.2	1,814.1
BB	—	3.4
Total	\$ 2,321.7	\$ 2,295.0
Loan-to-Value Ratio		
<= 65%	\$ 1,118.7	\$ 1,204.8
> 65% <= 75%	1,163.9	1,049.1
> 75% <= 85%	—	11.8
> 85%	39.1	29.3
Total	\$ 2,321.7	\$ 2,295.0

There were no troubled debt restructurings during the three and nine months ended September 30, 2019. We had one mortgage loan which was modified in a troubled debt restructuring during the second quarter of 2018. The loan had a principal balance of \$3.6 million prior to the restructuring, wherein the terms of the loan were modified to reduce monthly payments to interest-only at the current note rate and to permit a discounted payoff by September 2018. At time of restructuring, we recorded an allowance for credit losses on mortgage loans and recognized an impairment loss of \$0.2 million in the second quarter of 2018. The payoff of the loan did not occur in September 2018 and the loan was considered impaired as of December 31, 2018. The loan was settled during the first quarter of 2019 resulting in an additional loss of \$0.1 million. At September 30, 2019, we held no mortgage loans that were greater than 90 days past due regarding principal and/or interest payments.

Our average investment in impaired mortgage loans was zero and \$0.8 million for the three and nine months ended September 30, 2019, respectively. Our average investment in impaired mortgage loans was \$1.1 million for the three and nine months ended September 30, 2018. We did not recognize any interest income on mortgage loans subsequent to impairment during the three and nine months ended September 30, 2019 or 2018.

There have been no changes to our accounting policies or methodology from the prior period regarding estimating the allowance for credit losses on our mortgage loans. The activity in the allowance for credit losses is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Balance at Beginning of Period	\$ —	\$ —	\$ 0.2	\$ —
Provision	—	0.2	0.1	0.2
Charge-offs, Net of Recoveries	—	—	(0.3)	—
Balance at End of Period	\$ —	\$ 0.2	\$ —	\$ 0.2

At September 30, 2019, we had commitments of \$16.0 million to fund certain commercial mortgage loans, the amount of which may or may not be funded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

Transfers of Financial Assets

To manage our cash position more efficiently, we may enter into repurchase agreements with unaffiliated financial institutions. We generally use repurchase agreements as a means to finance the purchase of invested assets or for short-term general business purposes until projected cash flows become available from our operations or existing investments. Our repurchase agreements are typically outstanding for less than 30 days. We post collateral through our repurchase agreement transactions whereby the counterparty commits to purchase securities with the agreement to resell them to us at a later, specified date. The fair value of collateral posted is generally 102 percent of the cash received.

Our investment policy also permits us to lend fixed maturity securities to unaffiliated financial institutions in short-term securities lending agreements. These agreements increase our investment income with minimal risk. Our securities lending policy requires that a minimum of 102 percent of the fair value of the securities loaned be maintained as collateral. We may receive cash and/or securities as collateral under these agreements. Cash received as collateral is typically reinvested in short-term investments. If securities are received as collateral, we are not permitted to sell or re-post them.

As of September 30, 2019, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$153.6 million, for which we received collateral in the form of cash and securities of \$1.8 million and \$158.1 million, respectively. As of December 31, 2018, the carrying amount of fixed maturity securities loaned to third parties under our securities lending program was \$164.1 million, for which we received collateral in the form of cash and securities of \$0.1 million and \$171.4 million, respectively. We had no outstanding repurchase agreements at September 30, 2019 or December 31, 2018.

The remaining contractual maturities of our securities lending agreements disaggregated by class of collateral pledged are as follows:

	September 30, 2019	December 31, 2018
	Overnight and Continuous	
	(in millions of dollars)	
Public Utilities	\$ 0.1	\$ —
All Other Corporate Bonds	1.7	0.1
Total Borrowings	1.8	0.1
Gross Amount of Recognized Liability for Securities Lending Transactions	1.8	0.1
Amounts Related to Agreements Not Included in Offsetting Disclosure Contained Herein	\$ —	\$ —

Certain of our U.S. insurance subsidiaries are members of regional FHLBs. Membership, which requires that we purchase a minimum amount of FHLB common stock on which we receive dividends, provides access to low-cost funding. Advances received from the FHLB are used for the purchase of fixed maturity securities. Additional common stock purchases may be required, based on the amount of funds we borrow from the FHLBs. The carrying value of common stock owned, collateral posted, and advances received are as follows:

	September 30, 2019	December 31, 2018
	(in millions of dollars)	
Carrying Value of FHLB Common Stock	\$ 18.5	\$ 24.1
Advances from FHLB	\$ —	\$ 104.0
Carrying Value of Collateral Posted to FHLB		
Fixed Maturity Securities	\$ 185.5	\$ 219.8
Commercial Mortgage Loans	175.2	179.9
Total Carrying Value of Collateral Posted to FHLB	\$ 360.7	\$ 399.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

Offsetting of Financial Instruments

We enter into master netting agreements with each of our derivatives counterparties. These agreements provide for conditional rights of set-off upon the occurrence of an early termination event. An early termination event is considered a default, and it allows the non-defaulting party to offset its contracts in a loss position against any gain positions or payments due to the defaulting party. Under our agreements, default type events are defined as failure to pay or deliver as contractually agreed, misrepresentation, bankruptcy, or merger without assumption. See Note 5 for further discussion of collateral related to our derivative contracts.

We have securities lending agreements with unaffiliated financial institutions that post collateral to us in return for the use of our fixed maturity securities. A right of set-off exists that allows us to keep and apply collateral received in the event of default by the counterparty. Default within a securities lending agreement would typically occur if the counterparty failed to return the securities borrowed from us as contractually agreed. In addition, if we default by not returning collateral received, the counterparty has a right of set-off against our securities or any other amounts due to us.

Shown below are our financial instruments that either meet the accounting requirements that allow them to be offset in our balance sheets or that are subject to an enforceable master netting arrangement or similar agreement. Our accounting policy is to not offset these financial instruments in our balance sheets. Net amounts disclosed below have been reduced by the amount of collateral pledged to or received from our counterparties.

	September 30, 2019						
	Gross Amount of Recognized Financial Instruments	Gross Amount Offset in Balance Sheet	Net Amount Presented in Balance Sheet	Gross Amount Not Offset in Balance Sheet		Net Amount	
				Financial Instruments	Cash Collateral		
	(in millions of dollars)						
Financial Assets:							
Derivatives	\$ 34.9	\$ —	\$ 34.9	\$ (6.1)	\$ (28.8)	\$ —	
Securities Lending	153.6	—	153.6	(151.8)	(1.8)	—	
Total	<u>\$ 188.5</u>	<u>\$ —</u>	<u>\$ 188.5</u>	<u>\$ (157.9)</u>	<u>\$ (30.6)</u>	<u>\$ —</u>	
Financial Liabilities:							
Derivatives	\$ 33.9	\$ —	\$ 33.9	\$ (32.4)	\$ —	\$ 1.5	
Securities Lending	1.8	—	1.8	(1.8)	—	—	
Total	<u>\$ 35.7</u>	<u>\$ —</u>	<u>\$ 35.7</u>	<u>\$ (34.2)</u>	<u>\$ —</u>	<u>\$ 1.5</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

	December 31, 2018					
	Gross Amount of Recognized Financial Instruments	Gross Amount Offset in Balance Sheet	Net Amount Presented in Balance Sheet	Gross Amount Not Offset in Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral	
	(in millions of dollars)					
Financial Assets:						
Derivatives	\$ 30.9	\$ —	\$ 30.9	\$ (6.9)	\$ (24.0)	\$ —
Securities Lending	164.1	—	164.1	(164.0)	(0.1)	—
Total	\$ 195.0	\$ —	\$ 195.0	\$ (170.9)	\$ (24.1)	\$ —
Financial Liabilities:						
Derivatives	\$ 38.0	\$ —	\$ 38.0	\$ (33.2)	\$ —	\$ 4.8
Securities Lending	0.1	—	0.1	(0.1)	—	—
Total	\$ 38.1	\$ —	\$ 38.1	\$ (33.3)	\$ —	\$ 4.8

Net Investment Income

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Fixed Maturity Securities	\$ 546.7	\$ 560.4	\$ 1,656.3	\$ 1,682.7
Derivatives	19.1	16.5	55.0	48.1
Mortgage Loans	25.4	27.9	77.0	84.3
Policy Loans	5.0	4.7	14.5	13.7
Other Long-term Investments				
Equity Securities ¹	0.1	1.7	4.8	2.0
Private Equity Partnerships ²	4.7	10.5	19.5	28.8
Other	0.2	1.4	2.8	5.0
Short-term Investments	8.7	7.9	22.4	17.5
Gross Investment Income	609.9	631.0	1,852.3	1,882.1
Less Investment Expenses	7.3	8.4	23.6	26.8
Less Investment Income on Participation Fund Account Assets	3.2	3.4	9.7	10.2
Net Investment Income	\$ 599.4	\$ 619.2	\$ 1,819.0	\$ 1,845.1

¹ The net unrealized gain recognized in net investment income for the three and nine months ended September 30, 2019 related to equity securities still held at September 30, 2019 was \$0.3 million and \$3.3 million, respectively. The net unrealized gain recognized in net investment income for the three and nine months ended September 30, 2018 related to equity securities still held at September 30, 2018 was \$0.3 million and \$0.6 million, respectively.

² The net unrealized gain (loss) recognized in net investment income for the three and nine months ended September 30, 2019 related to private equity partnerships still held at September 30, 2019 was \$(1.1) million and \$2.6 million, respectively. The net unrealized gain recognized in net investment income for the three and nine months ended September 30, 2018 related to private equity partnerships still held at September 30, 2018 was \$2.7 million and \$8.2 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 4 - Investments - Continued

Realized Investment Gain and Loss

Realized investment gains and losses are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Fixed Maturity Securities				
Gross Gains on Sales	\$ 11.3	\$ 4.8	\$ 22.5	\$ 9.4
Gross Losses on Sales	(5.7)	(3.8)	(30.5)	(8.3)
Other-Than-Temporary Impairment Loss	(20.8)	—	(20.8)	(1.0)
Mortgage Loans and Other Invested Assets				
Gross Gains on Sales	0.6	0.1	4.5	0.2
Gross Losses on Sales	—	—	(0.1)	—
Impairment Loss	—	(0.6)	—	(0.8)
Embedded Derivative in Modified Coinsurance Arrangement	(11.1)	6.1	(6.4)	2.1
All Other Derivatives	(0.1)	0.2	(0.7)	0.9
Foreign Currency Transactions	(0.4)	(0.1)	(0.9)	(0.6)
Net Realized Investment Gain (Loss)	\$ (26.2)	\$ 6.7	\$ (32.4)	\$ 1.9

Note 5 - Derivative Financial Instruments

Purpose of Derivatives

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk, risk related to matching duration for our assets and liabilities, foreign currency risk, and credit risk. Historically, we have utilized current and forward interest rate swaps, current and forward currency swaps, forward benchmark interest rate locks, currency forward contracts, forward contracts on specific fixed income securities, and credit default swaps. Transactions hedging interest rate risk are primarily associated with our individual and group long-term care and individual and group disability products. All other product portfolios are periodically reviewed to determine if hedging strategies would be appropriate for risk management purposes. We do not use derivative financial instruments for speculative purposes.

Derivatives designated as cash flow hedges and used to reduce our exposure to interest rate and duration risk are as follows:

- *Interest rate swaps* are used to hedge interest rate risks and to improve the matching of assets and liabilities. An interest rate swap is an agreement in which we agree with other parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts. We use interest rate swaps to hedge the anticipated purchase of fixed maturity securities thereby protecting us from the potential adverse impact of declining interest rates on the associated policy reserves. We also use interest rate swaps to hedge the potential adverse impact of rising interest rates in anticipation of issuing fixed rate long-term debt.
- *Forward benchmark interest rate locks* are used to minimize interest rate risk associated with the anticipated purchase or disposal of fixed maturity securities or debt. A forward benchmark interest rate lock is a derivative contract without an initial investment where we and the counterparty agree to purchase or sell a specific benchmark interest rate fixed maturity bond at a future date at a pre-determined price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

Derivatives designated as fair value hedges and used to reduce our exposure to interest rate and duration risk are as follows:

- *Interest rate swaps* are used to effectively convert certain of our fixed rate securities into floating rate securities which are used to fund our floating rate long-term debt. Under these swap agreements, we receive a variable rate of interest and pay a fixed rate of interest. Additionally, we use interest rate swaps to effectively convert certain fixed rate, long-term debt into floating rate long-term debt. Under these swap agreements, we receive a fixed rate of interest and pay a variable rate of interest.

Derivatives designated as either cash flow or fair value hedges and used to reduce our exposure to foreign currency risk are as follows:

- *Foreign currency interest rate swaps* are used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. Under these swap agreements, we agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment.

Derivatives not designated as hedging instruments and used to reduce our exposure to foreign currency risk, credit losses on securities owned, and interest rate risk are as follows:

- *Foreign currency interest rate swaps* previously designated as hedges were used to hedge the currency risk of certain foreign currency-denominated fixed maturity securities owned for portfolio diversification. These derivatives were effective hedges prior to novation to a new counterparty. In conjunction with the novation, these derivatives were de-designated as hedges. We agree to pay, at specified intervals, fixed rate foreign currency-denominated principal and interest payments in exchange for fixed rate payments in the functional currency of the operating segment. We hold offsetting swaps wherein we agree to pay fixed rate principal and interest payments in the functional currency of the operating segment in exchange for fixed rate foreign currency-denominated payments.
- *Credit default swaps* are used as economic hedges against credit risk but do not qualify for hedge accounting. A credit default swap is an agreement in which we agree with another party to pay, at specified intervals, a fixed-rate fee in exchange for insurance against a credit event on a specific investment. If a defined credit event occurs, our counterparty may either pay us a net cash settlement or we may surrender the specific investment to them in exchange for cash equal to the full notional amount of the swap. Credit events typically include events such as bankruptcy, failure to pay, or certain types of debt restructuring.
- *Interest rate swap* was used to effectively convert certain of our floating rate, long-term debt into fixed rate long-term debt. Under this swap agreement, we received a variable rate of interest and paid a fixed rate of interest.
- *Foreign currency forward* contracts are used to minimize foreign currency risk. A foreign currency forward is a derivative without an initial investment where we and the counterparty agree to exchange a specific amount of currencies, at a specific exchange rate, on a specific date. We use these forward contracts to hedge the currency risk arising from foreign-currency denominated securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

Derivative Risks

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in interest and exchange rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives should generally offset the market risk associated with the hedged financial instrument or liability. To help limit the credit exposure of the derivatives, we enter into master netting agreements with our counterparties whereby contracts in a gain position can be offset against contracts in a loss position. We also typically enter into bilateral, cross-collateralization agreements with our counterparties to help limit the credit exposure of the derivatives. These agreements require the counterparty in a loss position to submit acceptable collateral with the other counterparty in the event the net loss position meets or exceeds an agreed upon amount. Our credit exposure on derivatives, which is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held, was \$0.3 million and \$0.9 million, at September 30, 2019 and December 31, 2018, respectively. The table below summarizes the nature and amount of collateral received from and posted to our derivative counterparties.

	September 30, 2019	December 31, 2018
	(in millions of dollars)	
Carrying Value of Collateral Received from Counterparties		
Cash	\$ 28.8	\$ 24.0
Carrying Value of Collateral Posted to Counterparties		
Fixed Maturity Securities	\$ 30.1	\$ 33.4

See Note 4 for further discussion of our master netting agreements.

The majority of our derivative instruments contain provisions that require us to maintain specified issuer credit ratings and financial strength ratings. Should our ratings fall below these specified levels, we would be in violation of the provisions, and our derivatives counterparties could terminate our contracts and request immediate payment. The aggregate fair value of all derivative instruments with credit risk-related contingent features that were in a liability position was \$33.9 million and \$38.0 million at September 30, 2019 and December 31, 2018, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

Derivative Transactions

The table below summarizes, by notional amounts, the activity for each category of derivatives. The notional amounts represent the basis upon which our counterparty pay and receive amounts are calculated.

	Swaps					
	Receive Variable/Pay Fixed	Receive Fixed/Pay Fixed	Receive Fixed/Pay Variable	Credit Default	Forwards	Total
	(in millions of dollars)					
Balance at June 30, 2018	\$ —	\$ 537.4	\$ 250.0	\$ —	\$ 20.6	\$ 808.0
Additions	—	31.9	—	11.2	—	43.1
Terminations	—	34.6	—	—	20.6	55.2
Balance at September 30, 2018	<u>\$ —</u>	<u>\$ 534.7</u>	<u>\$ 250.0</u>	<u>\$ 11.2</u>	<u>\$ —</u>	<u>\$ 795.9</u>
Balance at December 31, 2017	\$ 48.0	\$ 536.5	\$ 250.0	\$ 70.0	\$ —	\$ 904.5
Additions	—	58.3	—	11.2	47.4	116.9
Terminations	48.0	60.1	—	70.0	47.4	225.5
Balance at September 30, 2018	<u>\$ —</u>	<u>\$ 534.7</u>	<u>\$ 250.0</u>	<u>\$ 11.2</u>	<u>\$ —</u>	<u>\$ 795.9</u>
Balance at June 30, 2019	\$ —	\$ 558.8	\$ 250.0	\$ 10.9	\$ —	\$ 819.7
Additions	—	22.0	—	—	358.9	380.9
Terminations	—	13.5	—	—	256.0	269.5
Foreign Currency	—	—	—	(0.3)	—	(0.3)
Balance at September 30, 2019	<u>\$ —</u>	<u>\$ 567.3</u>	<u>\$ 250.0</u>	<u>\$ 10.6</u>	<u>\$ 102.9</u>	<u>\$ 930.8</u>
Balance at December 31, 2018	\$ —	\$ 538.2	\$ 250.0	\$ 11.0	\$ —	\$ 799.2
Additions	—	121.6	—	—	382.4	504.0
Terminations	—	92.5	—	—	279.1	371.6
Foreign Currency	—	—	—	(0.4)	(0.4)	(0.8)
Balance at September 30, 2019	<u>\$ —</u>	<u>\$ 567.3</u>	<u>\$ 250.0</u>	<u>\$ 10.6</u>	<u>\$ 102.9</u>	<u>\$ 930.8</u>

Cash Flow Hedges

As of September 30, 2019 and December 31, 2018, we had \$219.4 million and \$286.4 million, respectively, notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities.

During the third quarter of 2019, we entered into a \$350.0 million notional forward benchmark interest rate lock in order to hedge the interest rate risk associated with the cash flows related to the tender offer and early redemption of certain of our debt securities. We terminated \$256.0 million notional of the interest rate lock in the third quarter for the debt securities that were tendered and recognized a loss of \$0.6 million that was reported with the \$3.8 million tender premium as a cost related to the early retirement of debt in our statement of operations.

As of September 30, 2019, we had \$94.0 million notional amount of open forward benchmark interest rate locks to hedge the remainder of debt we redeemed in the fourth quarter of 2019. See Note 13 for further discussion of the tender offer and early redemption of certain of our debt securities.

As of September 30, 2019, we expect to amortize approximately \$73.2 million of net deferred gains on derivative instruments during the next twelve months. This amount will be reclassified from accumulated other comprehensive income into earnings

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

and reported on the same income statement line item as the hedged item. The income statement line items that will be affected by this amortization are net investment income and interest and debt expense. Additional amounts that may be reclassified from accumulated other comprehensive income into earnings to offset the earnings impact of foreign currency translation of hedged items are not estimable.

As of September 30, 2019, we are hedging the variability of future cash flows associated with forecasted transactions through the year 2045.

Fair Value Hedges

As of September 30, 2019 and December 31, 2018, we had \$199.7 million and \$78.1 million respectively, notional amount of receive fixed, pay fixed, open current and forward foreign currency interest rate swaps to hedge fixed income foreign currency-denominated securities.

As of September 30, 2019 and December 31, 2018, we had \$250.0 million notional amount of receive fixed, pay variable interest rate swaps to hedge the changes in the fair value of certain fixed rate long-term debt. These swaps effectively convert the associated fixed rate long-term debt into floating rate debt and provide for a better matching of interest rates with our short-term investments, which have frequent interest rate resets similar to a floating rate security.

The following table summarizes the carrying amount of hedged assets and liabilities and the related cumulative basis adjustments related to our fair value hedges.

	Carrying Amount of Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
	(in millions of dollars)			
Fixed maturity securities:				
Receive fixed functional currency interest, pay fixed foreign currency interest	\$ 193.4	\$ 56.2	\$ (6.7)	\$ (2.7)
Long-term Debt	\$ (248.8)	\$ (244.4)	\$ 0.9	\$ 5.1

For the three and nine months ended September 30, 2019, \$(0.6) million and \$0.9 million, respectively, of the derivative instruments' gain or loss was excluded from the assessment of hedge effectiveness. For the three and nine months ended September 30, 2018, \$1.2 million and \$0.2 million, respectively, of the derivative instruments' gain was excluded from the assessment of hedge effectiveness. There were no instances wherein we discontinued fair value hedge accounting due to a hedged firm commitment no longer qualifying as a fair value hedge.

Derivatives not Designated as Hedging Instruments

As of September 30, 2019 and December 31, 2018, we held \$148.2 million and \$173.7 million, respectively, notional amount of receive fixed, pay fixed, foreign currency interest rate swaps. These derivatives are not designated as hedges, and as such, changes in fair value related to these derivatives are reported in earnings as a component of net realized investment gain or loss.

As of September 30, 2019 and December 31, 2018, we held \$10.6 million and \$11.0 million, respectively, notional amount of single name credit default swaps. We entered into these swaps in order to mitigate the credit risk associated with specific securities owned. As of September 30, 2019, we held \$8.9 million notional amount of foreign currency forwards to mitigate the foreign currency risk associated with specific securities owned.

We have an embedded derivative in a modified coinsurance arrangement for which we include in our realized investment gains and losses a calculation intended to estimate the value of the option of our reinsurance counterparty to cancel the reinsurance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

contract with us. However, neither party can unilaterally terminate the reinsurance agreement except in extreme circumstances resulting from regulatory supervision, delinquency proceedings, or other direct regulatory action. Cash settlements or collateral related to this embedded derivative are not required at any time during the reinsurance contract or at termination of the reinsurance contract. There are no credit-related counterparty triggers, and any accumulated embedded derivative gain or loss reduces to zero over time as the reinsured business winds down.

Locations and Amounts of Derivative Financial Instruments

The following tables summarize the location and fair values of derivative financial instruments, as reported in our consolidated balance sheets.

	September 30, 2019			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
(in millions of dollars)				
Designated as Hedging Instruments				
Cash Flow Hedges				
Forwards	Other L-T Investments	\$ —	Other Liabilities	\$ 0.1
Foreign Exchange Contracts	Other L-T Investments	21.7	Other Liabilities	6.6
Total Cash Flow Hedges		21.7		6.7
Fair Value Hedges				
Interest Rate Swaps	Other L-T Investments	—	Other Liabilities	1.0
Foreign Exchange Contracts	Other L-T Investments	12.8	Other Liabilities	3.3
Total Fair Value Hedges		12.8		4.3
		\$ 34.5		\$ 11.0
Not Designated as Hedging Instruments				
Credit Default Swaps	Other L-T Investments	\$ 0.2	Other Liabilities	\$ —
Foreign Exchange Contracts	Other L-T Investments	0.2	Other Liabilities	22.9
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments	—	Other Liabilities	37.5
Total Not Designated as Hedging Instruments		\$ 0.4		\$ 60.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

		December 31, 2018			
		Derivative Assets		Derivative Liabilities	
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(in millions of dollars)			
Designated as Hedging Instruments					
Cash Flow Hedges					
Foreign Exchange Contracts	Other L-T Investments		\$ 25.0	Other Liabilities	\$ 7.9
Fair Value Hedges					
Interest Rate Swaps	Other L-T Investments		—	Other Liabilities	5.2
Foreign Exchange Contracts	Other L-T Investments		5.4	Other Liabilities	0.4
Total Fair Value Hedges			5.4		5.6
Total Designated as Hedging Instruments			\$ 30.4		\$ 13.5
Not Designated as Hedging Instruments					
Credit Default Swaps	Other L-T Investments		\$ 0.5	Other Liabilities	\$ —
Foreign Exchange Contracts	Other L-T Investments		—	Other Liabilities	24.5
Embedded Derivative in Modified Coinsurance Arrangement	Other L-T Investments		—	Other Liabilities	31.1
Total Not Designated as Hedging Instruments			\$ 0.5		\$ 55.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

The following table summarizes the location of gains and losses of derivative financial instruments designated as hedging instruments, as reported in our consolidated statements of operations.

	Three Months Ended September 30					
	2019			2018		
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)					
Total Income and Expense Presented in the Consolidated Statements of Operations of Which Hedged Items are Recorded	\$ 599.4	\$ (26.2)	\$ 46.1	\$ 619.2	\$ 6.7	\$ 42.7
Gain (Loss) on Cash Flow Hedging Relationships						
Interest Rate Swaps:						
Hedged items	74.5	1.7	7.7	75.8	—	8.5
Derivatives Designated as Hedging Instruments	18.8	5.3	0.6	16.7	—	0.6
Foreign Exchange Contracts						
Hedged items	3.3	(0.8)	—	4.6	0.4	—
Derivatives Designated as Hedging Instruments	(0.3)	0.7	—	(0.3)	(0.4)	—
Gain (Loss) on Fair Value Hedging Relationships						
Interest Rate Swaps:						
Hedged items	—	(0.6)	3.5	—	—	3.6
Derivatives Designated as Hedging Instruments	—	0.6	0.6	—	—	0.6
Foreign Exchange Contracts						
Hedged items	0.6	(4.8)	—	0.1	(0.3)	—
Derivatives Designated as Hedging Instruments	0.5	4.8	—	0.1	0.3	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

	Nine Months Ended September 30					
	2019			2018		
	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense	Net Investment Income	Net Realized Investment Gain (Loss)	Interest and Debt Expense
	(in millions of dollars)					
Total Income and Expense Presented in the Consolidated Statements of Operations of Which Hedged Items are Recorded	\$ 1,819.0	\$ (32.4)	\$ 130.8	\$ 1,845.1	\$ 1.9	\$ 125.3
Gain (Loss) on Cash Flow Hedging Relationships						
Interest Rate Swaps:						
Hedged items	222.0	(1.2)	23.1	230.3	0.1	31.3
Derivatives Designated as Hedging Instruments	54.4	9.3	1.8	49.1	(0.3)	1.7
Foreign Exchange Contracts						
Hedged items	11.6	1.1	—	14.3	1.3	—
Derivatives Designated as Hedging Instruments	(0.9)	(1.0)	—	(0.8)	(1.3)	—
Gain (Loss) on Fair Value Hedging Relationships						
Interest Rate Swaps:						
Hedged items	—	(4.2)	10.7	1.0	2.2	10.8
Derivatives Designated as Hedging Instruments	—	4.2	2.1	(0.5)	(2.2)	1.2
Foreign Exchange Contracts						
Hedged items	1.5	(4.0)	—	0.5	(1.7)	—
Derivatives Designated as Hedging Instruments	1.2	4.0	—	0.2	1.7	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 5 - Derivative Financial Instruments - Continued

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives				
Forwards	\$ (0.1)	\$ —	\$ (0.2)	\$ (0.1)
Foreign Exchange Contracts	6.7	(10.1)	(4.0)	0.6
Total	<u>\$ 6.6</u>	<u>\$ (10.1)</u>	<u>\$ (4.2)</u>	<u>\$ 0.5</u>

The following table summarizes the location of gains and losses on our derivatives not designated as hedging instruments, as reported in our consolidated statements of operations.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Net Realized Investment Gain (Loss)				
Credit Default Swaps	\$ 0.2	\$ (0.3)	\$ (0.4)	\$ (0.3)
Interest Rate Swaps	—	—	—	(0.3)
Foreign Exchange Contracts	(0.2)	0.5	(0.3)	1.5
Embedded Derivative in Modified Coinsurance Arrangement	(11.1)	6.1	(6.4)	2.1
Total	<u>\$ (11.1)</u>	<u>\$ 6.3</u>	<u>\$ (7.1)</u>	<u>\$ 3.0</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 6 - Accumulated Other Comprehensive Loss

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

	Net Unrealized Gain (Loss) on Securities	Net Gain on Hedges	Foreign Currency Translation Adjustment	Unrecognized Pension and Postretirement Benefit Costs	Total
	(in millions of dollars)				
Balance at June 30, 2019	\$ 286.9	\$ 218.0	\$ (307.6)	\$ (439.8)	\$ (242.5)
Other Comprehensive Income (Loss) Before Reclassifications	118.8	4.3	(37.6)	1.3	86.8
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	16.4	(18.0)	—	4.1	2.5
Net Other Comprehensive Income (Loss)	135.2	(13.7)	(37.6)	5.4	89.3
Balance at September 30, 2019	<u>\$ 422.1</u>	<u>\$ 204.3</u>	<u>\$ (345.2)</u>	<u>\$ (434.4)</u>	<u>\$ (153.2)</u>
Balance at June 30, 2018	\$ 224.5	\$ 266.8	\$ (268.8)	\$ (498.7)	\$ (276.2)
Other Comprehensive Income (Loss) Before Reclassifications	(564.3)	(4.8)	(15.2)	0.5	(583.8)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(0.9)	(12.0)	—	4.4	(8.5)
Net Other Comprehensive Income (Loss)	(565.2)	(16.8)	(15.2)	4.9	(592.3)
Balance at September 30, 2018	<u>\$ (340.7)</u>	<u>\$ 250.0</u>	<u>\$ (284.0)</u>	<u>\$ (493.8)</u>	<u>\$ (868.5)</u>
Balance at December 31, 2018	\$ (312.4)	\$ 250.6	\$ (305.2)	\$ (447.2)	\$ (814.2)
Other Comprehensive Income (Loss) Before Reclassifications	704.8	0.5	(40.0)	1.5	666.8
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	29.7	(46.8)	—	11.3	(5.8)
Net Other Comprehensive Income (Loss)	734.5	(46.3)	(40.0)	12.8	661.0
Balance at September 30, 2019	<u>\$ 422.1</u>	<u>\$ 204.3</u>	<u>\$ (345.2)</u>	<u>\$ (434.4)</u>	<u>\$ (153.2)</u>
Balance at December 31, 2017	\$ 607.8	\$ 282.3	\$ (254.5)	\$ (508.1)	\$ 127.5
Adjustment to Adopt Accounting Standard Update - Note 2	(17.5)	—	—	—	(17.5)
Other Comprehensive Income (Loss) Before Reclassifications	(930.8)	2.9	(29.5)	1.3	(956.1)
Amounts Reclassified from Accumulated Other Comprehensive Income or Loss	(0.2)	(35.2)	—	13.0	(22.4)
Net Other Comprehensive Income (Loss)	(931.0)	(32.3)	(29.5)	14.3	(978.5)
Balance at September 30, 2018	<u>\$ (340.7)</u>	<u>\$ 250.0</u>	<u>\$ (284.0)</u>	<u>\$ (493.8)</u>	<u>\$ (868.5)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 6 - Accumulated Other Comprehensive Loss - Continued

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

	September 30 2019	June 30 2019	December 31 2018	Change at September 30, 2019	
				Three Months Ended	Nine Months Ended
(in millions of dollars)					
Fixed Maturity Securities	\$ 6,645.3	\$ 5,635.4	\$ 2,736.5	\$ 1,009.9	\$ 3,908.8
Deferred Acquisition Costs	(64.7)	(57.0)	(27.9)	(7.7)	(36.8)
Reserves for Future Policy and Contract Benefits	(6,334.2)	(5,455.7)	(3,220.3)	(878.5)	(3,113.9)
Reinsurance Recoverable	434.1	385.7	261.4	48.4	172.7
Income Tax	(258.4)	(221.5)	(62.1)	(36.9)	(196.3)
Total	\$ 422.1	\$ 286.9	\$ (312.4)	\$ 135.2	\$ 734.5

	September 30 2018	June 30 2018	January 1 2018	Change at September 30, 2018	
				Three Months Ended	Nine Months Ended
(in millions of dollars)					
Fixed Maturity Securities	\$ 3,158.1	\$ 3,543.7	\$ 5,665.2	\$ (385.6)	\$ (2,507.1)
Deferred Acquisition Costs	(31.5)	(34.1)	(51.4)	2.6	19.9
Reserves for Future Policy and Contract Benefits	(3,684.9)	(3,367.1)	(5,094.7)	(317.8)	1,409.8
Reinsurance Recoverable	273.3	288.1	375.8	(14.8)	(102.5)
Income Tax	(55.7)	(206.1)	(304.6)	150.4	248.9
Total	\$ (340.7)	\$ 224.5	\$ 590.3	\$ (565.2)	\$ (931.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 6 - Accumulated Other Comprehensive Loss - Continued

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Net Unrealized Gain (Loss) on Securities				
Net Realized Investment Gain (Loss)				
Net Gain (Loss) on Sales of Securities	\$ —	\$ 1.2	\$ (16.8)	\$ 1.3
Other-Than-Temporary Impairment Loss	(20.8)	—	(20.8)	(1.0)
	(20.8)	1.2	(37.6)	0.3
Income Tax Expense (Benefit)	(4.4)	0.3	(7.9)	0.1
Total	\$ (16.4)	\$ 0.9	\$ (29.7)	\$ 0.2
Net Gain on Hedges				
Net Investment Income				
Gain on Interest Rate Swaps and Forwards	\$ 19.0	\$ 16.4	\$ 54.0	\$ 48.1
Loss on Foreign Exchange Contracts	(0.1)	(0.3)	(0.3)	(0.9)
Net Realized Investment Gain (Loss)				
Gain on Interest Rate Swaps	4.4	—	8.8	0.2
Gain (Loss) on Foreign Exchange Contracts	0.8	(0.4)	(1.0)	(1.3)
Interest and Debt Expense				
Loss on Interest Rate Swaps	(0.6)	(0.6)	(1.6)	(1.6)
Loss on Forward	(0.6)	—	(0.6)	—
	22.9	15.1	59.3	44.5
Income Tax Expense	4.9	3.1	12.5	9.3
Total	\$ 18.0	\$ 12.0	\$ 46.8	\$ 35.2
Unrecognized Pension and Postretirement Benefit Costs				
Other Expenses				
Amortization of Net Actuarial Loss	\$ (4.6)	\$ (5.6)	\$ (13.9)	\$ (16.8)
Amortization of Prior Service Credit	0.1	0.1	0.2	0.2
	(4.5)	(5.5)	(13.7)	(16.6)
Income Tax Benefit	(0.4)	(1.1)	(2.4)	(3.6)
Total	\$ (4.1)	\$ (4.4)	\$ (11.3)	\$ (13.0)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 7 - Liability for Unpaid Claims and Claim Adjustment Expenses

Changes in the liability for unpaid claims and claim adjustment expenses are as follows:

	2019	2018
	(in millions of dollars)	
Balance at January 1	\$ 23,149.0	\$ 23,222.0
Less Reinsurance Recoverable	2,227.3	2,182.0
Net Balance at January 1	<u>20,921.7</u>	<u>21,040.0</u>
Incurred Related to		
Current Year	4,588.9	4,421.9
Prior Years		
Interest	793.9	807.2
All Other Incurred	(228.1)	(65.6)
Foreign Currency	(68.3)	(70.2)
Total Incurred	<u>5,086.4</u>	<u>5,093.3</u>
Paid Related to		
Current Year	(1,721.3)	(1,589.1)
Prior Years	(3,570.6)	(3,491.2)
Total Paid	<u>(5,291.9)</u>	<u>(5,080.3)</u>
Net Balance at September 30	20,716.2	21,053.0
Plus Reinsurance Recoverable	2,241.8	2,204.0
Balance at September 30	<u>\$ 22,958.0</u>	<u>\$ 23,257.0</u>

The majority of the net balances are related to disability claims with long-tail payouts on which interest earned on assets backing liabilities is an integral part of pricing and reserving. Interest accrued on prior year reserves has been calculated on the opening reserve balance less one-half of the period's claim payments relative to prior years at our average reserve discount rate for the respective periods.

2018 Long-term Care Reserve Increase

Policy reserves for our long-term care block of business are determined using the gross premium valuation method and, prior to the third quarter of 2018, were valued based on assumptions established as of December 31, 2014, the date of our last assumption update under loss recognition. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient. We undertake a review of policy reserve adequacy annually during the fourth quarter of each year, or more frequently if appropriate, using best estimate assumptions as of the date of the review.

During the third quarter of 2018, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions, including active policy terminations, claims incidence, claim terminations, morbidity, premium rate increases, and new money yield rates. The review utilized internal and external data and outside consulting firms for quality assurance and industry benchmarking. Based on our analysis, during the third quarter of 2018, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$750.8 million, or \$593.1 million after tax, to reflect our current estimate of future benefit obligations. This increase was primarily driven by the update to our liability and interest rate assumptions, particularly claims incidence and claim termination rates, which resulted in an increase to reserves of approximately \$2.2 billion. Partially offsetting the increase was the update to our assumptions for premium rate increases which decreased reserves approximately \$1.4 billion, resulting in the net increase to reserves of \$750.8 million. Of this amount, approximately \$236 million was related to our liability for unpaid claims and claims adjustment expenses, which can be primarily attributed to prior year incurred claims, thereby impacting the results shown in the preceding chart.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 7 - Liability for Unpaid Claims and Claim Adjustment Expenses - Continued

"Incurred Related to Prior Years - All Other Incurred", includes the third quarter of 2018 long-term care reserve increase discussed in the preceding paragraphs, which impacts the comparability between the periods presented. Excluding the adjustment, the variability exhibited between periods is primarily caused by the level of claim resolutions in the period relative to the long-term expectations reflected in the reserves. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period, both favorably and unfavorably.

Reconciliation

A reconciliation of policy and contract benefits and reserves for future policy and contract benefits as reported in our consolidated balance sheets to the liability for unpaid claims and claim adjustment expenses is as follows:

	September 30	
	2019	2018
	(in millions of dollars)	
Policy and Contract Benefits	\$ 1,720.5	\$ 1,674.1
Reserves for Future Policy and Contract Benefits	48,060.8	45,092.7
Total	49,781.3	46,766.8
Less:		
Life Reserves for Future Policy and Contract Benefits	8,396.2	8,303.4
Accident and Health Active Life Reserves	12,092.9	11,521.5
Adjustment Related to Unrealized Investment Gains and Losses	6,334.2	3,684.9
Liability for Unpaid Claims and Claim Adjustment Expenses	\$ 22,958.0	\$ 23,257.0

The adjustment related to unrealized investment gains and losses reflects the changes that would be necessary to policyholder liabilities if the unrealized investment gains and losses related to the corresponding available-for-sale securities had been realized. Changes in this adjustment are reported as a component of other comprehensive income or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 8 - Segment Information

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

Segment information is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Premium Income				
Unum US				
Group Disability				
Group Long-term Disability	\$ 453.6	\$ 444.1	\$ 1,363.7	\$ 1,322.7
Group Short-term Disability	194.4	180.4	570.7	527.7
Group Life and Accidental Death & Dismemberment				
Group Life	415.0	399.3	1,249.4	1,189.6
Accidental Death & Dismemberment	41.5	39.6	124.2	116.9
Supplemental and Voluntary				
Individual Disability	109.2	109.5	328.4	319.1
Voluntary Benefits	226.2	222.3	689.2	676.0
Dental and Vision	62.0	51.0	182.7	149.3
	<u>1,501.9</u>	<u>1,446.2</u>	<u>4,508.3</u>	<u>4,301.3</u>
Unum International				
Group Long-term Disability	84.8	91.3	262.3	271.8
Group Life	27.9	27.1	83.9	83.6
Supplemental	39.6	19.6	118.7	61.1
	<u>152.3</u>	<u>138.0</u>	<u>464.9</u>	<u>416.5</u>
Colonial Life				
Accident, Sickness, and Disability	243.0	231.9	727.6	691.8
Life	86.7	81.4	262.6	243.9
Cancer and Critical Illness	90.2	86.7	269.9	258.0
	<u>419.9</u>	<u>400.0</u>	<u>1,260.1</u>	<u>1,193.7</u>
Closed Block				
Individual Disability	91.4	102.7	283.9	319.0
Long-term Care	163.6	163.0	489.2	485.8
All Other	2.1	1.9	6.6	6.5
	<u>257.1</u>	<u>267.6</u>	<u>779.7</u>	<u>811.3</u>
Total Premium Income	<u>\$ 2,331.2</u>	<u>\$ 2,251.8</u>	<u>\$ 7,013.0</u>	<u>\$ 6,722.8</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 8 - Segment Information - Continued

	Unum US	Unum International	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Three Months Ended September 30, 2019						
Premium Income	\$ 1,501.9	\$ 152.3	\$ 419.9	\$ 257.1	\$ —	\$ 2,331.2
Net Investment Income	184.2	24.3	36.9	347.3	6.7	599.4
Other Income	34.8	—	0.9	18.9	1.0	55.6
Adjusted Operating Revenue	\$ 1,720.9	\$ 176.6	\$ 457.7	\$ 623.3	\$ 7.7	\$ 2,986.2
Adjusted Operating Income (Loss)	\$ 261.4	\$ 24.2	\$ 87.2	\$ 26.9	\$ (48.9)	\$ 350.8
Three Months Ended September 30, 2018						
Premium Income	\$ 1,446.2	\$ 138.0	\$ 400.0	\$ 267.6	\$ —	\$ 2,251.8
Net Investment Income	200.3	26.4	36.7	348.0	7.8	619.2
Other Income	30.7	—	0.4	18.9	0.1	50.1
Adjusted Operating Revenue	\$ 1,677.2	\$ 164.4	\$ 437.1	\$ 634.5	\$ 7.9	\$ 2,921.1
Adjusted Operating Income (Loss)	\$ 270.9	\$ 26.1	\$ 84.2	\$ 32.2	\$ (47.1)	\$ 366.3
	Unum US	Unum International	Colonial Life	Closed Block	Corporate	Total
	(in millions of dollars)					
Nine Months Ended September 30, 2019						
Premium Income	\$ 4,508.3	\$ 464.9	\$ 1,260.1	\$ 779.7	\$ —	\$ 7,013.0
Net Investment Income	550.4	93.9	111.0	1,048.3	15.4	1,819.0
Other Income	106.1	0.3	2.2	53.5	2.6	164.7
Adjusted Operating Revenue	\$ 5,164.8	\$ 559.1	\$ 1,373.3	\$ 1,881.5	\$ 18.0	\$ 8,996.7
Adjusted Operating Income (Loss)	\$ 768.0	\$ 84.0	\$ 256.8	\$ 91.6	\$ (138.1)	\$ 1,062.3
Nine Months Ended September 30, 2018						
Premium Income	\$ 4,301.3	\$ 416.5	\$ 1,193.7	\$ 811.3	\$ —	\$ 6,722.8
Net Investment Income	591.0	86.1	114.2	1,031.3	22.5	1,845.1
Other Income	88.5	—	1.0	56.8	1.6	147.9
Adjusted Operating Revenue	\$ 4,980.8	\$ 502.6	\$ 1,308.9	\$ 1,899.4	\$ 24.1	\$ 8,715.8
Adjusted Operating Income (Loss)	\$ 765.9	\$ 83.5	\$ 249.8	\$ 90.7	\$ (122.9)	\$ 1,067.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 8 - Segment Information - Continued

	September 30 2019	December 31 2018
	(in millions of dollars)	
Assets		
Unum US	\$ 18,617.1	\$ 17,510.9
Unum International	3,713.5	3,426.8
Colonial Life	4,608.2	4,237.9
Closed Block	36,906.3	34,527.6
Corporate	3,110.6	2,172.4
Total Assets	\$ 66,955.7	\$ 61,875.6

We measure and analyze our segment performance on the basis of "adjusted operating revenue" and "adjusted operating income" or "adjusted operating loss", which differ from total revenue and income (loss) before income tax as presented in our consolidated statements of operations due to the exclusion of net realized investment gains and losses and certain other items as specified in the reconciliations below. We believe adjusted operating revenue and adjusted operating income or loss are better performance measures and better indicators of the revenue and profitability and underlying trends in our business. These performance measures are in accordance with GAAP guidance for segment reporting, but they should not be viewed as a substitute for total revenue, income (loss) before income tax, or net income (loss).

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. We exclude these items as we believe them to be infrequent or unusual in nature, 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. See Notes 7 and 13 for further discussion regarding the long-term care reserve increase and the cost related to the early retirement of debt.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Total Revenue	\$ 2,960.0	\$ 2,927.8	\$ 8,964.3	\$ 8,717.7
Excluding:				
Net Realized Investment Gain (Loss)	(26.2)	6.7	(32.4)	1.9
Adjusted Operating Revenue	\$ 2,986.2	\$ 2,921.1	\$ 8,996.7	\$ 8,715.8
Income (Loss) Before Income Tax	\$ 299.4	\$ (377.8)	\$ 1,004.7	\$ 318.1
Excluding:				
Net Realized Investment Gain (Loss)	(26.2)	6.7	(32.4)	1.9
Cost Related to Early Retirement of Debt	(25.2)	—	(25.2)	—
Long-term Care Reserve Increase	—	(750.8)	—	(750.8)
Adjusted Operating Income	\$ 350.8	\$ 366.3	\$ 1,062.3	\$ 1,067.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 9 - Employee Benefit Plans

Defined Benefit Pension and Other Postretirement Benefit (OPEB) Plans

We sponsor several defined benefit pension and OPEB plans for our employees, including non-qualified pension plans. The U.S. qualified and non-qualified defined benefit pension plans comprise the majority of our total benefit obligation and benefit cost. We maintain a separate defined benefit plan for eligible employees in our U.K. operation. The U.S. defined benefit pension plans were closed to new entrants on December 31, 2013, the OPEB plan was closed to new entrants on December 31, 2012, and the U.K. plan was closed to new entrants on December 31, 2002.

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

	Three Months Ended September 30					
	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2019	2018	2019	2018	2019	2018
	(in millions of dollars)					
Service Cost	\$ 2.8	\$ 2.3	\$ —	\$ —	\$ —	\$ —
Interest Cost	20.8	19.9	1.4	1.5	1.4	1.2
Expected Return on Plan Assets	(24.8)	(26.1)	(2.1)	(2.3)	(0.1)	(0.1)
Amortization of:						
Net Actuarial Loss (Gain)	5.0	5.4	0.3	0.2	(0.7)	—
Prior Service Credit	—	—	—	—	(0.1)	(0.1)
Total	\$ 3.8	\$ 1.5	\$ (0.4)	\$ (0.6)	\$ 0.5	\$ 1.0

	Nine Months Ended September 30					
	Pension Benefits					
	U.S. Plans		U.K. Plan		OPEB	
	2019	2018	2019	2018	2019	2018
	(in millions of dollars)					
Service Cost	\$ 8.2	\$ 6.9	\$ —	\$ —	\$ —	\$ —
Interest Cost	62.5	59.8	4.5	4.6	4.0	3.7
Expected Return on Plan Assets	(74.5)	(78.4)	(6.6)	(7.0)	(0.4)	(0.4)
Amortization of:						
Net Actuarial Loss (Gain)	15.1	16.3	0.7	0.5	(1.9)	—
Prior Service Credit	—	—	—	—	(0.2)	(0.2)
Total	\$ 11.3	\$ 4.6	\$ (1.4)	\$ (1.9)	\$ 1.5	\$ 3.1

The service cost component of net periodic pension cost is included as a component of compensation expense in our consolidated statements of operations. All other components of net periodic pension and postretirement benefit cost are included in other expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 10 - Stockholders' Equity and Earnings (Loss) Per Common Share

Earnings (Loss) Per Common Share

Net income (loss) per common share is determined as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars, except share data)				
Numerator				
Net Income (Loss)	\$ 242.0	\$ (284.7)	\$ 804.1	\$ 274.3
Denominator (000s)				
Weighted Average Common Shares - Basic	208,097.8	218,892.8	211,131.5	220,513.1
Dilution for Assumed Exercises of Stock Options and Nonvested Stock Awards	18.2	—	65.7	433.2
Weighted Average Common Shares - Assuming Dilution	208,116.0	218,892.8	211,197.2	220,946.3
Net Income (Loss) Per Common Share				
Basic	\$ 1.16	\$ (1.30)	\$ 3.81	\$ 1.24
Assuming Dilution	\$ 1.16	\$ (1.30)	\$ 3.81	\$ 1.24

We use the treasury stock method to account for the effect of outstanding stock options, nonvested restricted stock units, and nonvested performance share units on the computation of diluted earnings per share. Under this method, these potential common shares will each have a dilutive effect, as individually measured, when the average market price of Unum Group common stock during the period exceeds the exercise price of the stock options and the grant price of the nonvested restricted stock units and the nonvested performance share units. The outstanding stock options have exercise prices ranging from \$23.35 to \$24.25, the nonvested restricted stock units have grant prices ranging from \$25.16 to \$55.26, and the nonvested performance share units have grant prices ranging from \$37.67 to \$49.86.

In computing earnings per share assuming dilution, only potential common shares that are dilutive (those that reduce earnings per share) are included. Potential common shares are not used when computing earnings per share assuming dilution if the results would be antidilutive, such as when a net loss is reported. For the three and nine months ended September 30, 2019, there were approximately 1.2 million potential common shares that were excluded in the computation of diluted earnings per share because the impact would be antidilutive, based on then current market prices. There were approximately 1.0 million and 0.6 million potential common shares that were antidilutive, based on then current market prices and the effects of a reported net loss for the three and nine months ended September 30, 2018, respectively.

Common Stock

During the second quarter of 2019, our board of directors authorized the repurchase of up to \$750.0 million of Unum Group's outstanding common stock through November 23, 2020. This authorization replaced the previous authorization of \$750.0 million that was scheduled to expire on November 24, 2019. The remaining repurchase amount under the new program was \$616.2 million at September 30, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 10 - Stockholders' Equity and Earnings (Loss) Per Common Share - Continued

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions)			
Shares Repurchased	3.4	—	9.0	4.4
Cost of Shares Repurchased ¹	\$ 100.1	\$ —	\$ 300.3	\$ 200.3

¹ Includes commissions of \$0.1 million and \$0.3 million for the three and nine months ended September 30, 2019 and \$0.2 million for the nine months ended September 30, 2018.

Preferred Stock

Unum Group has 25.0 million shares of preferred stock authorized with a par value of \$0.10 per share. No preferred stock has been issued to date.

Note 11 - Commitments and Contingent Liabilities

Contingent Liabilities

We are a defendant in a number of litigation matters that have arisen in the normal course of business. Further, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning our compliance with applicable insurance and other laws and regulations. Given the complexity and scope of our litigation and regulatory matters, it is not possible to predict the ultimate outcome of all pending investigations or legal proceedings or provide reasonable estimates of potential losses, except if noted in connection with specific matters.

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

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

Claims Handling Matters

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

Unum Group and Subsidiaries

September 30, 2019

Note 11 - Commitments and Contingent Liabilities - Continued

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

Miscellaneous Matters

Similar to other insurers, we were the subject of an examination by a third party acting on behalf of a number of state treasurers concerning our compliance with the unclaimed property laws of the participating states. We cooperated fully with this examination and in the fourth quarter of 2017, we started the process to reach a Global Resolution Agreement with the third party regarding settlement of the examination, which we finalized in January of 2018. Under the terms of the agreement, the third party acting on behalf of the signatory states compared insured data to the Social Security Administration's Death Master File to identify deceased insureds and contract holders where a valid claim has not been made. During the fourth quarter of 2017, we established reserves which reflect our estimate of the liability expected to be paid as we execute on the terms of the settlement. We also are cooperating with a Delaware Market Conduct examination involving the same issue, which is currently inactive. The legal and regulatory environment around unclaimed death benefits continues to evolve. It is possible that the current settlement and/or similar investigations by other state jurisdictions may result in payments to beneficiaries, the payment of abandoned funds under state law, and/or administrative penalties, the total of which may be in excess of the reserves established.

In 2009, a Pennsylvania-based insurance company and its affiliates were ordered into rehabilitation, and the Pennsylvania Insurance Commissioner, who was appointed as the Rehabilitator, filed petitions for liquidation with the Commonwealth Court of Pennsylvania. Under Pennsylvania law, payment of covered claims and other related insurance obligations are provided, within prescribed limits, by state guaranty associations. These guaranty associations assess fees to meet these obligations on insurance companies that sell insurance within the state, which are generally based on a company's pro rata portion of average premiums written or received for several years prior to the insolvency. In March 2017, a formal order of liquidation was issued, and as such, we were subject to an assessment by those guaranty associations that are responsible for policyholder claims, and accordingly accrued, in the first quarter of 2017, an estimated loss contingency. We continue to submit payment to satisfy this assessment as requests for payment are received from the guaranty associations.

Securities Class Actions: Three alleged securities class action lawsuits have been filed against Unum Group and individual defendants as follows:

- On June 13, 2018, an alleged securities class action lawsuit entitled Cynthia Pittman v. Unum Group, Richard McKenney, John McGarry, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The plaintiff seeks to represent purchasers of Unum Group publicly traded securities between January 31, 2018 and May 2, 2018. The plaintiff alleges the Company caused its shares to trade at artificially high levels by failing to disclose information about the rate of long-term care policy terminations and long-term care claim incidence resulting in misleading statements about capital management plans and long-term care reserves. The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and seeks compensatory damages in an amount to be proven at trial. The Company strongly denies these allegations and will vigorously defend the litigation.
- On July 13, 2018, an alleged securities class action lawsuit entitled Scott Cunningham v. Unum Group, Richard McKenney, John McGarry, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The allegations, class period, and damages claimed mirror those in the Pittman matter. The Company strongly denies these allegations and will vigorously defend the litigation.
- On July 25, 2018, an alleged securities class action lawsuit entitled City of Taylor Police and Fire Retirement System v. Unum Group, Richard McKenney, John McGarry, Steve Zabel, and Daniel Waxenberg was filed in the United States District Court for the Eastern District of Tennessee. The plaintiff seeks to represent purchasers of Unum Group publicly traded securities between October 27, 2016 and May 1, 2018. The allegations and damages claimed mirror those in the Pittman matter. The Company strongly denies these allegations and will vigorously defend the litigation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 11 - Commitments and Contingent Liabilities - Continued

On November 9, 2018, the court consolidated the Pittman, Cunningham, and City of Taylor Police and Fire Retirement System cases into one matter entitled In re Unum Group Securities Litigation, appointed a lead plaintiff and lead plaintiff's counsel, and directed the plaintiff to file a consolidated amended complaint. On January 15, 2019, the plaintiff filed a consolidated amended complaint asserting claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and seeks compensatory damages in an amount to be proven at trial as well as costs, expenses, and attorney's fees. On March 18, 2019, the Company filed a motion to dismiss the consolidated amended complaint.

These lawsuits are in a very preliminary stage, the outcome is uncertain, and the Company is unable to estimate a range of reasonably possible losses. Reserves have not been established for these matters. Although we believe these claims lack merit, an adverse outcome in one or more of these actions could, depending on the nature, scope, and amount of the ruling, materially adversely affect our consolidated results of operations in a period.

Note 12 - Leases

We lease certain buildings and equipment under various noncancelable operating lease agreements. In addition, we have sub-lease agreements on a limited number of our building lease agreements. The majority of our building leases and sub-leases expire within a five to ten year period and we generally have the option to renew at the end of the lease term for an additional five to ten year period at the fair rental value at the time of renewal. The majority of our equipment leases expire within a one to three year period and we generally have the option to renew at the end of the lease term for an additional one to three year period at the fair rental value at the time of renewal.

We do not have any lease agreements or sub-lease agreements that contain variable lease payments. In addition, we do not have lease agreements or sub-lease agreements that contain residual value guarantees or impose any restrictions or covenants with the lessors.

We determine if an arrangement is a lease at inception through a formal process that evaluates our right to control the use of an identified asset for a period of time in exchange for consideration. We account for the lease and non-lease components of our building leases separately and have elected to use the available practical expedient to account for the lease and non-lease components of our equipment leases as a single component. All of our leases are classified as operating, none of which are classified as short-term leases. For each operating lease, we calculate a lease liability at commencement date based on the present value of lease payments over the lease term and a corresponding right-of-use (ROU) asset, adjusted for lease incentives.

ROU assets represent our right to use an underlying asset for a specified lease term and are included in other assets in our consolidated balance sheet. Lease liabilities represent the present value of lease payments that we are obligated to pay arising from a lease and are included in other liabilities in our consolidated balance sheet. We consider the likelihood of renewal in determining the lease terms for the calculation of the ROU asset and lease liability. As most of our leases do not provide an implicit rate of interest, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate of interest when readily determinable.

Operating lease cost is calculated on a straight-line basis over the lease term and is included in other expenses in our consolidated statements of operations. We amortize the ROU asset over the lease term on a pattern determined by the difference between the straight-line lease liability expense and the accretion of the imputed interest calculated on the lease liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 12 - Leases - Continued

Operating lease information is as follows:

	Three Months Ended	Nine Months Ended
	September 30, 2019	
	(in millions of dollars)	
Lease Cost		
Operating Lease Cost	\$ 6.7	\$ 21.3
Sublease Income	(0.3)	(1.1)
Total Lease Cost	\$ 6.4	\$ 20.2
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	\$ 7.1	\$ 21.7
Weighted-Average Remaining Lease Term		7 years
Weighted-Average Discount Rate		4.69%

As of September 30, 2019, aggregate undiscounted minimum net lease payments and the reconciliation to our lease liability are as follows:

Remainder of 2019	\$ 6.8
2020	25.2
2021	21.5
2022	18.0
2023	12.5
2024 and Thereafter	49.3
Total	\$ 133.3
Less Imputed Interest	20.9
Lease Liability	\$ 112.4

As of September 30, 2019, the right-of-use asset was \$106.4 million.

Note 13 - Debt

At September 30, 2019, short-term debt consisted entirely of our 5.625% senior unsecured notes due in the third quarter of 2020. Also included in the carrying amount of short-term debt are deferred debt costs of \$0.3 million.

During the nine months ended September 30, 2019, we made principal payments of \$45.0 million on our senior secured non-recourse notes issued by Northwind Holdings, LLC.

In September 2019, we issued \$450.0 million of 4.500% senior notes due 2049. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

Also in September 2019, pursuant to a cash tender offer, we purchased and retired (i) \$20.2 million aggregate liquidation amount of our 7.405% capital securities due 2038 issued by Provident Financing Trust I (the Trust), which resulted in the reduction of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038 issued by Unum Group to the Trust; (ii) \$30.3 million aggregate principal amount of our 7.190% medium-term notes due 2028; (iii) \$30.0 million aggregate principal amount of our 7.250% senior notes due 2028; and (iv) \$256.0 million aggregate principal amount of our 3.000% senior notes due 2021.

In connection with the September 2019 cash tender offer, we incurred costs of \$25.2 million related to the early retirement of debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - Continued

Unum Group and Subsidiaries

September 30, 2019

Note 13 - Debt - Continued

In October 2019, pursuant to the previously discussed cash tender offer, we purchased and retired an additional \$2.6 million aggregate liquidation amount of our 7.405% capital securities due 2038, which resulted in the reduction of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038 issued by Unum Group to the Trust. Also in October 2019, we purchased and retired the remaining \$94.0 million principal of the 3.000% senior notes due 2021 not purchased in the tender offer.

In June 2019, we issued \$400.0 million of 4.000% senior notes due 2029. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In April 2019, we amended the terms of our existing five-year unsecured revolving credit facility, increasing it from \$400.0 million to \$500.0 million. The credit facility, which was previously set to expire in 2021, was extended through April 2024. Under the terms of the amended agreement, we may request that the credit facility be increased up to \$700.0 million, up from the previous amount of \$600.0 million. We also may request, on up to two occasions, that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At September 30, 2019, letters of credit totaling \$0.6 million had been issued from the credit facility, but there were no borrowed amounts outstanding.

Also in April 2019, we separately entered into a three-year, \$100.0 million unsecured revolving credit facility with a different syndicate of lenders, which is set to expire in April 2022. Under the terms of the agreement, we may request that the credit facility be increased up to \$140.0 million. We also may request that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At September 30, 2019, there have been no letters of credit issued from the credit facility and there were no borrowed amounts outstanding.

Borrowings under the credit facilities are for general corporate uses and are subject to financial covenants, negative covenants, and events of default that are customary. The two primary financial covenants include limitations based on our leverage ratio and consolidated net worth. We are also subject to covenants that limit subsidiary indebtedness. The credit facilities provide for borrowings at an interest rate based either on the prime rate or LIBOR.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

Unum Group, a Delaware general business corporation, and its insurance and non-insurance subsidiaries, which collectively with Unum Group we refer to as the Company, operate in the United States, the United Kingdom, Poland and, to a limited extent, in certain other countries. The principal operating subsidiaries in the United States are Unum Life Insurance Company of America, Provident Life and Accident Insurance Company, The Paul Revere Life Insurance Company, Colonial Life & Accident Insurance Company, Starmount Life Insurance Company, in the United Kingdom, Unum Limited, and in Poland, Unum Zycie TUIR S.A. (Unum Poland). We are a leading provider of financial protection benefits in the United States and the United Kingdom. Our products include disability, life, accident, critical illness, dental and vision, and other related services. We market our products primarily through the workplace.

We have three principal operating business segments: Unum US, Unum International, and Colonial Life. Our other segments are the Closed Block and Corporate segments. These segments are discussed more fully under "Segment Results" included herein in this Item 2.

The benefits we provide help protect people from the financial hardship of illness, injury, or loss of life by providing support when it is needed most. As one of the leading providers of employee benefits in the U.S. and the U.K., we offer a broad portfolio of products and services through the workplace.

Specifically, we offer group, individual, and voluntary benefits, either as stand-alone products or combined with other coverages, that help employers of all sizes attract and retain a stronger workforce while protecting the incomes and livelihood of their employees. We believe employer-sponsored benefits represent the single most effective way to provide workers with access to the information and options they need to protect their financial stability. Working people and their families, particularly those at lower and middle incomes, are perhaps the most vulnerable in today's economy yet are often overlooked by many providers of financial services and products. For many of these people, employer-sponsored benefits are the primary defense against the potentially catastrophic fallout of death, illness, or injury.

We have established a corporate culture consistent with the social values our products provide. We are committed not only to meeting the needs of our customers who depend on us, but also to operating with integrity and being accountable for our actions. Our sound and consistent business practices, strong internal compliance program, and comprehensive risk management strategy enable us to operate efficiently as well as to identify and address potential areas of risk in our business. We have also applied these same values to our social responsibility efforts. Because we see important links between the obligations we have to all of our stakeholders, we place a strong emphasis on contributing to positive change in our communities.

This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 contained in this Form 10-Q and with the "Cautionary Statement Regarding Forward-Looking Statements" included below the Table of Contents, as well as the discussion, analysis, and consolidated financial statements and notes thereto in Part I, Items 1 and 1A, and Part II, Items 6, 7, 7A, and 8 of our annual report on Form 10-K for the year ended December 31, 2018.

Operating Performance and Capital Management

For the third quarter of 2019, we reported net income of \$242.0 million, or \$1.16 per diluted common share, compared to a net loss of \$284.7 million, or \$1.30 per diluted common share, in the same period of 2018. For the first nine months of 2019, net income was \$804.1 million, or \$3.81 per diluted common share, compared to net income of \$274.3 million, or \$1.24 per diluted common share in the same period of 2018. Net income (loss) includes net realized investment gains and losses. Included in our results for the third quarter and first nine months of 2019 are costs related to the early retirement of debt of \$25.2 million before tax and \$19.9 million after tax, or \$0.10 and \$0.09 per diluted common share for the third quarter and first nine months of 2019, respectively. Included in our results for the third quarter and first nine months of 2018 is a reserve increase related to our long-term care block of business of \$750.8 million before tax and \$593.1 million after tax, or \$2.71 and \$2.68 per diluted common share for the third quarter and first nine months of 2018, respectively. Adjusting for these items, after-tax adjusted operating income in the third quarter of 2019 was \$282.7 million, or \$1.36 per diluted common share, compared to \$300.6 million, or \$1.37 per diluted common share, in the same period of 2018. After-tax adjusted operating income was \$849.9 million, or \$4.02 per diluted common share, in the first nine months of 2019, compared to \$863.3 million, or \$3.91 per diluted common share, in the first nine months of 2018. See additional information in Note 13 of "Notes to Consolidated Financial Statements" contained herein in Item 1 and "Reconciliation of Non-GAAP and Other Financial Measures" contained in this Item 2 for a reconciliation of these items.

Our Unum US segment reported a decrease in adjusted operating income of 3.5 percent in the third quarter of 2019 compared to the same period of 2018 but was slightly higher in the first nine months of 2019 compared to the same period of 2018. Impacting the results in each period was growth in premium income, lower net investment income, and higher amortization of deferred acquisition costs. The benefit ratio for our Unum US segment was 67.2 percent and 66.7 percent in the third quarter and first nine months of 2019, respectively, compared to 67.5 percent and 67.1 percent in the third quarter and first nine months of 2018. Unum US sales increased 5.8 percent and 5.9 percent in the third quarter and first nine months of 2019, respectively, compared to the same periods of 2018. Relative to the prior year, persistency in our group product lines was generally stable while persistency in our supplemental and voluntary product lines was less favorable.

Our Unum International segment reported a decrease in adjusted operating income, as measured in U.S. dollars, of 7.3 percent in the third quarter of 2019 compared to the same period of 2018 but was generally consistent in the first nine months of 2019, relative to the same period of 2018. As measured in local currency, our Unum UK line of business reported a decrease in adjusted operating income of 6.5 percent in the third quarter of 2019 compared to the same period of 2018, primarily driven by lower net investment income and a less favorable expense ratio, partially offset by an increase in premium income and favorable benefits experience. Adjusted operating income increased 1.9 percent in the first nine months of 2019 compared to the same period of 2018, driven by an increase in both premium income and net investment income, partially offset by unfavorable benefits experience. The benefit ratio for Unum UK was 73.4 percent and 76.5 percent in the third quarter and first nine months of 2019, respectively, compared to 74.2 percent and 74.3 percent in the same periods of 2018. Unum UK sales in local currency increased 3.8 percent and 6.5 percent in the third quarter and first nine months of 2019 compared to the same periods of 2018. Persistency was generally favorable relative to the prior year.

Our Colonial Life segment reported an increase in adjusted operating income of 3.6 percent and 2.8 percent in the third quarter and first nine months of 2019, respectively, compared to the same periods of 2018, with growth in premium income, partially offset by higher amortization of deferred acquisition costs. The benefit ratio for Colonial Life was 51.4 percent and 51.3 percent in the third quarter and first nine months of 2019, respectively, compared to 51.5 percent and 51.4 percent in the same periods of 2018. Colonial Life sales decreased 0.2 percent in both the third quarter and first nine months of 2019 compared to the same periods of 2018. Persistency was lower relative to the prior year.

Our Closed Block segment reported adjusted operating income of \$26.9 million and \$91.6 million in the third quarter and first nine months of 2019, respectively. During the third quarter and first nine months of 2018, our Closed Block segment reported losses of \$718.6 million and \$660.1 million. Excluding the third quarter 2018 long-term care reserve increase, adjusted operating income for this segment was \$32.2 million and \$90.7 million, respectively in the third quarter and first nine months of 2018. The decrease in adjusted operating income of 16.5 percent in the third quarter of 2019 compared to the same period of 2018, was driven by lower premium income, higher expenses, and overall unfavorable benefits experience. Adjusted operating income was generally consistent in the first nine months of 2019 compared to the same period of 2018. Benefits experience in our individual disability line of business remains consistent with our expectations. Long-term care benefits experience, excluding the reserve increase related to the update in our assumptions during the third quarter of 2018, was unfavorable in the third quarter of 2019 compared to the same period of 2018 and was at the upper end of our range of expectations. Long-term care benefits experience during the first nine months of 2019 was not comparable to the same prior year period due to the previously discussed update in our assumptions but was within our range of expectations.

Although our profit margins continue to be pressured by the impact of the low interest rate environment on our net investment income yields, our invested asset quality remains strong. The net unrealized gain on our fixed maturity securities was \$6.6 billion at September 30, 2019 compared to \$2.7 billion at December 31, 2018, with the increase due primarily to a decline in U.S. Treasury rates during the first nine months of 2019. The earned book yield on our investment portfolio was 5.01 percent for the first nine months of 2019 compared to a yield of 5.15 percent for full year 2018.

We believe our capital and financial positions are strong. At September 30, 2019, the risk-based capital (RBC) ratio for our traditional U.S. insurance subsidiaries, calculated on a weighted average basis using the NAIC Company Action Level formula, was approximately 368 percent, which is in line with our expectations. During the first nine months of 2019, we repurchased 9.0 million shares of Unum Group common stock under our share repurchase program, at a cost of approximately \$300 million. Our weighted average common shares outstanding, assuming dilution, equaled 208.1 million and 218.9 million for the third quarter of 2019 and 2018, respectively, and 211.2 million and 220.9 million for first nine months of 2019 and 2018, respectively, reflecting our capital management strategy of returning capital to shareholders through repurchases of our common stock. As of September 30, 2019, Unum Group and our intermediate holding companies held fixed maturity securities, short-term investments, and cash of \$1,042 million.

2018 Long-term Care Reserve Increase

Policy reserves for our long-term care block of business are determined using the gross premium valuation method and, prior to the third quarter of 2018, were valued based on assumptions established as of December 31, 2014, the date of our last assumption update under loss recognition. Gross premium valuation assumptions do not change after the date of loss recognition unless reserves are again determined to be deficient. We undertake a review of policy reserve adequacy annually during the fourth quarter of each year, or more frequently if appropriate, using best estimate assumptions as of the date of the review.

During the third quarter of 2018, we completed our annual review of policy reserve adequacy, which incorporated our most recent experience and included a review of all assumptions. The review utilized internal and external data and outside consulting firms for quality assurance and industry benchmarking. Based on our analysis, during the third quarter of 2018, we updated our reserve assumptions and determined that our policy and claim reserves should be increased by \$750.8 million, or \$593.1 million after-tax, to reflect our current estimate of future benefit obligations. This increase was primarily driven by the update to our liability and interest rate assumptions, particularly claims incidence and claim termination rates, which resulted in an increase to reserves of approximately \$2.2 billion. Partially offsetting the increase was the update to our assumptions for premium rate increases which decreased reserves approximately \$1.4 billion, resulting in the net increase to reserves of \$750.8 million.

U.K. Referendum

During 2016, the U.K. held a referendum and voted to leave the EU. The U.K. subsequently invoked Article 50 of the Treaty on European Union (EU) and the deadline to leave the EU is currently set for January 31, 2020, which has been extended from the original date of March 29, 2019. We may see some continued dampening of growth in the U.K. as well as earnings volatility due to the current disruption and uncertainty in the U.K. economy. We may also experience volatility in the fair values of our investments in U.K. and EU-based issuers, but we do not expect a material increase in other-than-temporary impairments or defaults, nor do we believe this volatility will impact our ability to hold these investments. The magnitude and longevity of potential negative economic impacts on our growth will depend on whether an agreement is reached between the U.K. and EU as a result of exit negotiations and, if reached, the nature of the agreement and the resulting response of the U.K. marketplace. There are currently no indications that capital requirements for our U.K. operations will change, but economic conditions may cause volatility in our solvency ratios. Our reported consolidated financial results may continue to be impacted by fluctuations in the British pound sterling to dollar exchange rate. Further discussion is contained herein in "Unum International Segment" in this Item 2.

Consolidated Company Outlook

We believe our disciplined approach to providing financial protection products at the workplace puts us in a position of strength as we seek to capitalize on the growing and largely unfilled need for our products and services. We believe the need for our products and services remains strong, and we intend to continue protecting our solid margins and returns through our pricing and risk actions. Our strategy is underpinned by our core values and is centered on market growth through the expansion of our product portfolio, distribution system, and geographic footprint, and enhancing the customer experience through efficiency, simplification, and investment in digital capabilities.

We expect to see continued solid premium growth trends in our core businesses, with stable persistency and a disciplined approach to sales growth. We expect to have generally stable benefits experience due to our focus on disciplined pricing, risk selection, and management of renewals. We will maintain our commitment to expense discipline and improving our operational efficiencies.

The low interest rate environment continues to place pressure on our profit margins. Our reported consolidated financial results may also continue to be unfavorably impacted by political and economic uncertainty in the U.K., specifically lower interest rates, wage inflation and employer spending, and claims volatility. We expect our effective tax rate for 2019 to be approximately 20 percent. The reduction in the corporate tax rate resulting from tax reform has improved the statutory earnings and cash generation of our insurance subsidiaries and our capital position remains strong.

We continue to analyze and employ strategies that we believe will help us navigate the current environment and allow us to maintain solid operating margins and significant financial flexibility to support the needs of our businesses, while also continuing to return capital to our shareholders and exploring merger and acquisition opportunities to enhance our business lines. We have substantial leverage to rising interest rates and an improving economy which generates payroll growth and wage inflation. We believe that consistent operating results, combined with the implementation of strategic initiatives and the effective deployment of capital, will allow us to meet our long-term financial objectives.

Further discussion is contained in this Item 2 and in the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Reconciliation of Non-GAAP and Other 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 (loss) as presented in our consolidated operating results and statements of operations 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 below. We believe after-tax 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. We exclude these items as we believe them to be infrequent or unusual in nature, 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. See Note 13 of the "Notes to Consolidated Financial Statements" contained herein Item 1 for further discussion regarding the cost related to the early retirement of debt. See "Executive Summary" contained herein in this Item 2 and Note 7 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further discussion regarding the long-term care reserve increase.

A reconciliation of GAAP financial measures to our non-GAAP financial measures is as follows:

	Three Months Ended September 30			
	2019		2018	
	(in millions)	per share *	(in millions)	per share *
Net Income (Loss)	\$ 242.0	\$ 1.16	\$ (284.7)	\$ (1.30)
Excluding:				
Net Realized Investment Gain (Loss) (net of tax benefit of \$5.4; \$1.1)	(20.8)	(0.10)	7.8	0.04
Cost Related to Early Retirement of Debt (net of tax benefit of \$5.3; \$-)	(19.9)	(0.10)	—	—
Long-term Care Reserve Increase (net of tax benefit of \$-; \$157.7)	—	—	(593.1)	(2.71)
After-tax Adjusted Operating Income	<u>\$ 282.7</u>	<u>\$ 1.36</u>	<u>\$ 300.6</u>	<u>\$ 1.37</u>

	Nine Months Ended September 30			
	2019		2018	
	(in millions)	per share *	(in millions)	per share *
Net Income	\$ 804.1	\$ 3.81	\$ 274.3	\$ 1.24
Excluding:				
Net Realized Investment Gain (Loss) (net of tax benefit of \$6.5; \$2.2)	(25.9)	(0.12)	4.1	0.01
Cost Related to Early Retirement of Debt (net of tax benefit of \$5.3; \$-)	(19.9)	(0.09)	—	—
Long-term Care Reserve Increase (net of tax benefit of \$-; \$157.7)	—	—	(593.1)	(2.68)
After-tax Adjusted Operating Income	<u>\$ 849.9</u>	<u>\$ 4.02</u>	<u>\$ 863.3</u>	<u>\$ 3.91</u>

* Assuming Dilution

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	(in millions of dollars)			
Total Revenue	\$ 2,960.0	\$ 2,927.8	\$ 8,964.3	\$ 8,717.7
Excluding:				
Net Realized Investment Gain (Loss)	(26.2)	6.7	(32.4)	1.9
Adjusted Operating Revenue	\$ 2,986.2	\$ 2,921.1	\$ 8,996.7	\$ 8,715.8
Income (Loss) Before Income Tax	\$ 299.4	\$ (377.8)	\$ 1,004.7	\$ 318.1
Excluding:				
Net Realized Investment Gain (Loss)	(26.2)	6.7	(32.4)	1.9
Cost Related to Early Retirement of Debt	(25.2)	—	(25.2)	—
Long-Term Care Reserve Increase	—	(750.8)	—	(750.8)
Adjusted Operating Income	\$ 350.8	\$ 366.3	\$ 1,062.3	\$ 1,067.0

Critical Accounting Estimates

We prepare our financial statements in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in our financial statements and accompanying notes. Estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed in our financial statements.

The accounting estimates deemed to be most critical to our financial position and results of operations are those related to reserves for policy and contract benefits, deferred acquisition costs, valuation of investments, pension and postretirement benefit plans, income taxes, and contingent liabilities. There have been no significant changes in our critical accounting estimates during the first nine months of 2019.

For additional information, refer to our significant accounting policies in Note 1 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 and "Critical Accounting Estimates" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2018.

Accounting Developments

See Note 2 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information on accounting developments.

Consolidated Operating Results

(in millions of dollars)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Revenue						
Premium Income	\$ 2,331.2	3.5 %	\$ 2,251.8	\$ 7,013.0	4.3 %	\$ 6,722.8
Net Investment Income	599.4	(3.2)	619.2	1,819.0	(1.4)	1,845.1
Net Realized Investment Gain (Loss)	(26.2)	N.M.	6.7	(32.4)	N.M.	1.9
Other Income	55.6	11.0	50.1	164.7	11.4	147.9
Total Revenue	2,960.0	1.1	2,927.8	8,964.3	2.8	8,717.7
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	1,871.5	(27.4)	2,578.9	5,614.9	(9.3)	6,190.9
Commissions	277.9	0.4	276.8	852.4	2.4	832.6
Interest and Debt Expense	46.1	8.0	42.7	130.8	4.4	125.3
Cost Related to Early Retirement of Debt	25.2	N.M.	—	25.2	N.M.	—
Deferral of Acquisition Costs	(160.6)	(3.7)	(166.8)	(504.6)	0.6	(501.8)
Amortization of Deferred Acquisition Costs	146.3	6.9	136.9	468.5	9.3	428.6
Compensation Expense	226.5	1.0	224.2	676.9	1.6	666.1
Other Expenses	227.7	7.0	212.9	695.5	5.7	657.9
Total Benefits and Expenses	2,660.6	(19.5)	3,305.6	7,959.6	(5.2)	8,399.6
Income (Loss) Before Income Tax Expense (Benefit)						
	299.4	179.2	(377.8)	1,004.7	N.M.	318.1
Income Tax Expense (Benefit)	57.4	161.7	(93.1)	200.6	N.M.	43.8
Net Income (Loss)	\$ 242.0	185.0	\$ (284.7)	\$ 804.1	193.1	\$ 274.3

N.M. = not a meaningful percentage

Fluctuations in exchange rates, particularly between the British pound sterling and the U.S. dollar for our U.K. operations, have an effect on our consolidated financial results. In periods when the pound strengthens, translating pounds into dollars increases current period results relative to the prior period. In periods when the pound weakens relative to the preceding period, translating pounds into dollars decreases current period results relative to the prior period.

The weighted average pound/dollar exchange rate for our Unum UK line of business was 1.230 and 1.305 for the three months ended September 30, 2019 and 2018, and 1.276 and 1.351 for the nine months ended September 30, 2019 and 2018, respectively. If 2018 results had been translated at the lower exchange rates of 2019, our adjusted operating revenue and adjusted operating income by segment would have both been lower by approximately \$9 million and \$2 million, respectively, in the third quarter of 2018, and lower by approximately \$28 million and \$5 million, respectively, in the first nine months of 2018. However, it is important to distinguish between translating and converting foreign currency. Except for a limited number of transactions, we do not actually convert pounds into dollars. As a result, we view foreign currency translation as a financial reporting item and not a reflection of operations or profitability in the U.K.

Premium income for the third quarter and first nine months of 2019 increased relative to the same periods of 2018, with growth in each of our principal operating business segments, due to overall sales growth, the expansion of our dental and vision products, the addition of our Unum Poland line of business, and generally stable persistency. Premium income continues to decline, as expected, in our Closed Block segment.

Net investment income was lower in the third quarter and first nine months of 2019, relative to the same periods of 2018, due to lower miscellaneous investment income and a decline in the yield on invested assets, partially offset by an increase in the level of invested assets.

We recognized \$20.8 million of other-than-temporary impairment losses on fixed maturity securities in net realized investment gains and losses for the third quarter of 2019. We had no other-than-temporary impairment losses on fixed maturity securities included in net realized investment gains and losses for the third quarter of 2018. Other-than-temporary impairment losses on fixed maturity securities included in net realized investment gains and losses for the first nine months of 2019 and 2018 were \$20.8 million and \$1.0 million, respectively. Also included in net realized investment gains and losses were changes in the fair value of an embedded derivative in a modified coinsurance arrangement, which resulted in realized gains (losses) of \$(11.1) million and \$6.1 million in the third quarters of 2019 and 2018, respectively, and \$(6.4) million and \$2.1 million in the first nine months of 2019 and 2018, respectively. See Note 4 in the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information on realized investment gains and losses.

Other income increased in the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to growth in our fee-based service products in our Unum US segment, which include family medical leave and administrative services only (ASO) products.

Overall benefits experience was favorable in the third quarter and first nine months of 2019 relative to the same prior year periods. Excluding the third quarter of 2018 long-term care reserve increase, overall benefits experience was also favorable relative to the prior year periods. The benefits experience for each of our operating business segments is discussed more fully in "Segment Results" as follows.

Commissions increased in the third quarter and first nine months of 2019 relative to the same periods of 2018 driven primarily by sales growth. The deferral of acquisition costs was lower in the third quarter of 2019 relative to the same period of 2018 driven primarily by lower deferrable expenses in our Colonial Life segment and the Unum US voluntary benefits line of business but was higher during the first nine months of 2019 relative to the same periods of 2018 driven primarily by sales growth. Growth in the level of the deferred asset in our Unum US and Colonial Life segments resulted in higher amortization of deferred acquisition costs in the third quarter and first nine months of 2019 compared to the same prior year periods. Also contributing to the increase during the first nine months of 2019 was a higher level of policy terminations experienced in the Unum US voluntary benefits line of business and the impact of the prospective unlocking for future experience relative to assumptions in certain of our Colonial life products.

Cost related to early retirement of debt includes costs associated with the purchase and retirement of \$336.5 million aggregate liquidation/principal amount of our outstanding capital and debt securities in connection with a cash tender offer in September 2019. Interest and debt expense was higher in the third quarter and first nine months of 2019 relative to the same periods of 2018 due primarily to a higher level of outstanding debt. See "Liquidity and Capital Resources" contained herein in this Item 2 and Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information.

Other expenses, including compensation expense, increased in the third quarter and first nine months of 2019 relative to the same periods of 2018, however, the other expense ratio remained generally consistent relative to the prior year due to growth in premium income and our continued balancing of investments in the growth of our business with our continued focus on expense management and operating efficiencies.

Our effective income tax rates for the third quarter and first nine months of 2019 were 19.2 percent and 20.0 percent of income before income tax, respectively, compared to 24.7 percent and 13.8 percent for the prior year periods. Our effective tax rate differed from the U.S. statutory rate in effect for the third quarter and first nine months of 2019 and 2018 primarily due to tax credits. Also impacting the difference between the effective tax rate and the U.S. statutory rate in effect for the third quarter and first nine months of 2018 were adjustments related to our prior year tax return.

Consolidated Sales Results

Shown below are sales results for our three principal operating business segments.

(in millions)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Unum US	\$ 161.6	5.8 %	\$ 152.7	\$ 661.7	5.9 %	\$ 625.0
Unum International	\$ 19.6	16.0 %	\$ 16.9	\$ 71.9	15.4 %	\$ 62.3
Colonial Life	\$ 120.6	(0.2)%	\$ 120.8	\$ 356.3	(0.2)%	\$ 356.9

Sales shown in the preceding chart generally represent the annualized premium income on new sales which we expect to receive and report as premium income during the next 12 months following or beginning in the initial quarter in which the sale is reported, depending on the effective date of the new sale. Sales do not correspond to premium income reported as revenue in accordance with GAAP. This is because new annualized sales premiums reflect current sales performance and what we expect to recognize as premium income over a 12 month period, while premium income reported in our financial statements is reported on an "as earned" basis rather than an annualized basis and also includes renewals and persistency of in-force policies written in prior years as well as current new sales.

Sales, persistency of the existing block of business, employment and salary growth, and the effectiveness of a renewal program are indicators of growth in premium income. Trends in new sales, as well as existing market share, also indicate the potential for growth in our respective markets and the level of market acceptance of price levels and new product offerings. Sales results may fluctuate significantly due to case size and timing of sales submissions.

See "Segment Results" as follows for a discussion of sales by segment.

Segment Results

Our reporting segments are comprised of the following: Unum US, Unum International, Colonial Life, Closed Block, and Corporate.

Unum US Segment

The Unum US segment includes group long-term and short-term disability insurance, group life and accidental death and dismemberment products, and supplemental and voluntary lines of business, which are comprised of individual disability, voluntary benefits, and dental and vision products.

Unum US Operating Results

Shown below are financial results for the Unum US segment. In the sections following, financial results and key ratios are also presented for the major lines of business within the segment.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income	\$ 1,501.9	3.9 %	\$ 1,446.2	\$ 4,508.3	4.8 %	\$ 4,301.3
Net Investment Income	184.2	(8.0)	200.3	550.4	(6.9)	591.0
Other Income	34.8	13.4	30.7	106.1	19.9	88.5
Total	1,720.9	2.6	1,677.2	5,164.8	3.7	4,980.8
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	1,009.2	3.4	975.7	3,007.0	4.2	2,885.9
Commissions	154.8	0.3	154.4	475.6	1.7	467.5
Deferral of Acquisition Costs	(80.9)	(4.4)	(84.6)	(251.9)	(2.8)	(259.1)
Amortization of Deferred Acquisition Costs	80.3	9.0	73.7	266.8	10.5	241.4
Other Expenses	296.1	3.1	287.1	899.3	2.3	879.2
Total	1,459.5	3.8	1,406.3	4,396.8	4.3	4,214.9
Adjusted Operating Income	\$ 261.4	(3.5)	\$ 270.9	\$ 768.0	0.3	\$ 765.9
Operating Ratios (% of Premium Income):						
Benefit Ratio	67.2%		67.5%	66.7%		67.1%
Other Expense Ratio	19.7%		19.9%	19.9%		20.4%
Adjusted Operating Income Ratio	17.4%		18.7%	17.0%		17.8%

Unum US Group Disability Operating Results

Shown below are financial results and key performance indicators for Unum US group disability.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Group Long-term Disability	\$ 453.6	2.1 %	\$ 444.1	\$ 1,363.7	3.1 %	\$ 1,322.7
Group Short-term Disability	194.4	7.8	180.4	570.7	8.1	527.7
Total Premium Income	648.0	3.8	624.5	1,934.4	4.5	1,850.4
Net Investment Income	99.5	(11.9)	112.9	298.4	(9.6)	330.0
Other Income	32.7	16.8	28.0	99.3	22.7	80.9
Total	780.2	1.9	765.4	2,332.1	3.1	2,261.3
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits						
	480.5	0.9	476.2	1,441.1	2.4	1,406.8
Commissions	48.6	4.1	46.7	147.3	4.5	141.0
Deferral of Acquisition Costs	(12.6)	4.1	(12.1)	(37.4)	1.6	(36.8)
Amortization of Deferred Acquisition Costs	13.0	16.1	11.2	38.2	13.7	33.6
Other Expenses	167.7	11.5	150.4	493.7	7.5	459.1
Total	697.2	3.7	672.4	2,082.9	4.0	2,003.7
Adjusted Operating Income	\$ 83.0	(10.8)	\$ 93.0	\$ 249.2	(3.3)	\$ 257.6
Operating Ratios (% of Premium Income):						
Benefit Ratio	74.2%		76.3%	74.5%		76.0%
Other Expense Ratio	25.9%		24.1%	25.5%		24.8%
Adjusted Operating Income Ratio	12.8%		14.9%	12.9%		13.9%
Persistency:						
Group Long-term Disability				90.7%		91.0%
Group Short-term Disability				89.9%		88.2%

Premium income in the third quarter and first nine months of 2019 increased compared to the same periods of 2018 due to sales growth in both product lines and higher persistency in the group short-term disability product line. Net investment income was lower in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to lower miscellaneous investment income, a decrease in the level of invested assets, and a decline in yield on invested assets. Other income increased in the third quarter and first nine months of 2019 compared to the same periods of 2018 due to growth in our fee-based service products, which include family medical leave and ASO products.

Benefits experience was favorable in the third quarter of 2019 relative to the same period of 2018 due primarily to favorable claim recovery experience in the group long-term disability product line and favorable claims activity in certain of our group short-term disability products. Benefits experience was favorable in the first nine months of 2019 relative to the same period of 2018 due primarily to favorable claim recovery experience in the group long-term disability product line.

Commissions and the deferral of acquisition costs were higher in the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to prior period sales growth. Partially offsetting the increase in the deferral of acquisition costs in the first nine months of 2019 relative to the same period of 2018 were lower deferrable costs related to certain sales-based incentive compensation. The amortization of deferred acquisition costs increased in the third quarter and first nine months

of 2019 relative to the same periods of 2018 due to growth in the level of the deferred asset. Our other expense ratio was higher in the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to an increase in operational investments in our business and growth in our fee-based service products, which was balanced with our continued focus on expense management and operating efficiencies.

Unum US Group Life and Accidental Death and Dismemberment Operating Results

Shown below are financial results and key performance indicators for Unum US group life and accidental death and dismemberment.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Group Life	\$ 415.0	3.9 %	\$ 399.3	\$ 1,249.4	5.0 %	\$ 1,189.6
Accidental Death & Dismemberment	41.5	4.8	39.6	124.2	6.2	116.9
Total Premium Income	456.5	4.0	438.9	1,373.6	5.1	1,306.5
Net Investment Income	27.0	2.3	26.4	79.6	(1.0)	80.4
Other Income	0.7	(41.7)	1.2	2.0	(41.2)	3.4
Total	484.2	3.8	466.5	1,455.2	4.7	1,390.3
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits						
	328.8	4.3	315.3	988.5	6.6	927.1
Commissions	36.3	4.0	34.9	111.7	4.9	106.5
Deferral of Acquisition Costs	(9.6)	1.1	(9.5)	(28.8)	(2.0)	(29.4)
Amortization of Deferred Acquisition Costs	9.2	2.2	9.0	27.9	3.3	27.0
Other Expenses	51.1	(3.2)	52.8	157.4	(3.6)	163.3
Total	415.8	3.3	402.5	1,256.7	5.2	1,194.5
Adjusted Operating Income	\$ 68.4	6.9	\$ 64.0	\$ 198.5	1.4	\$ 195.8
Operating Ratios (% of Premium Income):						
Benefit Ratio	72.0%		71.8%	72.0%		71.0%
Other Expense Ratio	11.2%		12.0%	11.5%		12.5%
Adjusted Operating Income Ratio	15.0%		14.6%	14.5%		15.0%
Persistency:						
Group Life				90.8%		91.2%
Accidental Death & Dismemberment				90.1%		90.0%

Premium income increased in the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to prior period sales growth. Net investment income was higher in the third quarter of 2019 compared to the same period of 2018 due to a higher level of invested assets, partially offset by lower miscellaneous investment income and a decline in yield on invested assets. Net investment income was lower during the first nine months of 2019 compared to the same period of 2018 due to lower miscellaneous investment income and a decline in yield on invested assets, partially offset by an increase in the level of invested assets.

Benefits experience was generally consistent in the third quarter of 2019 relative to the same period of 2018 but was unfavorable in the first nine months of 2019 compared to the same period of 2018 due primarily to a higher average claim size in the group life product line.

Commissions were higher in the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to prior period sales growth. The deferral of acquisition costs was generally consistent in the third quarter of 2019 relative to the same period of 2018 but was lower during the first nine months of 2019 relative to the same period of 2018 due to lower deferrable expenses related to certain sales-based incentive compensation costs. The amortization of deferred acquisition costs increased in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to growth in the level of the deferred asset. The other expense ratio improved in the third quarter and first nine months of 2019 compared to the same periods of 2018 due to our continued focus on expense management and operating efficiencies balanced with operational investments in our business.

Unum US Supplemental and Voluntary Operating Results

Shown below are financial results and key performance indicators for Unum US supplemental and voluntary product lines.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Individual Disability	\$ 109.2	(0.3)%	\$ 109.5	\$ 328.4	2.9 %	\$ 319.1
Voluntary Benefits	226.2	1.8	222.3	689.2	2.0	676.0
Dental and Vision	62.0	21.6	51.0	182.7	22.4	149.3
Total Premium Income	397.4	3.8	382.8	1,200.3	4.9	1,144.4
Net Investment Income	57.7	(5.4)	61.0	172.4	(4.5)	180.6
Other Income	1.4	(6.7)	1.5	4.8	14.3	4.2
Total	456.5	2.5	445.3	1,377.5	3.6	1,329.2

Benefits and Expenses

Benefits and Change in Reserves for Future Benefits	199.9	8.5	184.2	577.4	4.6	552.0
Commissions	69.9	(4.0)	72.8	216.6	(1.5)	220.0
Deferral of Acquisition Costs	(58.7)	(6.8)	(63.0)	(185.7)	(3.7)	(192.9)
Amortization of Deferred Acquisition Costs	58.1	8.6	53.5	200.7	11.0	180.8
Other Expenses	77.3	(7.9)	83.9	248.2	(3.3)	256.8
Total	346.5	4.6	331.4	1,057.2	4.0	1,016.7

Adjusted Operating Income	\$ 110.0	(3.4)	\$ 113.9	\$ 320.3	2.5	\$ 312.5
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Operating Ratios (% of Premium Income):

Benefit Ratios:						
Individual Disability	49.5%		50.4%	50.9%		50.5%
Voluntary Benefits	44.2%		42.2%	40.6%		42.6%
Dental and Vision	74.0%		68.8%	71.2%		68.9%
Other Expense Ratio	19.5%		21.9%	20.7%		22.4%
Adjusted Operating Income Ratio	27.7%		29.8%	26.7%		27.3%

Persistency:

Individual Disability	90.1%	90.3%
Voluntary Benefits	72.5%	76.5%
Dental and Vision	84.1%	84.5%

Premium income increased in the third quarter and first nine months of 2019 compared to the same periods of 2018, driven by prior period sales growth and the continued expansion of our dental and vision product line. Net investment income was lower

in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to a decline in yield on invested assets and lower miscellaneous investment income, partially offset by growth in the level of invested assets. Other income is comprised primarily of surrender fees in our voluntary benefits product line.

Benefits experience was favorable for the individual disability product line in the third quarter of 2019 compared to the same period of 2018 due to favorable claim recoveries and a lower average claim size. Benefits experience for individual disability was unfavorable in the first nine months of 2019 compared to the same period of 2018 due primarily to less favorable mortality experience. Benefits experience for voluntary benefits was less favorable in the third quarter of 2019 compared to the same period of 2018 due to very favorable experience across most product lines in the third quarter of 2018. Benefits experience for voluntary benefits was favorable in the first nine months of 2019 compared to the same period of 2018 due primarily to the release of active life reserves resulting from a higher level of policy terminations during the first quarter of 2019. Benefits experience for the dental and vision product line in the third quarter and first nine months of 2019 was unfavorable compared to the same periods of 2018 driven by business mix and unfavorable reserve development.

Commissions and the deferral of acquisition costs were lower for the third quarter and first nine months of 2019 compared to the same periods of 2018 due primarily to a shift in product mix that resulted in lower first-year commissions and a lower corresponding deferral of acquisition costs. The amortization of deferred acquisition costs increased in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to the growth in the level of deferred asset across all product lines. Also contributing to the increase in the amortization of deferred acquisition costs in the first nine months of 2019 relative to the same period of 2018 was the impact of a higher level of policy terminations, particularly in the voluntary benefits product line. Our other expense ratio decreased in the third quarter and first nine months of 2019 compared to the same periods of 2018 due to growth in premium income and our continued focus on expense management and operating efficiencies balanced with operational investments in our business.

Sales

(in millions of dollars)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Sales by Product						
Group Disability and Group Life and AD&D						
Group Long-term Disability	\$ 23.8	(6.3)%	\$ 25.4	\$ 109.4	13.4 %	\$ 96.5
Group Short-term Disability	20.5	14.5	17.9	78.0	34.9	57.8
Group Life and AD&D	30.9	5.1	29.4	125.3	(2.5)	128.5
Subtotal	75.2	3.4	72.7	312.7	10.6	282.8
Supplemental and Voluntary						
Individual Disability	27.1	34.8	20.1	56.6	(0.5)	56.9
Voluntary Benefits	46.6	(2.1)	47.6	253.0	1.6	249.0
Dental and Vision	12.7	3.3	12.3	39.4	8.5	36.3
Subtotal	86.4	8.0	80.0	349.0	2.0	342.2
Total Sales	\$ 161.6	5.8	\$ 152.7	\$ 661.7	5.9	\$ 625.0
Sales by Market Sector						
Group Disability and Group Life and AD&D						
Core Market (< 2,000 employees)	\$ 54.8	(2.0)%	\$ 55.9	\$ 187.1	(2.4)%	\$ 191.7
Large Case Market	20.4	21.4	16.8	125.6	37.9	91.1
Subtotal	75.2	3.4	72.7	312.7	10.6	282.8
Supplemental and Voluntary	86.4	8.0	80.0	349.0	2.0	342.2
Total Sales	\$ 161.6	5.8	\$ 152.7	\$ 661.7	5.9	\$ 625.0

Group sales increased in the third quarter and first nine months of 2019 compared to the same periods of 2018, primarily driven by an increase in sales to both new and existing customers in our large case market segment and higher sales to existing customers in our core market segment, which we define as employee groups with fewer than 2,000 employees. Partially offsetting the increase in group sales during the third quarter and first nine months of 2019 were lower sales to new customers in

the core market segment. The sales mix in the group market sector for the first nine months of 2019 was approximately 60 percent core market and 40 percent large case market.

Individual disability sales, which are primarily concentrated in the multi-life market, increased in the third quarter of 2019 compared to the same period of 2018 driven by higher sales to both new and existing customers. Individual disability sales were generally consistent in the first nine months of 2019 compared to the same period of 2018. Sales of voluntary benefits decreased in the third quarter of 2019 compared to the same period of 2018 driven by a decline in sales to new customers in our core market and lower sales to existing customers in our large case market, partially offset by an increase in sales to existing customers in our core market segment and higher sales to new customers in our large case market. Voluntary benefits sales were higher during the first nine months of 2019 due to higher sales to both new and existing customers in our large case market, partially offset by lower sales to both new and existing customers in our core market. Dental and vision sales increased in the third quarter and first nine months of 2019 compared to the same periods of 2018, driven by higher sales to both new and existing customers.

Segment Outlook

We remain committed to offering consumers a broad set of financial protection benefit products at the worksite. We will continue to invest in a unique customer experience defined by simplicity, empathy, and deep industry expertise through the re-design of our processes and the increased utilization of digital capabilities and technology to enhance enrollment, underwriting, and claims processing. We will continue to focus on the expansion of products, which includes dental and vision, medical stop-loss, and leave management services, while also introducing new voluntary benefits products. Additionally, we will focus on client expansion, consumer engagement, and collaborative partnerships, all underpinned by strong risk management. We believe our active client management and differentiated integrated customer experience across our product lines will continue to enable us to grow our market.

We anticipate continued stable adjusted operating income growth in 2019, with disciplined sales and premium growth, consistent risk management, and improving operational efficiency. We believe our underlying profitability will remain strong throughout the year, driven primarily by our continued product mix shift, expense efficiencies, and consistent operating effectiveness.

The low interest rate environment continues to place pressure on our profit margins by impacting net investment income yields as well as discount rates on our insurance liabilities. Our net investment income may continue to be unfavorably impacted by fluctuations in miscellaneous investment income and lower asset levels resulting from improved capital efficiency. As part of our pricing discipline and our reserving methodology, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate. We expect that our underwriting results for the remainder of 2019 will continue at a level generally consistent with 2018. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

Unum International Segment

The Unum International segment is comprised of our operations in both the United Kingdom and Poland and includes insurance for group long-term disability, group life, and supplemental lines of business which include dental, individual disability, critical illness, and our Unum Poland products. Unum International's products are sold primarily through field sales personnel and independent brokers and consultants.

Operating Results

Shown below are financial results and key performance indicators for the Unum International segment.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Group Long-term Disability	\$ 84.8	(7.1)%	\$ 91.3	\$ 262.3	(3.5)%	\$ 271.8
Group Life	27.9	3.0	27.1	83.9	0.4	83.6
Supplemental	39.6	102.0	19.6	118.7	94.3	61.1
Total Premium Income	152.3	10.4	138.0	464.9	11.6	416.5
Net Investment Income	24.3	(8.0)	26.4	93.9	9.1	86.1
Other Income	—	N.M.	—	0.3	N.M.	—
Total	176.6	7.4	164.4	559.1	11.2	502.6
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits						
	109.1	6.3	102.6	346.4	11.9	309.5
Commissions	11.6	27.5	9.1	35.2	25.3	28.1
Deferral of Acquisition Costs	(2.9)	107.1	(1.4)	(9.5)	79.2	(5.3)
Amortization of Deferred Acquisition Costs	1.8	(10.0)	2.0	5.4	(12.9)	6.2
Other Expenses	32.8	26.2	26.0	97.6	21.1	80.6
Total	152.4	10.2	138.3	475.1	13.4	419.1
Adjusted Operating Income	\$ 24.2	(7.3)	\$ 26.1	\$ 84.0	0.6	\$ 83.5

N.M. = not a meaningful percentage

Foreign Currency Translation

The functional currencies of Unum UK and Unum Poland are the British pound sterling and Polish zloty, respectively. Premium income, net investment income, claims, and expenses are received or paid in the functional currency, and we hold functional currency-denominated assets to support functional currency-denominated policy reserves and liabilities. We translate functional currency-denominated financial statement items into dollars for our consolidated financial reporting. We translate income statement items using an average exchange rate for the reporting period, and we translate balance sheet items using the exchange rate at the end of the period. We report unrealized foreign currency translation gains and losses in accumulated other comprehensive income in our consolidated balance sheets.

Fluctuations in exchange rates have an effect on Unum International's reported financial results and our consolidated financial results. In periods when the functional currency strengthens relative to the preceding period, translation increases current period results relative to the prior period. In periods when the functional currency weakens, translation decreases current period results relative to the prior period.

Unum UK Operating Results

Shown below are financial results and key performance indicators for the Unum UK product lines in functional currency.

(in millions of pounds, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Group Long-term Disability	£ 68.8	(1.7)%	£ 70.0	£ 206.0	2.4 %	£ 201.2
Group Life	22.7	9.1	20.8	66.0	6.6	61.9
Supplemental	17.5	15.1	15.2	51.6	13.9	45.3
Total Premium Income	109.0	2.8	106.0	323.6	4.9	308.4
Net Investment Income	18.3	(9.4)	20.2	69.6	9.4	63.6
Other Income	—	N.M.	—	0.1	N.M.	—
Total	127.3	0.9	126.2	393.3	5.7	372.0
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits						
	80.0	1.7	78.7	247.5	8.0	229.1
Commissions	7.0	—	7.0	20.6	(1.0)	20.8
Deferral of Acquisition Costs	(1.1)	10.0	(1.0)	(4.0)	2.6	(3.9)
Amortization of Deferred Acquisition Costs	1.4	(6.7)	1.5	4.1	(10.9)	4.6
Other Expenses	21.3	6.5	20.0	62.1	4.2	59.6
Total	108.6	2.3	106.2	330.3	6.5	310.2
Adjusted Operating Income	£ 18.7	(6.5)	£ 20.0	£ 63.0	1.9	£ 61.8
Weighted Average Pound/Dollar Exchange Rate	1.230		1.305	1.276		1.351
Operating Ratios (% of Premium Income):						
Benefit Ratio	73.4%		74.2%	76.5%		74.3%
Other Expense Ratio	19.5%		18.9%	19.2%		19.3%
Adjusted Operating Income Ratio	17.2%		18.9%	19.5%		20.0%
Persistency:						
Group Long-term Disability				88.9%		87.5%
Group Life				88.3%		85.5%
Supplemental				92.3%		92.9%

N.M. = not a meaningful percentage

Premium income increased in the third quarter and first nine months of 2019 compared to the same periods of 2018 driven by higher overall persistency, sales growth, and the impact of rate increases in the group long-term disability product line.

Net investment income was lower in the third quarter of 2019 relative to the same period of 2018 due to lower investment income from inflation index-linked bonds, which we invest in to support the claim reserves associated with certain of our group policies that provide for inflation-linked increases in benefits, and a lower yield on fixed-rate bonds, partially offset by a higher level of invested assets. Net investment income was higher in the first nine months of 2019 relative to the same period of 2018 due to higher miscellaneous investment income, resulting from a higher than normal level of bond calls, and a higher level of

invested assets. Partially offsetting the increase in net investment income for the first nine months was a lower yield on fixed-rate bonds and lower investment income from inflation index-linked bonds. The decrease in net investment income attributable to these index-linked bonds during the third quarter and first nine months of 2019 was partially offset by a decrease in the reserves for future claim payments related to the inflation index-linked group long-term disability and group life policies.

Benefits experience was favorable in the third quarter of 2019 relative to the same prior year period due to favorable claims incidence in the group critical illness product line, partially offset by unfavorable claim terminations in group long-term disability. Benefits experience was unfavorable during the first nine months of 2019 relative to the same prior year period due to unfavorable mortality experience and a reduction in the claim reserve discount rate to recognize the impact on future portfolio yields from the higher than normal level of bond calls experienced during the second quarter of 2019. The comparison for the third quarter and first nine months of 2019 relative to the same prior year periods was also impacted by lower inflation-linked increases in benefits related to our group products.

Commissions and the deferral of acquisition costs were generally consistent in the third quarter and first nine months of 2019 compared to the same periods of 2018. The amortization of deferred acquisition costs decreased in the third quarter and first nine months of 2019 relative to the same prior year periods due to a decline in the level of the deferred asset. The other expense ratio was higher in the third quarter of 2019 relative to the same prior year period due primarily to an increase in operational investments in our business but was generally consistent during the first nine months of 2019 relative to the same prior year period.

Sales

(in millions of dollars and pounds)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Unum International Sales by Product						
Group Long-term Disability	\$ 7.9	(13.2)%	\$ 9.1	\$ 28.5	(12.3)%	\$ 32.5
Group Life	5.0	(10.7)	5.6	17.9	13.3	15.8
Supplemental	6.7	N.M.	2.2	25.5	82.1	14.0
Total Sales	\$ 19.6	16.0	\$ 16.9	\$ 71.9	15.4	\$ 62.3

Unum International Sales by Market Sector						
Group Long-term Disability and Group Life						
Core Market (< 500 employees)	\$ 8.8	12.8 %	\$ 7.8	\$ 27.2	3.4 %	\$ 26.3
Large Case Market	4.1	(40.6)	6.9	19.2	(12.7)	22.0
Subtotal	12.9	(12.2)	14.7	46.4	(3.9)	48.3
Supplemental	6.7	N.M.	2.2	25.5	82.1	14.0
Total Sales	\$ 19.6	16.0	\$ 16.9	\$ 71.9	15.4	\$ 62.3

Unum UK Sales by Product						
Group Long-term Disability	£ 6.4	(8.6)%	£ 7.0	£ 22.3	(7.1)%	£ 24.0
Group Life	4.0	(7.0)	4.3	14.0	19.7	11.7
Supplemental	3.1	82.4	1.7	12.6	23.5	10.2
Total Sales	£ 13.5	3.8	£ 13.0	£ 48.9	6.5	£ 45.9

Unum UK Sales by Market Sector						
Group Long-term Disability and Group Life						
Core Market (< 500 employees)	£ 7.0	14.8 %	£ 6.1	£ 21.3	9.2 %	£ 19.5
Large Case Market	3.4	(34.6)	5.2	15.0	(7.4)	16.2
Subtotal	10.4	(8.0)	11.3	36.3	1.7	35.7
Supplemental	3.1	82.4	1.7	12.6	23.5	10.2
Total Sales	£ 13.5	3.8	£ 13.0	£ 48.9	6.5	£ 45.9

N.M. = not a meaningful percentage

The following discussion of sales results relates only to our Unum UK product lines and is based on functional currency.

Group long-term disability sales decreased during the third quarter and first nine months of 2019 relative to the same periods of 2018, with a decline in sales to new customers in our large case market and lower sales to existing customers in our core market, which we define as employee groups with fewer than 500 employees. Partially offsetting the decrease during the third quarter and first nine months of 2019 compared to the same periods of 2018 were higher sales to new customers in the core market.

Group life sales were lower in the third quarter of 2019 relative to the same period of 2018, with a decrease in sales to new and existing customers in the large case market, partially offset by higher sales to new customers in the core market. Group life sales were higher during the first nine months of 2019 due to an increase in sales to new and existing customers in both the core and large case markets.

Supplemental sales increased during the third quarter of 2019 relative to the same period of 2018 due to higher sales in both the group critical illness and dental product lines. Supplemental sales were higher during the first nine months of 2019 compared to the same prior year period due to higher sales in the group critical illness product line.

Segment Outlook

We are committed to driving growth in the Unum International segment and will build on the capabilities that we believe will generate growth and profitability in our businesses. Expanding our Unum UK group long-term disability market position remains a significant priority. Completing the integration of our Unum Poland business and growing that business through the expansion of its product offerings is also a significant opportunity. Other key priorities, specifically for our Unum UK business, include the continued disciplined implementation of price increases across interest sensitive product lines, which has been successful in offsetting pressure from lower interest rates and heightened disability claims experience, while maintaining solid persistency results and continuing to follow a disciplined approach to new sales activity in the competitive pricing environment. We intend to build upon the strong sales momentum we have seen in our group critical illness and dental products through increased participation rates as well as accelerate growth in our group life line of business. We have simplified our processes and operations to deliver efficiencies and further improvements to customer service and remain focused on risk discipline. The investments that we have made in the operating model for our UK business have significantly improved our operational effectiveness and we will continue to reinvest a portion of these expense savings to build marketing and digital capabilities, which we believe will drive sustainable growth through the development of new distribution capabilities and reaching new customers.

Negotiations regarding the U.K.'s formal notice to withdraw from the EU are continuing to generate uncertainty in the U.K. economy. The magnitude and longevity of potential negative economic impacts on our growth will depend on the agreements reached by the U.K. and EU as a result of exit negotiations and the resulting response of the U.K. marketplace, but we believe we are well positioned to capitalize on future growth opportunities as these negotiations are resolved and the operating environment improves. Overall, we expect the current economic conditions to continue for the U.K., with lower economic growth, wage inflation, and interest rates presenting challenges in the short to medium term.

We expect the current environment to continue to have a negative impact on our growth expectations in the near-term and may also lead to a higher rate of claim incidence, lower levels of claim recoveries, or lower claim discount rates. As part of our continued pricing discipline and our reserving strategy, we continuously monitor emerging interest rate experience and adjust our pricing and reserve discount rates, as appropriate. We will likely continue to experience volatility in net investment income and our benefit ratio due to fluctuations in the level of inflation in the U.K., however, we do not expect this to have a significant impact on adjusted operating income. There are no indications currently that capital requirements for our U.K. operations will change, but economic conditions may in the near term cause volatility in our solvency ratios. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly to respond to external challenges.

Colonial Life Segment

The Colonial Life segment includes insurance for accident, sickness, and disability products, which includes our expanded dental and vision products, life products, and cancer and critical illness products issued primarily by Colonial Life & Accident Insurance Company and marketed to employees, on both a group and an individual basis, at the workplace through an independent contractor agency sales force and brokers.

Operating Results

Shown below are financial results and key performance indicators for the Colonial Life segment.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Accident, Sickness, and Disability	\$ 243.0	4.8 %	\$ 231.9	\$ 727.6	5.2 %	\$ 691.8
Life	86.7	6.5	81.4	262.6	7.7	243.9
Cancer and Critical Illness	90.2	4.0	86.7	269.9	4.6	258.0
Total Premium Income	419.9	5.0	400.0	1,260.1	5.6	1,193.7
Net Investment Income	36.9	0.5	36.7	111.0	(2.8)	114.2
Other Income	0.9	125.0	0.4	2.2	120.0	1.0
Total	457.7	4.7	437.1	1,373.3	4.9	1,308.9
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits	215.8	4.7	206.1	646.2	5.3	613.4
Commissions	91.0	(1.5)	92.4	280.3	2.4	273.7
Deferral of Acquisition Costs	(76.8)	(5.0)	(80.8)	(243.2)	2.4	(237.4)
Amortization of Deferred Acquisition Costs	64.2	4.9	61.2	196.3	8.5	181.0
Other Expenses	76.3	3.1	74.0	236.9	3.7	228.4
Total	370.5	5.0	352.9	1,116.5	5.4	1,059.1
Adjusted Operating Income	\$ 87.2	3.6	\$ 84.2	\$ 256.8	2.8	\$ 249.8
Operating Ratios (% of Premium Income):						
Benefit Ratio	51.4%		51.5%	51.3%		51.4%
Other Expense Ratio	18.2%		18.5%	18.8%		19.1%
Adjusted Operating Income Ratio	20.8%		21.1%	20.4%		20.9%
Persistency:						
Accident, Sickness, and Disability				73.4%		73.8%
Life				83.6%		83.7%
Cancer and Critical Illness				81.0%		82.4%

Premium income increased in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to growth in the in-force block resulting from prior period sales growth, which includes the expansion of our dental and vision products, offset partially by lower persistency. Net investment income was generally consistent in the third quarter of 2019 relative to the same period of 2018 but was lower in the first nine months of 2019 compared to the same period of 2018, due to lower miscellaneous investment income and a lower yield on invested assets, partially offset by an increase in the level of invested assets.

Benefits experience in the third quarter and first nine months of 2019 was generally consistent with the same periods of 2018, with favorable experience in the life line of business, mostly offset by unfavorable experience in our cancer and critical illness line of business.

Commissions and the deferral of acquisition costs were lower in the third quarter relative to the same period of 2018 due to a decline in sales. Commissions and the deferral of acquisition costs were higher in the first nine months of 2019 relative to the same period of 2018 due to prior period sales growth. The amortization of deferred acquisition costs increased during the third quarter and first nine months of 2019 relative to the same periods of 2018 due primarily to overall growth in the level of the deferred asset. Also impacting the comparison for the first nine months of 2019 relative to the same prior year period was the impact of the prospective unlocking for future experience relative to assumptions for our interest-sensitive voluntary life products. The other expense ratio was lower in the third quarter and first nine months of 2019 due to an increase in premium income and our continued focus on expense management and operating efficiencies.

Sales

(in millions of dollars)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Sales by Product						
Accident, Sickness, and Disability	\$ 78.6	1.7 %	\$ 77.3	\$ 232.0	2.1 %	\$ 227.3
Life	23.7	(2.1)	24.2	69.4	(5.1)	73.1
Cancer and Critical Illness	18.3	(5.2)	19.3	54.9	(2.8)	56.5
Total Sales	\$ 120.6	(0.2)	\$ 120.8	\$ 356.3	(0.2)	\$ 356.9

Sales by Market Sector

Commercial						
Core Market (< 1,000 employees)	\$ 73.8	(3.1)%	\$ 76.2	\$ 226.6	(1.5)%	\$ 230.0
Large Case Market	16.6	(0.6)	16.7	50.9	(3.2)	52.6
Subtotal	90.4	(2.7)	92.9	277.5	(1.8)	282.6
Public Sector	30.2	8.2	27.9	78.8	6.1	74.3
Total Sales	\$ 120.6	(0.2)	\$ 120.8	\$ 356.3	(0.2)	\$ 356.9

Commercial market sales decreased in the third quarter and first nine months of 2019 as compared to the same periods of 2018, due to lower sales to new customers in both the core market, which we define as accounts with fewer than 1,000 employees, and the large case market, partially offset by higher sales to existing customers in the core and large case markets. Also impacting the comparison for the third quarter and first nine months of 2019 compared to the same periods of 2018 were higher dental and vision sales. Public sector market sales were higher in the third quarter and first nine months of 2019 due to an increase in sales to both new and existing customers. The number of new accounts decreased 4.1 percent and 3.8 percent, respectively, in the third quarter and first nine months of 2019 relative to the same periods of 2018. The average new case size decreased 6.5 percent and 5.9 percent, respectively, in the third quarter and first nine months of 2019 relative to the same periods of 2018.

Segment Outlook

We remain committed to providing employees and their families with simple, modern, and personal benefit solutions. We will continue to focus on expanding our distribution system through the growth and development of our agency sales force and establishing effective broker partnerships. We will also invest in new solutions and digital capabilities to enhance the customer experience for our business partners and further improve productivity. We will seek to capitalize on the expansion of our new dental products, which we believe will create opportunities for new cases while also allowing for further cross-selling opportunities to existing clients. We will continue to focus on accelerating growth through territory expansion, territory growth, persistency investments, and increased participation rates. We believe our distribution system, customer service capabilities, the expansion of our new dental products, and ability to serve all market sizes position us well for future growth.

We expect to see growth in sales, premium, and adjusted operating earnings in 2019. We also anticipate a decline in the operating expense ratio as we continue to balance operating efficiencies with the continued investments in future growth. The lower interest rate environment will continue to have an unfavorable impact on our profit margins, and volatility in miscellaneous investment income is likely to continue. We expect our annual benefit ratio for 2019 to be generally consistent with the level of 2018. While we believe our underlying profitability will remain strong, current economic conditions and increasing competition in the voluntary workplace market are seen as external risks to achievement of our business plans. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

Closed Block Segment

The Closed Block segment consists of individual disability, group and individual long-term care, and other insurance products no longer actively marketed. Individual disability in this segment generally consists of policies we sold prior to the mid-1990s and entirely discontinued selling in 2004. We discontinued offering individual long-term care in 2009 and group long-term care in 2012. Other insurance products include group pension, individual life and corporate-owned life insurance, reinsurance pools and management operations, and other miscellaneous product lines.

Operating Results

Shown below are financial results and key performance indicators for the Closed Block segment.

(in millions of dollars, except ratios)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Premium Income						
Individual Disability	\$ 91.4	(11.0)%	\$ 102.7	\$ 283.9	(11.0)%	\$ 319.0
Long-term Care	163.6	0.4	163.0	489.2	0.7	485.8
All Other	2.1	10.5	1.9	6.6	1.5	6.5
Total Premium Income	257.1	(3.9)	267.6	779.7	(3.9)	811.3
Net Investment Income	347.3	(0.2)	348.0	1,048.3	1.6	1,031.3
Other Income	18.9	—	18.9	53.5	(5.8)	56.8
Total	623.3	(1.8)	634.5	1,881.5	(0.9)	1,899.4
Benefits and Expenses						
Benefits and Change in Reserves for Future Benefits						
	537.4	(58.5)	1,294.5	1,615.3	(32.2)	2,382.1
Commissions	20.5	(1.9)	20.9	61.3	(3.2)	63.3
Interest and Debt Expense	1.2	(33.3)	1.8	4.2	(19.2)	5.2
Other Expenses	37.3	3.9	35.9	109.1	0.2	108.9
Total	596.4	(55.9)	1,353.1	1,789.9	(30.1)	2,559.5
Income (Loss) Before Income Tax and Net Realized Investment Gains and Losses						
	26.9	103.7	(718.6)	91.6	113.9	(660.1)
Long-term Care Reserve Increase	—	(100.0)	750.8	—	(100.0)	750.8
Adjusted Operating Income	\$ 26.9	(16.5)	\$ 32.2	\$ 91.6	1.0	\$ 90.7
Interest Adjusted Loss Ratios:						
Individual Disability	79.0%		80.5 %	80.1%		80.1 %
Long-term Care	89.8%		548.2 %	88.6%		248.2 %
Long-term Care Excluding Reserve Increase			87.5 %			93.7 %
Operating Ratios (% of Premium Income):						
Other Expense Ratio	14.5%		13.4 %	14.0%		13.4 %
Income (Loss) Ratio			(268.5)%			(81.4)%
Adjusted Operating Income Ratio	10.5%		12.0 %	11.7%		11.2 %
Persistency:						
Individual Disability				88.1%		88.7 %
Long-term Care				95.5%		95.6 %

Premium income for individual disability decreased in the third quarter and first nine months of 2019 compared to the same periods of 2018 due to policy terminations and maturities. Premium income for long-term care in the third quarter and first nine months of 2019 was slightly higher than the same prior year periods, with rate increases mostly offset by policy terminations. We continue to file requests with various state insurance departments for premium rate increases on certain of our individual and group long-term care policies which reflect assumptions as of the date of filings. In states for which a rate increase is submitted and approved, we routinely provide customers options for coverage changes or other approaches that might fit their current financial and insurance needs.

Net investment income was generally consistent in the third quarter of 2019, with lower miscellaneous investment income and lower yield, mostly offset by an increase in the level of invested assets, but higher in the first nine months of 2019 relative to the same periods of 2018 due to an increase in the level of invested assets, partially offset by lower miscellaneous investment income. Other income, which includes the underlying results and associated net investment income of certain blocks of individual disability reinsured business, continues to decline due to expected terminations and maturities.

Individual disability benefits experience was favorable in the third quarter of 2019 compared to the same period of 2018 primarily driven by overall favorable claims activity. During the first nine months of 2019, individual disability benefits experience was consistent relative to the same prior year period. Long-term care benefits experience, excluding the reserve increase related to the update in our assumptions during the third quarter of 2018, was unfavorable in the third quarter of 2019 compared to the same period of 2018 primarily driven by higher claims incidence. Long-term care benefits experience during the first nine months of 2019 was not comparable to the same period of 2018 due to the previously discussed update in our assumptions but was consistent with our expectations. The interest adjusted loss ratio for the trailing twelve months subsequent to the update in our assumptions was 87.2 percent.

The other expense ratio was higher in the third quarter and first nine months of 2019 compared to the same periods of 2018 due to the expected decline in premium income for individual disability, partially offset by our continued focus on expense management and operating efficiencies.

Segment Outlook

We will continue to execute on our well-defined strategy of implementing long-term care premium rate increases, efficient capital management, improved financial analysis, and operational effectiveness. Despite continued anticipated premium rate increases in our long-term care business, we expect overall premium income and adjusted operating revenue to decline over time as these closed blocks of business wind down. We will likely experience volatility in net investment income due to fluctuations of miscellaneous investment income and the increased allocation towards alternative assets in the long-term care product line portfolio. We continuously monitor key indicators to assess our risks and attempt to adjust our business plans accordingly.

Profitability of our long-tailed products is affected by claims experience related to mortality and morbidity, resolutions, investment returns, premium rate increases, and persistency. We believe that the interest adjusted loss ratios for the individual disability and long-term care lines of business will be relatively flat over the long term, but these product lines may continue to experience quarterly volatility, particularly in the near term for our long-term care product lines as our claim block matures and as we continue the implementation of premium rate increases. Specific to our long-term care line of business, which is in loss recognition and should report levels of benefits plus operating expenses that equal the gross premium reported, we expect the long term interest adjusted loss ratio to be in the 85 to 90 percent range with some quarterly volatility. Claim resolution rates, which measure the resolution of claims from recovery, deaths, settlements, and benefit expirations, are very sensitive to operational and external factors and can be volatile. Our claim resolution rate assumption used in determining reserves is our expectation of the resolution rate we will experience over the life of the block of business and will vary from actual experience in any one period. It is possible that variability in any of our reserve assumptions, including, but not limited to, interest rates, mortality, morbidity, resolutions, premium rate increases, benefit change elections, and persistency, could result in a material impact on the adequacy of our reserves, including adjustments to reserves established under loss recognition.

Corporate Segment

The Corporate segment includes investment income on corporate assets not specifically allocated to a line of business, interest and debt expense on corporate debt other than non-recourse debt, and certain other corporate income and expenses not allocated to a line of business.

Operating Results

(in millions of dollars)

	Three Months Ended September 30			Nine Months Ended September 30		
	2019	% Change	2018	2019	% Change	2018
Adjusted Operating Revenue						
Net Investment Income	\$ 6.7	(14.1)%	\$ 7.8	\$ 15.4	(31.6)%	\$ 22.5
Other Income	1.0	N.M.	0.1	2.6	62.5	1.6
Total	7.7	(2.5)	7.9	18.0	(25.3)	24.1
Interest, Debt, and Other Expenses	81.8	48.7	55.0	181.3	23.3	147.0
Loss Before Income Tax and Net Realized Investment Gains and Losses	(74.1)	(57.3)	(47.1)	(163.3)	(32.9)	(122.9)
Cost Related to Early Retirement of Debt	25.2	N.M.	—	25.2	N.M.	—
Adjusted Operating Loss	\$ (48.9)	(3.8)	\$ (47.1)	\$ (138.1)	(12.4)	\$ (122.9)

N.M. = not a meaningful percentage

Net investment income was lower in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to a lower level of invested assets and a lower yield on invested assets.

Interest, debt, and other expenses were higher in the third quarter and first nine months of 2019 relative to the same periods of 2018, driven primarily by costs related to the early retirement of debt. Excluding these costs, interest, debt, and other expenses were higher in the third quarter and first nine months of 2019 relative to the same periods of 2018 due to higher pension costs and a higher level of outstanding debt, partially offset by higher acquisition and restructuring costs in 2018 that did not recur. See "Liquidity and Capital Resources - Debt" contained herein in Item 2 for further discussion.

Segment Outlook

We expect to continue to generate excess capital on an annual basis through the statutory earnings in our insurance subsidiaries, aided in part by the reduction in the corporate tax rate resulting from tax reform. We believe we are well positioned with flexibility to preserve our capital strength while also continuing to return capital to our shareholders.

Investments

Overview

Investment activities are an integral part of our business, and profitability is significantly affected by investment results. We segment our invested assets into portfolios that support our various product lines. Generally, our investment strategy for our portfolios is to match the effective asset cash flows and durations with related expected liability cash flows and durations to consistently meet the liability funding requirements of our businesses. We seek to earn investment income while assuming credit risk in a prudent and selective manner, subject to constraints of quality, liquidity, diversification, and regulatory considerations. Our overall investment philosophy is to invest in a portfolio of high quality assets that provide investment returns consistent with that assumed in the pricing of our insurance products. Assets are invested predominately in fixed maturity securities. Changes in interest rates may affect the amount and timing of cash flows.

We actively manage our asset and liability cash flow match and our asset and liability duration match to limit interest rate risk. We may redistribute investments among our different lines of business, when necessary, to adjust the cash flow and/or duration of the asset portfolios to better match the cash flow and duration of the liability portfolios. Asset and liability portfolio modeling is updated on a quarterly basis and is used as part of the overall interest rate risk management strategy. Cash flows from the in-force asset and liability portfolios are projected at current interest rate levels and also at levels reflecting an increase and a decrease in interest rates to obtain a range of projected cash flows under the different interest rate scenarios. These results enable us to assess the impact of projected changes in cash flows and duration resulting from potential changes in interest rates. Testing the asset and liability portfolios under various interest rate scenarios enables us to choose what we believe to be the most appropriate investment strategy, as well as to limit the risk of disadvantageous outcomes. Although we test the asset and liability portfolios under various interest rate scenarios as part of our modeling, the majority of our liabilities related to insurance contracts are not interest rate sensitive, and we therefore have minimal exposure to policy withdrawal risk. Our determination of investment strategy relies on long-term measures such as reserve adequacy analysis and the relationship between the portfolio yields supporting our various product lines and the aggregate discount rate assumptions embedded in the reserves. We also use this analysis in determining hedging strategies and utilizing derivative financial instruments for managing interest rate risk and the risk related to matching duration for our assets and liabilities. We do not use derivative financial instruments for speculative purposes.

Our investment portfolio is well diversified by type of investment and industry sector. We have established an investment strategy that we believe will provide for adequate cash flows from operations and allow us to hold our securities through periods where significant decreases in fair value occur. We believe our emphasis on risk management in our investment portfolio, including credit and interest rate management, has positioned us well and generally reduced the volatility in our results.

Fixed Maturity Securities

The fair values and associated unrealized gains and losses of our fixed maturity securities portfolio, by industry classification, are as follows:

**Fixed Maturity Securities - By Industry Classification
As of September 30, 2019**

(in millions of dollars)

Classification	Fair Value	Net Unrealized Gain	Fair Value of Fixed Maturity Securities with Gross Unrealized Loss	Gross Unrealized Loss	Fair Value of Fixed Maturity Securities with Gross Unrealized Gain	Gross Unrealized Gain
Basic Industry	\$ 2,619.5	\$ 250.2	\$ 163.9	\$ 13.9	\$ 2,455.6	\$ 264.1
Capital Goods	5,334.3	724.2	98.1	3.4	5,236.2	727.6
Communications	2,740.6	483.2	39.1	1.8	2,701.5	485.0
Consumer Cyclical	1,156.0	119.6	70.5	2.8	1,085.5	122.4
Consumer Non-Cyclical	6,671.5	907.3	167.3	32.4	6,504.2	939.7
Energy	4,537.1	616.5	275.2	43.5	4,261.9	660.0
Financial Institutions	5,663.8	651.4	101.8	11.9	5,562.0	663.3
Mortgage/Asset-Backed	1,513.2	106.5	15.5	0.2	1,497.7	106.7
Sovereigns	1,051.8	239.4	3.8	0.4	1,048.0	239.8
Technology	1,658.7	146.9	37.1	0.6	1,621.6	147.5
Transportation	1,876.6	281.4	17.3	0.1	1,859.3	281.5
U.S. Government Agencies and Municipalities	4,796.2	727.8	224.1	1.6	4,572.1	729.4
Public Utilities	7,815.7	1,390.9	133.7	5.7	7,682.0	1,396.6
Total	\$ 47,435.0	\$ 6,645.3	\$ 1,347.4	\$ 118.3	\$ 46,087.6	\$ 6,763.6

The following two tables show the length of time our investment-grade and below-investment-grade fixed maturity securities had been in a gross unrealized loss position as of September 30, 2019 and at the end of the prior four quarters. The relationships of the current fair value to amortized cost are not necessarily indicative of the fair value to amortized cost relationships for the securities throughout the entire time that the securities have been in an unrealized loss position nor are they necessarily indicative of the relationships after September 30, 2019. The decrease in the unrealized loss on fixed maturity securities during the third quarter of 2019 was due primarily to a decrease in U.S. treasury rates.

**Unrealized Loss on Investment-Grade Fixed Maturity Securities
Length of Time in Unrealized Loss Position**

(in millions of dollars)

	2019			2018	
	September 30	June 30	March 31	December 31	September 30
<i>Fair Value < 100% >= 70% of Amortized Cost</i>					
<= 90 days	\$ 4.3	\$ 3.8	\$ 3.0	\$ 52.1	\$ 25.9
> 90 <= 180 days	1.9	—	3.4	36.0	61.7
> 180 <= 270 days	—	0.6	7.4	90.2	158.2
> 270 days <= 1 year	3.1	2.4	24.0	200.0	43.9
> 1 year <= 2 years	6.6	30.6	97.0	94.5	95.7
> 2 years <= 3 years	1.5	8.2	27.1	50.5	9.7
> 3 years	—	0.2	0.7	1.7	1.9
Sub-total	17.4	45.8	162.6	525.0	397.0
<i>Fair Value < 70% >= 40% of Amortized Cost</i>					
<= 90 days	—	—	—	1.6	—
> 90 <= 180 days	—	—	1.6	—	—
> 180 <= 270 days	—	1.6	—	—	—
> 270 days <= 1 year	0.3	—	—	—	14.2
> 1 year <= 2 years	—	11.1	11.1	2.9	—
Sub-total	0.3	12.7	12.7	4.5	14.2
Total	\$ 17.7	\$ 58.5	\$ 175.3	\$ 529.5	\$ 411.2

**Unrealized Loss on Below-Investment-Grade Fixed Maturity Securities
Length of Time in Unrealized Loss Position**

(in millions of dollars)

	2019			2018	
	September 30	June 30	March 31	December 31	September 30
<i>Fair Value < 100% >= 70% of Amortized Cost</i>					
<= 90 days	\$ 5.1	\$ 6.1	\$ 1.0	\$ 39.7	\$ 2.3
> 90 <= 180 days	10.3	1.3	2.1	19.0	6.9
> 180 <= 270 days	1.5	1.4	3.8	11.1	19.5
> 270 days <= 1 year	0.9	6.3	1.3	52.8	11.5
> 1 year <= 2 years	31.0	26.3	29.1	27.1	13.8
> 2 years <= 3 years	0.3	—	10.6	4.8	1.9
> 3 years	5.2	22.6	28.8	31.6	24.4
Sub-total	54.3	64.0	76.7	186.1	80.3
<i>Fair Value < 70% >= 40% of Amortized Cost</i>					
> 90 <= 180 days	12.0	—	—	—	—
> 1 year <= 2 years	—	—	—	0.7	—
> 2 years <= 3 years	12.7	11.7	—	11.3	—
> 3 years	21.6	14.2	7.2	17.8	5.1
Sub-total	46.3	25.9	7.2	29.8	5.1
<i>Fair Value <= 40% of Amortized Cost</i>					
> 3 years	—	—	12.6	11.0	—
Sub-total	—	—	12.6	11.0	—
Total	\$ 100.6	\$ 89.9	\$ 96.5	\$ 226.9	\$ 85.4

At September 30, 2019, we held two below-investment-grade fixed maturity securities with a gross unrealized loss greater than \$10.0 million. One security is related to a global pharmaceutical company and had a fair value of \$54.0 million and a gross unrealized loss of \$23.1 million. The other security is related to a U.S. based oil and natural gas producer and had a fair value of \$11.2 million and a gross unrealized loss of \$13.2 million. We intend to and have the ability to continue to hold these securities to recovery of amortized cost and believe that the declines in fair value are temporary.

During the third quarter of 2019, we recognized an other-than-temporary impairment loss of \$20.8 million on fixed maturity securities issued by a specialty pharmaceutical company. The company has a high level of debt, has experienced some operational issues, and is facing fines and potentially a large litigation expense, which led to our decision to no longer hold these securities to recovery of amortized cost. As of September 30, 2019, these securities had been in an unrealized loss position for a period of more than three years.

During the second quarter of 2019, we recognized a realized loss of \$15.6 million on the sale of securities of a U.S. based oil and natural gas producer. The company has been impacted by the significant decline in energy prices, a high level of debt, and an inability to complete certain asset sales. At the time of disposition, these securities had been in an unrealized loss position for a period of greater than three years.

We had no individual realized investment losses of \$10.0 million or greater from the sale of fixed maturity securities or from other-than-temporary impairments during the third quarter or first nine months of 2018.

At September 30, 2019, our mortgage/asset-backed securities had an average life of 6.55 years, effective duration of 4.78 years, and a weighted average credit rating of AAA. The mortgage/asset-backed securities are valued on a monthly basis using valuations supplied by the brokerage firms that are dealers in these securities as well as independent pricing services. One of the risks involved in investing in mortgage/asset-backed securities is the uncertainty of the timing of cash flows from the underlying loans due to prepayment of principal with the possibility of reinvesting the funds in a lower interest rate environment. We use models which incorporate economic variables and possible future interest rate scenarios to predict future prepayment rates. The timing of prepayment cash flows may also cause volatility in our recognition of investment income. We recognize investment income on these securities using a constant effective yield based on projected prepayments of the underlying loans and the estimated economic life of the securities. Actual prepayment experience is reviewed periodically, and effective yields are recalculated when differences arise between prepayments originally projected and the actual prepayments received and currently projected. The effective yield is recalculated on a retrospective basis, and the adjustment is reflected in net investment income.

As of September 30, 2019, the amortized cost and fair value of our below-investment-grade fixed maturity securities was \$3,008.9 million and \$3,062.6 million, respectively. Below-investment-grade securities are inherently riskier than investment-grade securities since the risk of default by the issuer, by definition and as exhibited by bond rating, is higher. Also, the secondary market for certain below-investment-grade issues can be highly illiquid. Additional downgrades may occur, but we do not anticipate any liquidity problems resulting from our investments in below-investment-grade securities, nor do we expect these investments to adversely affect our ability to hold our other investments to maturity.

Fixed Maturity Securities - Foreign Exposure

Our investments in issuers in foreign countries are chosen for specific portfolio management purposes, including asset and liability management and portfolio diversification across geographic lines and sectors to minimize non-market risks. In our approach to investing in fixed maturity securities, specific investments within approved countries and industry sectors are evaluated for their market position and specific strengths and potential weaknesses. For each security, we consider the political, legal, and financial environment of the sovereign entity in which an issuer is domiciled and operates. The country of domicile is based on consideration of the issuer's headquarters, in addition to location of the assets and the country in which the majority of sales and earnings are derived. We do not have exposure to foreign currency risk, as the cash flows from these investments are either denominated in currencies or hedged into currencies to match the related liabilities. We continually evaluate our foreign investment risk exposure.

Mortgage Loans

Our mortgage loan portfolio was \$2,321.7 million and \$2,295.0 million on an amortized cost basis at September 30, 2019 and December 31, 2018, respectively. Our mortgage loan portfolio is comprised entirely of commercial mortgage loans. Our mortgage loan portfolio is well diversified geographically and among property types. The incidence of problem mortgage loans and foreclosure activity continues to be low. Due to conservative underwriting, we expect the level of problem loans to remain low. We held no impaired mortgage loans at September 30, 2019. We held one impaired mortgage loan at December 31, 2018 with a net realizable value of \$3.4 million, net of a valuation allowance of \$0.2 million. During the first quarter of 2019, the impaired mortgage loan was settled, and we recognized an additional loss of \$0.1 million.

Derivative Financial Instruments

We use derivative financial instruments primarily to manage reinvestment, duration, foreign currency, and credit risks. Historically, we have utilized current and forward interest rate swaps and options on forward interest rate swaps and U.S. Treasury rates, current and forward currency swaps, forward treasury locks, currency forward contracts, forward contracts on specific fixed income securities, and credit default swaps. Our current credit exposure on derivatives, which is limited to the value of those contracts in a net gain position, including accrued interest receivable less collateral held, was \$0.3 million at September 30, 2019. We held \$28.8 million of cash collateral from our counterparties at September 30, 2019. The carrying value of fixed maturity securities posted as collateral to our counterparties was \$30.1 million at September 30, 2019. We had no cash collateral posted to our counterparties at September 30, 2019. We believe that our credit risk is mitigated by our use of multiple counterparties, all of which have an investment-grade credit rating, and by our use of cross-collateralization agreements.

Other

Our exposure to non-current investments, defined as foreclosed real estate and invested assets which are delinquent as to interest and/or principal payments, totaled \$36.4 million and \$36.0 million on a fair value basis at September 30, 2019 and December 31, 2018, respectively.

For further information see "Investments" in Part I, Item 1 and "Critical Accounting Estimates" and "Investments" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2018, and Notes 4 and 5 of the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Liquidity and Capital Resources

Overview

Our liquidity requirements are met primarily by cash flows provided from operations, principally in our insurance subsidiaries. Premium and investment income, as well as maturities and sales of invested assets, provide the primary sources of cash. Debt and/or securities offerings provide additional sources of liquidity. Cash is applied to the payment of policy benefits, costs of acquiring new business (principally commissions), operating expenses, and taxes, as well as purchases of new investments.

We have established an investment strategy that we believe will provide for adequate cash flows from operations. We attempt to match our asset cash flows and durations with expected liability cash flows and durations to meet the funding requirements of our business. However, deterioration in the credit market may delay our ability to sell our positions in certain of our fixed maturity securities in a timely manner and adversely impact the price we receive for such securities, which may negatively impact our cash flows. Furthermore, if we experience defaults on securities held in the investment portfolios of our insurance subsidiaries, this will negatively impact statutory capital, which could reduce our insurance subsidiaries' capacity to pay dividends to our holding companies. A reduction in dividends to our holding companies could force us to seek external financing to avoid impairing our ability to pay dividends to our stockholders or meet our debt and other payment obligations.

Our policy benefits are primarily in the form of claim payments, and we have minimal exposure to the policy withdrawal risk associated with deposit products such as individual life policies or annuities. A decrease in demand for our insurance products or an increase in the incidence of new claims or the duration of existing claims could negatively impact our cash flows from operations. However, our historical pattern of benefits paid to revenues is generally consistent, even during cycles of economic downturns, which serves to minimize liquidity risk.

The liquidity requirements of the holding company Unum Group include common stock dividends, interest and debt service, acquisitions, and ongoing investments in our businesses. Unum Group's liquidity requirements are met by assets held by Unum Group and our intermediate holding companies, dividends from primarily our insurance subsidiaries, and issuance of common stock, debt, or other capital securities and borrowings from existing credit facilities, as needed. As of September 30, 2019, Unum Group and our intermediate holding companies held fixed maturity securities, short-term investments, and cash of \$1,042 million. Fixed maturity securities consisted primarily of mortgage/asset-backed securities with an average maturity date of 5.1 years. Short-term investments consisted primarily of commercial paper. No significant restrictions exist on our ability to use or access funds in any of our U.S. or foreign intermediate holding companies. Future amounts repatriated from our foreign subsidiaries are eligible for a 100 percent exemption from U.S. income tax but may be subject to tax on foreign currency gain or loss.

As part of our capital deployment strategy, we repurchase shares of Unum Group's common stock, as authorized by our board of directors. Our current share repurchase program was approved by our board of directors in May 2019 and authorizes the repurchase of up to \$750 million of common stock through November 2020, with the pace of repurchase activity to depend upon various factors such as the level of available cash, alternative uses for cash, and our stock price. This new authorization replaced the previous authorization of \$750 million that was scheduled to expire in November 2019. During the first nine months of 2019, we repurchased 9.0 million shares at a cost of approximately \$300 million. The dollar value of shares remaining under the current repurchase program was approximately \$616 million at September 30, 2019. See Note 10 of the "Notes to Consolidated Financial Statements" contained herein in Item 1.

Cash Available from Subsidiaries

Unum Group and certain of its intermediate holding company subsidiaries depend on payments from subsidiaries to pay dividends to stockholders, to pay debt obligations, and/or to pay expenses. These payments by our insurance and non-insurance subsidiaries may take the form of dividends, operating and investment management fees, and/or interest payments on loans from the parent to a subsidiary.

Restrictions under applicable state insurance laws limit the amount of dividends that can be paid to a parent company from its insurance subsidiaries in any 12-month period without prior approval by regulatory authorities. For life insurance companies domiciled in the U.S., that limitation generally equals, depending on the state of domicile, either ten percent of an insurer's statutory surplus with respect to policyholders as of the preceding year end or the statutory net gain from operations, excluding realized investment gains and losses, of the preceding year. The payment of dividends to a parent company from a life insurance subsidiary is generally further limited to the amount of unassigned funds.

Certain of our domestic insurance subsidiaries cede blocks of business to Northwind Reinsurance Company (Northwind Re) and Fairwind Insurance Company (Fairwind), both of which are affiliated captive reinsurance subsidiaries domiciled in the United States with Unum Group as the ultimate parent. The ability of Northwind Re and Fairwind to pay dividends to their respective parent companies will depend on their satisfaction of applicable regulatory requirements and on the performance of the business reinsured by Northwind Re and Fairwind.

The ability of Unum Group and certain of its intermediate holding company subsidiaries to continue to receive dividends from their insurance subsidiaries also depends on additional factors such as RBC ratios and capital adequacy and/or solvency requirements, funding growth objectives at an affiliate level, and maintaining appropriate capital adequacy ratios to support desired ratings. The RBC ratios for our U.S. insurance subsidiaries at September 30, 2019 are in line with our expectations and are significantly above the level that would require state regulatory action.

Unum Group and/or certain of its intermediate holding company subsidiaries may also receive dividends from our U.K. subsidiaries, the payment of which may be subject to applicable insurance company regulations and capital guidance in the U.K. Unum Limited is subject to the requirements of Solvency II, a European Union (EU) directive, which prescribes capital requirements and risk management standards for the European insurance industry. Our European holding company is also subject to the Solvency II requirements relevant to insurance holding companies, while its subsidiaries (the Unum European Economic Area (EEA) Group), which includes Unum Limited, are subject to group supervision under Solvency II. The Unum EEA Group received approval from the U.K. Prudential Regulation Authority to use its own internal model for calculating regulatory capital and also received approval for certain associated regulatory permissions including transitional relief as the Solvency II capital regime continues to be implemented. There are currently no indications that capital requirements for the Unum EEA Group will change as a result of the U.K.'s exit from the EU, but economic conditions may in the near term cause volatility in our solvency ratios.

The payment of dividends to the parent company from our subsidiaries also requires the approval of the individual subsidiary's board of directors.

During the remainder of 2019, we intend to maintain a level of capital in our insurance subsidiaries above the applicable capital adequacy requirements and minimum solvency margins.

Insurance regulatory restrictions do not limit the amount of dividends available for distribution from non-insurance subsidiaries except where the non-insurance subsidiaries are held directly or indirectly by an insurance subsidiary and only indirectly by Unum Group.

Funding for Employee Benefit Plans

During the first nine months of 2019, we made contributions of \$51.5 million and £2.6 million to our U.S. and U.K. defined contribution plans, respectively, and expect to make additional contributions of approximately \$18 million and £1 million during the remainder of 2019. We made a de minimis amount of contributions to our U.S. qualified defined benefit pension plan and no contribution to our U.K. defined benefit pension plan during the first nine months of 2019. We do not expect to make additional contributions to our U.S. or U.K. qualified defined benefit pension plans during the remainder of 2019. We have met all minimum pension funding requirements set forth by the Employee Retirement Income Security Act. We have estimated our future funding requirements under the Pension Protection Act of 2006 and under applicable U.K. law and do not believe that any future funding requirements will cause a material adverse effect on our liquidity.

Debt

Our short-term debt balance at September 30, 2019 consisted entirely of our 5.625% senior unsecured notes due in the third quarter of 2020, with deferred debt costs of \$0.3 million included in the carrying amount.

Our long-term debt balance at September 30, 2019 was \$3,037.6 million, net of deferred debt issuance costs of \$35.8 million, and consisted primarily of secured and unsecured senior notes and junior subordinated debt securities.

Northwind Holdings made principal payments on its floating rate, senior secured non-recourse notes of \$45.0 million in the first nine months of 2019.

In September 2019, we issued \$450.0 million of 4.500% senior notes due 2049. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

Also in September 2019, pursuant to a cash tender offer, we purchased and retired (i) \$20.2 million aggregate liquidation amount of our 7.405% capital securities due 2038 issued by the Trust, which resulted in the reduction of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038 issued by Unum Group to the Trust; (ii) \$30.3 million aggregate principal amount of our 7.190% medium-term notes due 2028; (iii) \$30.0 million aggregate principal amount of our 7.250% senior notes due 2028; and (iv) \$256.0 million aggregate principal amount of our 3.000% senior notes due 2021. In connection with the tender offer, we incurred costs of \$25.2 million related to the early retirement of debt.

In October 2019, pursuant to the previously discussed cash tender offer, we purchased and retired an additional \$2.6 million aggregate liquidation amount of our 7.405% capital securities due 2038, which resulted in the reduction of a corresponding principal amount of our 7.405% junior subordinated debt securities due 2038 issued by Unum Group to the Trust. Also in October 2019, we purchased and retired the remaining \$94.0 million principal of the 3.000% senior notes due 2021 not purchased in the tender offer.

In June 2019, we issued \$400.0 million of 4.000% senior notes due 2029. The notes are callable at or above par and rank equally in the right of payment with all of our other unsecured and unsubordinated debt.

In April 2019, we amended the terms of our existing five-year unsecured revolving credit facility, increasing it from \$400.0 million to \$500.0 million. The credit facility, which was previously set to expire in 2021, was extended through April 2024. Under the terms of the amended agreement, we may request that the credit facility be increased up to \$700.0 million, up from the previous amount of \$600.0 million. We also may request, on up to two occasions, that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At September 30, 2019, letters of credit totaling \$0.6 million had been issued from the credit facility, but there were no borrowed amounts outstanding.

Also in April 2019, we separately entered into a three-year \$100.0 million unsecured revolving credit facility with a different syndicate of lenders, which is set to expire in April 2022. Under the terms of the agreement, we may request that the credit facility be increased up to \$140.0 million. We also may request that the lenders' commitment termination dates be extended by one year. The credit facility provides for the issuance of letters of credit subject to certain terms and limitations. At September 30, 2019, there have been no letters of credit issued from the credit facility and there were no borrowed amounts outstanding.

There are no significant financial covenants associated with any of our outstanding debt obligations. We continually monitor our compliance with our debt covenants and remain in compliance. Our credit facilities include financial covenants that place limitations on our leverage ratio and consolidated net worth. The credit facilities also include covenants that limit subsidiary indebtedness. We have not observed any current trends that would cause a breach of any debt covenants. See Note 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 and "Debt" and Note 8 of the "Notes to Consolidated Financial Statements" contained in Part II, Items 7 and 8, respectively, of our annual report on Form 10-K for the year ended December 31, 2018 for further discussion.

Commitments

At September 30, 2019, we had unfunded unconditional commitments of \$2.0 million to fund tax credit partnership investments, and \$14.7 million to fund the purchase of transferable state tax credits. These commitments are recognized as liabilities in our consolidated balance sheets, with a corresponding recognition of other long-term investments and other assets, respectively. In addition, we had commitments of \$173.6 million to fund certain investments in private placement fixed maturity securities, \$537.5 million to fund certain private equity partnerships, and \$16.0 million to fund certain commercial mortgage loans, which may or may not be funded.

With respect to our commitments and off-balance sheet arrangements, see the discussion under "Commitments" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2018. During the first nine months of 2019, there were no substantive changes in our commitments, contractual obligations, or other off-balance sheet arrangements other than the changes noted herein.

Transfers of Financial Assets

Our investment policy permits us to lend fixed maturity securities to unaffiliated financial institutions in short-term securities lending agreements, which increases our investment income with minimal risk. We account for all of our securities lending agreements and repurchase agreements as secured borrowings. We had \$1.8 million of securities lending agreements outstanding at September 30, 2019 which were collateralized by cash and reported as payables for collateral on investments in our consolidated balance sheets. The cash received as collateral was reinvested in short-term investments. The average balance during the first nine months of 2019 was \$2.6 million, and the maximum amount outstanding at any month end was \$5.9 million. In addition, at September 30, 2019, we had \$158.1 million of off-balance sheet securities lending agreements which were collateralized by securities that we were neither permitted to sell nor control. The average balance of these off-balance sheet transactions during the first nine months of 2019 was \$186.1 million, and the maximum amount outstanding at any month end was \$274.5 million.

To manage our cash position more efficiently, we may enter into repurchase agreements with unaffiliated financial institutions. We generally use repurchase agreements as a means to finance the purchase of invested assets or for short-term general business purposes until projected cash flows become available from our operations or existing investments. We had no repurchase agreements outstanding at September 30, 2019, nor did we utilize any repurchase agreements during the first nine months of 2019. Our use of repurchase agreements and securities lending agreements can fluctuate during any given period and will depend on our liquidity position, the availability of long-term investments that meet our purchasing criteria, and our general business needs.

Certain of our U.S. insurance subsidiaries are members of regional Federal Home Loan Banks (FHLB). As of September 30, 2019, we owned \$18.5 million of FHLB common stock and had no outstanding advances from the regional FHLBs.

See Note 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information.

Consolidated Cash Flows

(in millions of dollars)

	Nine Months Ended September 30	
	2019	2018
Net Cash Provided by Operating Activities	\$ 1,256.8	\$ 1,083.5
Net Cash Used by Investing Activities	(1,205.9)	(587.4)
Net Cash Used by Financing Activities	(67.9)	(359.3)
Net Increase (Decrease) in Cash and Bank Deposits	\$ (17.0)	\$ 136.8

Operating Cash Flows

Operating cash flows are primarily attributable to the receipt of premium and investment income, offset by payments of claims, commissions, expenses, and income taxes. Premium income growth is dependent not only on new sales, but on policy renewals and growth of existing business, renewal price increases, and persistency. Investment income growth is dependent on the growth in the underlying assets supporting our insurance reserves and capital and on the earned yield. The level of commissions and operating expenses is attributable to the level of sales and the first year acquisition expenses associated with new business as

well as the maintenance of existing business. The level of paid claims is affected partially by the growth and aging of the block of business and also by the general economy, as previously discussed in the operating results by segment.

The variance in the change in insurance reserves and liabilities to reconcile net income to net cash provided by operating activities as reported in our consolidated statements of cash flows for the first nine months of 2019 compared to the same prior year period was due primarily to the third quarter of 2018 reserve increase for our long-term care line of business.

Investing Cash Flows

Investing cash inflows consist primarily of the proceeds from the sales and maturities of investments. Investing cash outflows consist primarily of payments for purchases of investments. Our investment strategy is to match the cash flows and durations of our assets with the cash flows and durations of our liabilities to meet the funding requirements of our business. When market opportunities arise, we may sell selected securities and reinvest the proceeds to improve the yield and credit quality of our portfolio. We may at times also sell selected securities and reinvest the proceeds to improve the duration matching of our assets and liabilities and/or re-balance our portfolio. As a result, sales before maturity may vary from period to period. The sale and purchase of short-term investments is influenced by proceeds received from issuance of debt, our securities lending program, and by the amount of cash which is at times held in short-term investments to facilitate the availability of cash to fund the purchase of appropriate long-term investments, repay debt, fund acquisitions, and/or to fund our capital deployment program.

See Note 4 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 for further information.

Financing Cash Flows

Financing cash flows consist primarily of borrowings and repayments of debt, issuance or repurchase of common stock, and dividends paid to stockholders.

In September 2019, we issued \$450.0 million of 4.50% senior notes due 2049 and received total proceeds of \$446.0 million.

Also in September 2019, pursuant to a cash tender offer, we purchased and retired \$336.5 million aggregate liquidation/principal amount of our outstanding capital and debt securities, including debt repurchase costs of \$24.1 million for a total cash outflow of \$360.6 million.

In June 2019, we issued \$400.0 million of 4.00% senior notes due 2029 and received total proceeds of \$395.9 million.

During each of the first nine months of 2019 and 2018, we made principal payments of \$45.0 million on our senior secured non-recourse notes issued by Northwind Holdings.

In July 2018, our \$200.0 million 7.00% senior unsecured notes matured.

In May 2018, we issued \$300.0 million of 6.25% junior subordinated notes due 2058 and received total proceeds of \$290.7 million.

Cash used to repurchase shares of Unum Group's common stock during the first nine months of 2019 and 2018 was \$297.2 million and \$205.8 million, respectively. During the first nine months of 2019 and 2018, we paid dividends of \$170.3 million and \$160.2 million, respectively, to holders of Unum Group's common stock.

See Notes 10 and 13 of the "Notes to Consolidated Financial Statements" contained herein in Item 1 and "Debt" contained in this Item 2 for further information.

Ratings

AM Best, Fitch Ratings (Fitch), Moody's Investors Service (Moody's), and Standard & Poor's Rating Services (S&P) are among the third parties that assign issuer credit ratings to Unum Group and financial strength ratings to our insurance subsidiaries. Issuer credit ratings reflect an agency's opinion of the overall financial capacity of a company to meet its senior debt obligations. Financial strength ratings are specific to each individual insurance subsidiary and reflect each rating agency's view of the overall financial strength (capital levels, earnings, growth, investments, business mix, operating performance, and market position) of the insuring entity and its ability to meet its obligations to policyholders. Both the issuer credit ratings and financial strength ratings incorporate quantitative and qualitative analyses by rating agencies and are routinely reviewed and updated on an ongoing basis.

We compete based in part on the financial strength ratings provided by rating agencies. A downgrade of our financial strength ratings can be expected to adversely affect us and could potentially, among other things, adversely affect our relationships with distributors of our products and services and retention of our sales force, negatively impact persistency and new sales, particularly large case group sales and individual sales, and generally adversely affect our ability to compete. A downgrade in the issuer credit rating assigned to Unum Group can be expected to adversely affect our cost of capital or our ability to raise additional capital.

The table below reflects the outlook as well as the issuer credit ratings for Unum Group and the financial strength ratings for each of our traditional insurance subsidiaries as of the date of this filing.

	AM Best	Fitch	Moody's	S&P
Outlook	Stable	Negative	Stable	Stable
Issuer Credit Ratings	bbb	BBB	Baa2	BBB
Financial Strength Ratings				
Provident Life and Accident Insurance Company	A	A	A2	A
Provident Life and Casualty Insurance Company	A	A	NR	NR
Unum Life Insurance Company of America	A	A	A2	A
First Unum Life Insurance Company	A	A	A2	A
Colonial Life & Accident Insurance Company	A	A	A2	A
The Paul Revere Life Insurance Company	A	A	A2	A
Starmount Life Insurance Company	A-	NR	NR	NR
Unum Insurance Company	A-	A	A2	NR
Unum Limited	NR	NR	NR	A-

NR = not rated

We maintain an ongoing dialogue with the four rating agencies that evaluate us in order to inform them of progress we are making regarding our strategic objectives and financial plans as well as other pertinent issues. A significant component of our communications involves our annual review meeting with each of the four agencies. We hold other meetings throughout the year regarding our business, including, but not limited to, quarterly updates. There have been no changes in any of the rating agencies' outlooks or ratings during 2019 prior to the date of this filing.

Agency ratings are not directed toward the holders of our securities and are not recommendations to buy, sell, or hold our securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization, and each rating should be regarded as an independent assessment, not conditional on any other rating. Given the dynamic nature of the ratings process, changes by these or other rating agencies may or may not occur in the near-term. Based on our ongoing dialogue with the rating agencies concerning our insurance risk profile, our financial flexibility, our operating performance, and the quality of our investment portfolio, we do not expect any negative actions from any of the four rating agencies related to either Unum Group's current issuer credit ratings or the financial strength ratings of our insurance subsidiaries. However, in the event that we are unable to meet the rating agency specific guideline values to maintain our current ratings, including but not limited to maintenance of our capital management metrics at the threshold values stated and maintenance of our financial flexibility and

operational consistency, we could be placed on a negative credit watch, with a potential for a downgrade to both our issuer credit ratings and our financial strength ratings.

See our annual report on Form 10-K for the year ended December 31, 2018 for further information regarding our debt and financial strength ratings and the risks associated with rating changes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to various market risk exposures including interest rate risk and foreign exchange rate risk. With respect to our exposure to market risk, see the discussion under "Investments" in Item 2 of this Form 10-Q and in Part II, Item 7A of our annual report on Form 10-K for the year ended December 31, 2018. During the first nine months of 2019, there was no substantive change to our market risk or the management of this risk.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report. We assessed those controls based on criteria established in the 2013 Internal Control - Integrated Framework from the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective as of September 30, 2019.

There have been no changes in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Part I, Item 1, Note 11 of the "Notes to Consolidated Financial Statements" for information on legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about our share repurchase activity for the third quarter of 2019:

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share (1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Program (2)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (2)
July 1 - July 31, 2019	1,022,445	\$ 33.25	1,022,445	\$ 682,184,151
August 1 - August 31, 2019	1,197,556	27.56	1,197,556	649,184,177
September 1 - September 30, 2019	1,163,103	28.37	1,163,103	616,184,199
Total	<u>3,383,104</u>		<u>3,383,104</u>	

- (1) The average price paid per share excludes the cost of commissions.
- (2) In May 2019, our board of directors authorized the repurchase of up to \$750 million of Unum Group's common stock through November 23, 2020. This new authorization replaced the May 2018 authorization of \$750 million that was scheduled to expire on November 24, 2019.

ITEM 6. EXHIBITS

Index to Exhibits

Exhibit 4.1	<u>Form of 4.500% Senior Notes due 2049 (incorporated by reference to Exhibit 4.1 of Unum Group's Form 8-K filed on September 11, 2019).</u>
Exhibit 10.1	<u>Amended and Restated Aircraft Time-Sharing Agreement between Unum Group and Richard P. McKenney, dated as of August 9, 2019.</u>
Exhibit 31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 101	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Unum Group

(Registrant)

Date: October 30, 2019

By: /s/ Steven A. Zabel

Steven A. Zabel

Executive Vice President and Chief Financial Officer

Date: October 30, 2019

By: /s/ Daniel J. Waxenberg

Daniel J. Waxenberg

Senior Vice President, Chief Accounting Officer

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

AMENDED AND RESTATED AIRCRAFT TIME-SHARING AGREEMENT

THIS AMENDED AND RESTATED AIRCRAFT TIME-SHARING AGREEMENT (this “Agreement”) is entered into as of March 8, 2018 between **Unum Group**, a Delaware corporation (the “Operator”), and **Richard P. McKenney**, a resident of the State of Tennessee (the “User”). This Agreement amends and restates that certain Aircraft Time-Sharing Agreement effective May 21, 2015 between Operator and User.

RECITALS:

- A. Operator owns and maintains the corporate aircraft described herein and operates such aircraft in connection with its business;
- B. User desires to obtain air transportation services in such aircraft from time to time for cash; and
- C. Operator is authorized to carry other persons under a time-sharing agreement for reimbursement on a limited basis, as long as Operator does not engage in the carriage of persons or cargo by air for compensation or hire;

NOW, THEREFORE, in consideration of the foregoing and of other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties do hereby agree as follows:

1. **Definitions.** As used herein, the following capitalized terms shall have the respective meanings set forth in this Section 1:

“Aircraft” shall mean each aircraft described in any Supplement or Supplements hereto executed by and between User and Operator substantially in the form of Exhibit A.

“FAA” shall mean the Federal Aviation Administration of the U.S. Department of Transportation, or any successor.

“FAR” shall mean the Federal Aviation Regulations, Title 14, Code of Federal Regulations, as in effect from time to time.

“Principal Base” shall mean Chattanooga Metropolitan Airport, Chattanooga, Tennessee (airport code CHA).

“Service Area” shall mean the 48 contiguous states of the United States; Canada; Mexico; and the islands in the Caribbean Sea.

“Service Period” shall mean the period from the effective date of the relevant Supplement to the date of termination hereof communicated by at least thirty (30) days’ written notice from one party hereto to the other, inclusive.

“Services” shall have the meaning given thereto in Section 2 of this Agreement.

“SIFL” shall mean the Standard Industry Fare Level valuation formula set forth in Treasury Regulations Section 1.61-21(g), 28

C.F.R. Section 1.61-21(g).

“Supplement” shall mean each Aircraft Time-Sharing Supplement executed under this Agreement by the parties hereto substantially in the form of Exhibit A hereto, covering one or more particular Aircraft and incorporating by reference the terms and provisions of this Agreement.

“Ticket Tax” shall mean the federal excise tax imposed upon the transportation of persons by air pursuant to Section 4261 of the Internal Revenue Code of 1986, as amended, 26 U.S.C. Section 4261, or any replacement thereof, and regulations thereunder.

2. Operator Services. During the Service Period, Operator will provide the following services to User (collectively the “Services”):

(a) The use of one or more of the Aircraft, on a time-sharing basis pursuant to the provisions of FAR Sections 91.501(b)(6) and 91.501(c)(1), 14 C.F.R. Sections 91.501(b)(6) and 91.501(c)(1), upon request of User from time to time. The Principal Base shall be used for purposes of routine departure and arrival of persons authorized by User to use the Services. The Services will be available to User within the Service Area on a space-available basis in the discretion of Operator, upon not less than twenty-four (24) hours’ prior telephonic or other notice from User to Operator.

(b) Flight crew for the Aircraft.

(c) Inspection and maintenance of the Aircraft according to specifications currently in practice by Operator.

3. Consideration.

(a) In partial reimbursement of Operator’s costs of providing the Services to be provided to User hereunder, User shall pay to Operator its actual costs of each of the following items as expenses of any specific flight conducted hereunder:

(1) Fuel, oil, lubricants and other additives.

(2) Travel expenses of the crew, including food, lodging and ground transportation.

(3) Hangar and tie-down costs away from the Aircraft’s base of operation.

(4) Insurance (if any) obtained for the specific flight.

(5) Landing fees, airport taxes and similar assessments.

(6) Customs, foreign permit and similar fees directly related to the flight.

(7) In-flight food and beverages provided by Operator.

(8) Passenger ground transportation provided by Operator.

(9) Flight planning and weather contract services used for the flight.

(10) An additional charge equal to the amount by which the value of the flight determined under SIFL exceeds the sum of the expenses listed in subparagraphs (1) through (9) above, such additional charge not however to exceed 100 percent of the expenses listed in subparagraph (1) above.

(b) In connection with all Services rendered, Operator shall invoice User promptly for all reimbursable costs incurred by Operator in connection with a specific flight. The amount invoiced at any time shall reflect actual costs of Operator in pursuing the specific flight referred to, plus the amount of Ticket Tax required to be collected and remitted by Operator thereon. User shall pay each invoice within 20 days of receipt.

4. Other Obligations of User. For each flight, User shall provide Operator with an accurate passenger manifest not less than two (2) hours prior to scheduled departure. User also shall cooperate reasonably and shall arrange that passengers shall cooperate reasonably with Operator in its efforts to comply with all applicable requirements of the FAA, the U.S. Department of Homeland Security and any other governmental authorities having jurisdiction over each flight hereunder.

5. Operational Control. At all times when any Aircraft is being flown for User under this Agreement, Operator shall have operational control of the Aircraft. Operator’s pilot-in-command shall have final authority to determine all safety matters, including without limitation the initiation and termination of each flight, the selection of routing of the Aircraft and the load to be carried.

6. Liability Limitations. Operator shall not be liable for delay or cancellation of flights or for loss or damage to property to the extent the same is caused by scheduling of necessary maintenance or repairs or by inclement weather, strike, civil commotion, government action, flood, fire, explosion, act of God or any other cause beyond the reasonable control of Operator. The liability of Operator for loss of or damage to baggage or other cargo shall be limited to \$20 per kilogram of such property. Neither party shall be liable to the other for any punitive, exemplary or special damages under or in connection with this Agreement.

7. Risks, Indemnification and Insurance.

(a) Except as otherwise provided herein, Operator shall indemnify, defend and hold harmless User from and against any and all third-party claims, charges, suits, losses, costs, damages, liabilities and causes of action, including

reasonable attorneys' fees, to the extent the same are imposed upon, incurred by or asserted against User as a result of any act or omission on the part of Operator or those for whom Operator is responsible in connection with the operation or use of the Aircraft or as a result of a breach by Operator of any of its obligations, representations or warranties under this Agreement.

(b) Except as otherwise provided herein, User shall indemnify, defend and hold harmless Operator from and against any and all third-party claims, charges, suits, losses, costs, damages, liabilities and causes of action, including reasonable attorneys' fees, to the extent the same are imposed upon, incurred by or asserted against Operator as a result of a breach by User of any of his obligations, representations or warranties under this Agreement.

(c) During the term of this Agreement, Operator shall maintain or cause to be maintained aircraft liability insurance in respect of each Aircraft, its use and operation, covering bodily injury and death of persons and loss of or damage to property, with a combined single limit of not less than \$50,000,000 per occurrence, and naming User as an additional insured under the policy.

(d) During the Service Period, Operator shall maintain or cause to be maintained aircraft hull insurance covering all risks of loss of and damage to each Aircraft, in an amount not less than the replacement value of the Aircraft.

(e) All such coverages shall be maintained with insurers of recognized responsibility and shall conform to any relevant requirements of the FAA for aircraft operated in time-sharing service.

8. Representations and Warranties of Operator. Operator hereby represents and warrants to, and covenants with, User that on the date hereof, and at all times during the Service Period:

(a) Operator is a corporation duly organized and existing in good standing under the laws of the State of Delaware and is duly authorized to transact business under the laws of all other jurisdictions where the nature of its business requires such authorization.

(b) This Agreement constitutes the valid and binding obligations of Operator enforceable against Operator in accordance with its terms.

(c) Operator is the registered owner of each Aircraft and has good right to use, possess and control each Aircraft for all purposes of this Agreement.

(d) Operator is duly authorized to carry out flights of all Aircraft under a time-sharing arrangement as contemplated by FAR Section 91.501, 14 C.F.R. Section 91.501.

(e) Each pilot and co-pilot provided by Operator hereunder shall be duly type-rated for aircraft of the same type as the Aircraft to be operated by them, and shall be properly qualified, tested and trained pursuant to the FAR and current under FAR Section 61.57, 14 C.F.R. Section 61.57.

9. Representations and Warranties of User. User hereby represents and warrants to, and covenants with, Operator that on the date hereof, and at all times during the Service Period:

(a) User is an individual resident of the State of Tennessee, of full age, and has all necessary authority to execute, deliver and perform this Agreement.

(b) This Agreement constitutes the valid and binding obligations of User enforceable against User in accordance with its terms.

(c) The Aircraft shall be used hereunder only for User's own purposes, and not for providing transportation of passengers or cargo to others for compensation or hire or for any unlawful purpose.

10. Independent Contractor. At all times hereunder, Operator will determine the methods, details and means of performing the Services. It is the intention of the parties that Operator shall be an independent contractor hereunder, and nothing in this Agreement shall be deemed to constitute either party an agent, partner or joint venturer of the other or to authorize either party to bind the other to any agreement or obligation.

11. Termination. Either party may terminate this Agreement upon thirty (30) days' prior written notice to the other.

12. Application. The provisions of this Agreement shall apply to all annual hours (and any portion thereof) of use of the Aircraft by the User to the extent such hours in the aggregate exceed the total annual hours of use without cost to the User which are authorized by the Operator.

13. Miscellaneous.

(a) Except as expressly permitted hereby, neither party may assign any of its interest in this Agreement or any Supplement or delegate any of its obligations hereunder or thereunder without the written consent of the other party. No such consent shall be required for any assignment by Operator to any affiliate or successor, provided that any such assignee meets all of the requirements set forth herein with respect to the Operator.

(b) Unless otherwise provided herein, all notices and other communications required or permitted under this Agreement shall be in writing and shall be deemed delivered upon physical delivery thereof to the recipient, upon receipt of a facsimile copy with electronic confirmation received by the sender or five (5) days after being sent by U.S. Mail with postage prepaid, addressed as follows:

If to User: Mr. Richard P. McKenney
1 Fountain Square
Chattanooga, TN 37402
Facsimile: (423) 294-7056

If to Operator: Unum Group
1 Fountain Square
Chattanooga, TN 37402
Attn: General Counsel
Facsimile: (423) 294-5036

(c) The terms and provisions of this Agreement and any Supplements hereto shall be governed and construed in accordance with the laws of the State of Tennessee without giving effect to its conflicts of laws provisions except such principles which permit the parties to select the law to be applied to this Agreement.

(d) This Agreement and the Supplements hereunder shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, successors and permitted assigns.

(e) This Agreement and each relevant Supplement hereunder constitute the entire agreement and understanding between the parties with respect to the subject matter hereof and may not be amended, waived or modified except in a writing signed by the party to be charged.

(f) This Agreement and any Supplement hereunder may be executed in two or more counterparts and by the parties hereto and thereto on separate counterparts, all such counterparts together to constitute one and the same instrument.

(g) This Agreement and any Supplements hereunder supersede all prior agreements or assertions with respect to the subject matter hereof, whether oral or written, and all other communications between the parties with respect to the subject matter hereof.

(h) This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, shall in all respects be administered in accordance with Section 409A of the Code. All reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including, without limitation, that (i) in no event shall reimbursements under this Agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided, that invoices

shall have been submitted for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that are required to be paid or provided in any given calendar year shall not affect the in-kind benefits that are obligated to be paid or provided in any other calendar year; (iii) the right to receive reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall obligations to make reimbursements or provide in-kind benefits apply later than five years beyond User's lifetime.

[Signatures on the following page.]

14. Truth-In-Leasing.

DURING THE TWELVE (12) MONTHS PRECEDING THE EXECUTION OF THIS AGREEMENT, THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91. OPERATOR CERTIFIES THAT THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED IN COMPLIANCE WITH APPLICABLE REQUIREMENTS OF FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS AGREEMENT. DURING THE DURATION OF THIS AGREEMENT, OPERATOR SHALL BE CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT WHEN OPERATED UNDER THIS AGREEMENT. THE UNDERSIGNED OPERATOR, WHOSE ADDRESS IS 1 FOUNTAIN SQUARE, CHATTANOOGA, TN 37402, CERTIFIES THAT IT IS RESPONSIBLE FOR SUCH CONTROL AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FAR PROVISIONS.

AN EXPLANATION OF THE FACTORS BEARING ON OPERATIONAL CONTROL AND THE PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE OR AIR CARRIER DISTRICT OFFICE.

IN WITNESS WHEREOF, Operator and User have executed this Amended and Restated Aircraft Time-Sharing Agreement as of the day and year first above written.

Unum Group, as Operator

By: /s/ Lisa G. Iglesias
Lisa G. Iglesias

Title: Executive Vice President, General Counsel

Richard P. McKenney, as User

/s/ Richard P. McKenney
Richard P. McKenney

Exhibit A

AIRCRAFT TIME-SHARING SUPPLEMENT NO. 3

THIS AIRCRAFT TIME-SHARING SUPPLEMENT NO. 3 (this “Supplement”) is entered into as of August 9, 2019 between **Unum Group** (“Operator”) and **Richard P. McKenney** (“User”).

Operator and User are parties to that Amended and Restated Aircraft Time-Sharing Agreement between them dated as of March 8, 2018 (the “Agreement”), the terms and provisions of which Agreement are incorporated herein by this reference. This Supplement amends (to update the registration number of the Embraer aircraft described below), restates and supersedes that certain Aircraft Time-Sharing Supplement No. 2 effective March 8, 2018 between Operator and User.

1. User engages Operator to provide, and Operator agrees to provide to User, the use from time to time of the aircraft described below (the “Aircraft”) upon all of the terms and provisions of the Agreement as supplemented by this Supplement:

<u>Make and Model</u>	<u>Year</u>	<u>Serial No.</u>	<u>Registration No.</u>
Raytheon Hawker 800XP	2000	258473	N73UP
Raytheon Hawker 800XP	2003	258639	N95UP
Embraer EMB-545	2016	55010005	N1848U

2. As compensation for the services to be rendered under the Agreement as supplemented hereby, User shall reimburse to Operator certain of Operator’s costs, as provided more fully in the Agreement.

3. The term of this Supplement shall commence as of the 12th day of March, 2018 at 12 AM Eastern time and shall extend until the expiration of the Service Period (as defined in the Agreement), unless earlier terminated in accordance with the terms of the Agreement.

4. The parties acknowledge and agree that, notwithstanding any other term or provision hereof, the rights of User to use the Aircraft hereunder are (a) subject to all terms and provisions of the lease agreements with respect thereto between the lessors thereof and the Operator and (b) subordinate to the rights of the respective lessors thereof and their secured lenders.

IN WITNESS WHEREOF, Operator and User have executed this Aircraft Time-Sharing Supplement No. 3 as of the day and year first above written.

Unum Group, as Operator

Richard P. McKenney, as User

By: /s/ Lisa G. Iglesias

/s/ Richard P. McKenney

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Section 3: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION

I, Richard P. McKenney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unum Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2019

/s/ Richard P. McKenney

Richard P. McKenney

President and Chief Executive Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 4: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION

I, Steven A. Zabel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Unum Group;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2019

/s/ Steven A. Zabel

Steven A. Zabel

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 5: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

**STATEMENT OF CHIEF EXECUTIVE OFFICER
OF UNUM GROUP
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Unum Group (the Company) on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Richard P. McKenney, President and Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/ Richard P. McKenney

Richard P. McKenney

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

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Section 6: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

**STATEMENT OF CHIEF FINANCIAL OFFICER
OF UNUM GROUP
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Unum Group (the Company) on Form 10-Q for the period ended September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned, Steven A. Zabel, Executive Vice President and Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/ Steven A. Zabel

Steven A. Zabel

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Unum Group and will be retained by Unum Group and furnished to the Securities and Exchange Commission or its staff upon request.

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